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Grassley Advances Provisions on Medicare Physician Quality,  
Hospital Wage Index, Use of Data for Research

WASHINGTON – Sen. Chuck Grassley, ranking member of the Committee on Finance, today advanced Medicare provisions to add quality measures to physician payments, reform the hospital wage index, and reform the use of data for research to improve health care programs.

Grassley received approval of the measures as amendments to the Senate’s Fiscal Year 2008 budget resolution, which the Senate approved today. The budget resolution provides a spending framework for authorizing and appropriating committees to refer to as they legislate federal spending. The Finance Committee is the authorizing committee for Medicare. Details of each provision follow.

**Physician quality measures.** This adds language to the reserve fund on Medicare physician payments to include financial incentives for physicians to promote better quality care. It endorses rewards for physicians who use consensus-based quality measures when they provide care to Medicare beneficiaries.

“Increasing physician payment, by itself, does not improve quality in the Medicare program,” Grassley said. “We need to make changes in how Medicare pays physicians to reward higher quality and more efficient care.”

This provision builds on last year’s *Tax Relief and Health Care Act*, which provided incentives for physicians to provide better quality care by establishing a voluntary Physician Quality Reporting Program. That program is the first of its kind for physicians and other health care professionals. It provides incentive payments for those who report consensus-based quality measures to the Centers for Medicare and Medicaid Services from July through December of 2007. Today’s provision allows continued work toward the goal of improving the quality of care in the Medicare program by providing financial incentives for physicians to furnish higher quality and more efficient care.

**Improved Medicare hospital payment accuracy.** This provision creates a reserve fund

to allow the reform of the Medicare hospital wage to better reflect labor costs. Grassley said many observers agree that the current method of calculating the wage index does not reflect a hospital's actual labor costs. Instead, the current method is seen as arbitrary, so that similarly situated hospitals can receive significantly different wage index values and therefore receive significantly different Medicare payments. Some also question the underlying data used to calculate the wage index.

“It’s unfair when a government calculation does not work,” Grassley said. “This unfairness not only adversely affects the hospital, but it also ultimately affects the community. Residents rely on the hospital not only to receive much-needed health care services, but also for vital contributions to the local economy as an employer and purchaser. We need to make sure that residents, especially in rural and underserved areas, have access to hospital services.”

**Medicare data amendment.** This provision creates a reserve fund to create a framework and parameters for the use of Medicare data for the purpose of conducting research, public reporting, and other activities to evaluate health care safety, effectiveness, efficiency and resource utilization in federal programs – such as Medicare’s prescription drug program – and the private health care system.

“Medicare collects a lot of information on services used by beneficiaries under Part A and Part B,” Grassley said. “Millions of prescriptions are being filled each year under Part D. Linking data on hospital and physician services provided to Medicare beneficiaries to prescription drug data will offer a tremendous resource for researchers in our federal agencies, as well as those based at universities and other research centers.”

Grassley said the data can support research such as studies and analyses related to post-marketing surveillance of prescription drugs and research on drug safety. For example, analyzing the Medicare claims data could help agencies, such as the Food and Drug Administration (FDA), identify situations like the one involving Vioxx more quickly and provide a new valuable tool to enable the FDA to take swifter action to protect the public’s health and well-being, Grassley said.