

110TH CONGRESS
1ST SESSION

S. 498

To amend title XVIII of the Social Security Act to improve the Medicare program for beneficiaries residing in rural areas.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 6, 2007

Mr. FEINGOLD (for himself and Ms. COLLINS) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To amend title XVIII of the Social Security Act to improve the Medicare program for beneficiaries residing in rural areas.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Rural Medicare Equity Act of 2007”.

6 (b) TABLE OF CONTENTS.—The table of contents of
7 this Act is as follows:

Sec. 1. Short title; table of contents.

Sec. 2. Elimination of geographic physician work adjustment factor from geographic indices used to adjust payments under the physician fee schedule.

Sec. 3. Clinical rotation demonstration project.

Sec. 4. Medicare rural health care quality improvement demonstration projects.

Sec. 5. Ensuring proportional representation of interests of rural areas on the Medicare Payment Advisory Commission.

Sec. 6. Implementation of GAO recommendations regarding geographic adjustment indices under the Medicare physician fee schedule.

1 **SEC. 2. ELIMINATION OF GEOGRAPHIC PHYSICIAN WORK**
 2 **ADJUSTMENT FACTOR FROM GEOGRAPHIC**
 3 **INDICES USED TO ADJUST PAYMENTS UNDER**
 4 **THE PHYSICIAN FEE SCHEDULE.**

5 (a) FINDINGS.—Congress finds the following:

6 (1) Variations in the geographic physician work
 7 adjustment factors under section 1848(e) of the So-
 8 cial Security Act (42 U.S.C. 1395w-4(e)) result in
 9 inequity between localities in payments under the
 10 Medicare physician fee schedule.

11 (2) Beneficiaries under the Medicare program
 12 that reside in areas where such adjustment factors
 13 are high have relatively more access to services that
 14 are paid based on such fee schedule.

15 (3) There are a number of studies indicating
 16 that the market for health care professionals has be-
 17 come nationalized and historically low labor costs in
 18 rural and small urban areas have disappeared.

19 (4) Elimination of the adjustment factors de-
 20 scribed in paragraph (1) would equalize the reim-
 21 bursement rate for services reimbursed under the
 22 Medicare physician fee schedule while remaining
 23 budget-neutral.

1 (b) ELIMINATION.—Section 1848(e) of the Social Se-
2 curity Act (42 U.S.C. 1395w-4(e)) is amended—

3 (1) in paragraph (1)(A)(iii), by striking “an
4 index” and inserting “for services provided before
5 January 1, 2008, an index”; and

6 (2) in paragraph (2), by inserting “, for serv-
7 ices provided before January 1, 2008,” after “para-
8 graph (4)), and”.

9 (c) BUDGET NEUTRALITY ADJUSTMENT FOR ELIMI-
10 NATION OF GEOGRAPHIC PHYSICIAN WORK ADJUSTMENT
11 FACTOR.—Section 1848(d) of the Social Security Act (42
12 U.S.C. 1395w-4(d)), as amended by section 101 of the
13 Medicare Improvement and Extension Act of 2006, is
14 amended—

15 (1) in paragraph (1)(A), by striking “The con-
16 version” and inserting “Subject to paragraph (8),
17 the conversion”; and

18 (2) by adding at the end the following new
19 paragraph:

20 “(8) BUDGET NEUTRALITY ADJUSTMENT FOR
21 ELIMINATION OF GEOGRAPHIC PHYSICIAN WORK AD-
22 JUSTMENT FACTOR.—Before applying an update for
23 a year under this subsection, the Secretary shall (if
24 necessary) provide for an adjustment to the conver-
25 sion factor for that year to ensure that the aggreg-

1 gate payments under this part in that year shall be
2 equal to aggregate payments that would have been
3 made under such part in that year if the amend-
4 ments made by section 2(b) of the Rural Medicare
5 Equity Act of 2007 had not been enacted.”.

6 **SEC. 3. CLINICAL ROTATION DEMONSTRATION PROJECT.**

7 (a) **ESTABLISHMENT.**—Not later than 6 months after
8 the date of enactment of this Act, the Secretary shall es-
9 tablish a demonstration project that provides for dem-
10 onstration grants designed to provide financial or other
11 incentives to hospitals to attract educators and clinical
12 practitioners so that hospitals that serve beneficiaries
13 under the Medicare program under title XVIII of the So-
14 cial Security Act (42 U.S.C. 1395 et seq.) who are resi-
15 dents of underserved areas may host clinical rotations.

16 (b) **DURATION OF PROJECT.**—The demonstration
17 project shall be conducted over a 5-year period.

18 (c) **WAIVER.**—The Secretary shall waive such provi-
19 sions of titles XI and XVIII of the Social Security Act
20 (42 U.S.C. 1301 et seq. and 1395 et seq.) as may be nec-
21 essary to conduct the demonstration project under this
22 section.

23 (d) **REPORTS.**—The Secretary shall submit to the ap-
24 propriate committees of Congress interim reports on the
25 demonstration project and a final report on such project

1 within 6 months after the conclusion of the project to-
2 gether with recommendations for such legislative or ad-
3 ministrative action as the Secretary determines appro-
4 priate.

