



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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For Immediate Release

Friday, April 2, 2004

Grassley Praises Increased Medicare Payments to Rural Hospitals

WASHINGTON -- Sen. Chuck Grassley, chairman of the Committee on Finance, today said rural hospitals will see increases in Medicare payments starting now under provisions of the new Medicare law. Grassley, the lead Senate architect of the bipartisan legislation, had insisted on measures in the Medicare law to reduce the gap in Medicare reimbursement rates between urban hospitals and rural ones. These payment changes built upon temporary increases Grassley was able to push through in other legislation in 2003.

“This increased equity for rural hospitals will help preserve health care access for seniors in my home state of Iowa and in other rural states,” Grassley said. “I’m proud of what this Medicare law means for Iowa. The law increases Medicare funding for doctors, hospitals and other health care providers, especially in rural areas, where reimbursement levels are far below what’s paid in other regions of the country.”

Grassley said the rural package is the most dramatic improvement in rural health care any Congress has ever considered: A \$25 billion commitment over 10 years. The provisions are offset by other program changes, not by seniors’ prescription drug money. Hospitals, doctors, and ambulance companies in states such as Iowa will see dramatic improvements in their Medicare payments. Grassley worked closely with the Iowa Hospital Association and the Iowa Medical Society in developing the legislation. Both groups endorsed the new law.

This week’s news release from the Centers for Medicare and Medicaid Services follows.

For Immediate Release

March 31, 2004

CMS INCREASES PAYMENTS TO RURAL AND SMALL URBAN HOSPITALS

The Centers for Medicare & Medicaid Services today implemented several provisions of the new Medicare law that will improve payment rates for rural and urban hospitals in areas with fewer than 1 million population, beginning with discharges on or after April 1, 2004. Taken together, the

provisions will increase payments to the affected hospitals by nearly \$12 billion over the next ten years.

In addition, as a result of these changes, the outlier threshold for all hospitals to be eligible for extra payments for unusually costly cases, will decrease from \$31,000 to \$30,150. The law, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), which was signed by President Bush on December 8, 2003, represents the most comprehensive reform of the Medicare program since its inception in 1965.

Rural hospitals and urban hospitals with fewer than 100 beds, in addition to other hospital types, that serve a disproportionate share of low-income Medicare and Medicaid patients will receive a boost in their disproportionate share hospital (DSH) payments beginning for discharges on or after April 1, 2004. As provided in the new Medicare law, the cap on DSH payment adjustments will increase from 5.25 percent to 12 percent for urban hospitals fewer than 100 beds, sole community hospitals, and rural hospitals with fewer than 500 beds. There is no cap on rural referral centers, large urban hospitals over 100 beds, or rural hospitals over 500 beds.

"The Bush Administration is strongly committed to ensuring that quality medical care is available to Americans in rural areas or in communities with significant numbers of low income people," Health and Human Services Secretary Tommy G. Thompson said. "The rural provisions of the MMA are designed to bring relief to hospitals that are critical to these patients."

The MMA also makes permanent a provision that would have expired March 31, 2004, creating a uniform standardized amount as the basis of Medicare payments to hospitals. Previously, there were two separate standardized amounts, one for hospitals in large urban areas (with populations over 1 million), and a lower one for hospitals in other areas. A separate standardized amount applies to hospitals in Puerto Rico. The standardized amount is used by CMS in the formula to establish payment rates for individual inpatient stays.

"As we work to improve and modernize Medicare, we intend to do all we can to help rural beneficiaries and others served by small hospitals," said CMS Administrator Mark B. McClellan, PhD., M.D.

Hospitals in Puerto Rico will receive an additional \$400 million over ten years, as a result of changes made to the payment formula applicable only to Puerto Rico. These hospitals are currently paid on a blend of 50 percent Federal standardized rate and 50 percent of the lower Puerto Rico-specific rate. Effective for discharges from April 1, 2004 through September 30, these hospitals will see an increase in their reimbursement as the blend changes to 62.5 percent Federal rate and 37.5 percent Puerto Rico-specific rate. There will be a further increase beginning with discharges on or after October 1, 2004, as the blend changes again to 75 percent Federal and 25 percent Puerto Rico-specific rates.

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