



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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## Grassley Advances Payment Fixes for Doctors, Small Hospitals

WASHINGTON -- Sen. Chuck Grassley, chairman of the Committee on Finance, was successful in securing the inclusion of short-term payment increases for doctors and rural and small urban hospitals in the Fiscal Year 2003 omnibus appropriations bill under consideration by the full Senate. Grassley said he intends long-term payment adjustments later in the year.

“It’s important to act now, before Medicare’s flawed payment formulas inflict more damage on health care for older Americans,” Grassley said. “We have an opportunity to fix two egregious problems quickly and cleanly right now. I have been and will continue to do everything I can to make these adjustments happen.”

Grassley is a long-time advocate of adjusting Medicare’s flawed payment formulas, especially those that penalize low-cost states like Iowa that provide efficient, high quality health care. Last October, he and his Democratic colleague, Sen. Max Baucus, introduced a comprehensive Medicare payment adjustment bill to address these problems. The bill did not receive final approval before Congress adjourned.

This week, Grassley successfully persuaded Senate appropriators to adopt the following two-part, short-term approach:

First, a short-term freeze in physician payment cuts:

Grassley said his provision stops the scheduled 4.4 percent reduction in physician fees from going into effect on March 1, freezing physician fees at the current 2002 levels. Specifically, the provision strikes only the 2003 “conversion factor”-- the flawed formula responsible for the 4.4 percent cut -- and replaces it with the conversion factor used in 2002. As a result, payments to physicians will remain at 2002 levels until Sept. 30, 2003.

Grassley said the rest of the 2003 physician payment rule, including favorable codes for certain physicians such as anesthesiologists and multifactor productivity changes that are worth billions of dollars to physicians, will be unaffected and will go into effect on March 1, 2003.

The cost of provision is \$800 million for the seven-month period beginning March 1, 2003, and ending September 30, 2003, according to preliminary scores from the Congressional Budget Office.

Other approaches to stopping the cuts, like H.J. Res. 3, would require Congress to pass a

disapproval resolution under the Congressional Review Act, a rare and draconian device that guts the rule altogether and undermines CMS' ability to make similar physician payment improvements in the future, Grassley said.

Second, a six-month base payment rate for rural and small urban hospitals:

Grassley said current law penalizes rural and small urban facilities by paying them 1.6 percent less on every inpatient discharge than their counterparts in urban areas of a million or more people. This is one reason for MedPAC's finding that Medicare inpatient profit margins are substantially worse for rural and small urban facilities than for those located in large urban areas.

The provision raises the inpatient base rate for hospitals in rural and small urban areas to the same rate as that in large urban areas for six months, Grassley said. Every state except Rhode Island has rural or small urban hospitals, so 49 states will benefit from this provision.

Grassley said a permanent version of this policy was included in the House-passed prescription drug bill last year, H.R. 4954. MedPAC has endorsed a permanent version of this policy in its 2003 draft recommendations.

The cost of the provision is \$300 million for the six-month period beginning April 1, 2003, and ending September 30, 2003, according to preliminary scores from the Congressional Budget Office.

"This hospital provision is a down payment on Medicare equity for Iowa and the many other states that get short-changed for doing more with less," Grassley said. "I'll keep working on ways to bring even greater Medicare equity to Iowa this spring."