5 (e) FUNDING.—There are appropriated to the Sec-
6 retary \$20,000,000 to carry out this section.

7 (f) DEFINITIONS.—In this section:

8 (1) HOSPITAL.—The term “hospital” means
9 any subsection (d) hospital (as defined in section
10 1886(d)(1)(B) of the Social Security Act (42 U.S.C.
11 1395ww(d)(1)(B)) that had indirect or direct costs
12 of medical education during the most recent cost re-
13 porting period preceding the date of enactment of
14 this Act.

15 (2) SECRETARY.—The term “Secretary” means
16 the Secretary of Health and Human Services.

17 (3) UNDERSERVED AREA.—The term “under-
18 served area” means such medically underserved
19 urban areas and medically underserved rural areas
20 as the Secretary may specify.

21 **SEC. 4. MEDICARE RURAL HEALTH CARE QUALITY IM-**
22 **PROVEMENT DEMONSTRATION PROJECTS.**

23 (a) ESTABLISHMENT.—

24 (1) IN GENERAL.—Not later than 6 months
25 after the date of enactment of this Act, the Sec-

1 retary of Health and Human Services (in this sec-
2 tion referred to as the “Secretary”) shall establish
3 not more than 10 demonstration projects to provide
4 for improvements, as recommended by the Institute
5 of Medicine, in the quality of health care provided to
6 individuals residing in rural areas.

7 (2) ACTIVITIES.—Activities under the projects
8 may include public health surveillance, emergency
9 room videoconferencing, virtual libraries, telemedi-
10 cine, electronic health records, data exchange net-
11 works, and any other activities determined appro-
12 priate by the Secretary.

13 (3) CONSULTATION.—The Secretary shall con-
14 sult with the Rural Health Quality Advisory Com-
15 mission, the Office of Rural Health Policy of the
16 Health Resources and Services Administration, the
17 Agency for Healthcare Research and Quality, and
18 the Centers for Medicare & Medicaid Services in car-
19 rying out the provisions of this section.

20 (b) DURATION.—Each demonstration project under
21 this section shall be conducted over a 4-year period.

22 (c) DEMONSTRATION PROJECT SITES.—The Sec-
23 retary shall ensure that the demonstration projects under
24 this section are conducted at a variety of sites representing
25 the diversity of rural communities in the Nation.

1 (d) WAIVER.—The Secretary shall waive such provi-
2 sions of titles XI and XVIII of the Social Security Act
3 (42 U.S.C. 1301 et seq. and 1395 et seq.) as may be nec-
4 essary to conduct the demonstration projects under this
5 section.

6 (e) INDEPENDENT EVALUATION.—The Secretary
7 shall enter into an arrangement with an entity that has
8 experience working directly with rural health systems for
9 the conduct of an independent evaluation of the projects
10 conducted under this section.

11 (f) REPORTS.—The Secretary shall submit to the ap-
12 propriate committees of Congress interim reports on each
13 demonstration project and a final report on such project
14 within 6 months after the conclusion of the project. Such
15 reports shall include recommendations regarding the ex-
16 pansion of the project to other areas and recommendations
17 for such other legislative or administrative action as the
18 Secretary determines appropriate.

19 (g) FUNDING.—There are appropriated to the Sec-
20 retary \$50,000,000 to carry out this section.

21 **SEC. 5. ENSURING PROPORTIONAL REPRESENTATION OF**
22 **INTERESTS OF RURAL AREAS ON THE MEDI-**
23 **CARE PAYMENT ADVISORY COMMISSION.**

24 (a) IN GENERAL.—Section 1805(c)(2) of the Social
25 Security Act (42 U.S.C. 1395b–6(c)(2)) is amended—

1 (1) in subparagraph (A), by inserting “con-
2 sistent with subparagraph (E)” after “rural rep-
3 resentatives”; and

4 (2) by adding at the end the following new sub-
5 paragraph:

6 “(E) PROPORTIONAL REPRESENTATION OF
7 INTERESTS OF RURAL AREAS.—In order to pro-
8 vide a balance between urban and rural rep-
9 resentatives under subparagraph (A), the pro-
10 portion of members who represent the interests
11 of health care providers and Medicare bene-
12 ficiaries located in rural areas shall be no less
13 than the proportion, of the total number of
14 Medicare beneficiaries, who reside in rural
15 areas.”.

16 (b) EFFECTIVE DATE.—The amendments made by
17 subsection (a) shall apply with respect to appointments
18 made to the Medicare Payment Advisory Commission after
19 the date of the enactment of this Act.

20 **SEC. 6. IMPLEMENTATION OF GAO RECOMMENDATIONS RE-**
21 **GARDING GEOGRAPHIC ADJUSTMENT INDI-**
22 **CES UNDER THE MEDICARE PHYSICIAN FEE**
23 **SCHEDULE.**

24 Not later than 180 days after the date of enactment
25 of this Act, the Secretary of Health and Human Services

1 shall implement the recommendations contained in the
2 March 2005 GAO report 05–119 entitled “Medicare Phy-
3 sician Fees: Geographic Adjustment Indices are Valid in
4 Design, but Data and Methods Need Refinement.”.

