



For Immediate Release

December 7, 2010

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**REID, MCCONNELL, BAUCUS, GRASSLEY INTRODUCE LEGISLATION TO  
ENSURE SENIORS, MILITARY FAMILIES CONTINUE ACCESS TO HIGH-  
QUALITY DOCTORS**

*Senate Leaders' Bill Would Fix Medicare Physician Payment Formula to Ensure Doctors Can  
Continue Seeing Medicare, Tricare Patients*

**Washington, DC** – Senate Majority Leader Harry Reid (D-Nev.), Minority Leader Mitch McConnell (R-Ky.), Finance Committee Chairman Max Baucus (D-Mont.) and Ranking Member Chuck Grassley (R-Iowa) today introduced legislation extending through 2011 a fix to the Medicare physician payment formula to ensure seniors and military families can be confident they will be able to continue seeing their doctors. The legislation would ensure Medicare and Tricare, the health care program for active-duty service members, National Guard and Reserve members, retirees and their families, will continue to pay physicians who participate in those programs at current levels.

**"I will never stop fighting for Nevada's seniors and military families, and the bipartisan agreement we reached today should give peace of mind to them and seniors across the nation. This agreement ensures they can continue seeing their doctors and getting the treatment they need,"** said Senator Reid. **"I commend Chairman Baucus and Ranking Member Grassley for working across the aisle to reach this common-sense solution, which protects our seniors and veterans and fairly compensates doctors for the care they provide."**

**"I'm encouraged that we were able to work together in a bipartisan way and protect access to care for America's 45 million Medicare beneficiaries in a fiscally responsible manner,"** said Senator McConnell. **"This bipartisan accomplishment will help ensure that Kentucky's seniors and military personnel and their families won't be denied access to their doctors as a result of inaction in Washington."**

**"This bill ensures seniors and military families can be confident they will be able to continue to see the doctors they know and trust,"** said Baucus. **"Working together, we put together a**

**longer-term solution to provide the certainty doctors need and the security patients deserve. This bill means seniors and military families in Montana and across the country can now have the peace of mind of knowing they can continue to get the best care possible.”**

**“With a double-digit payment cut, some doctors would stop seeing Medicare and Tricare patients,” Grassley said. “This bipartisan agreement will help to ensure that older Americans and military families can continue to get quality health care.”**

The bill, the Medicare and Medicaid Extenders Act of 2010, would avoid a 25 percent cut to Medicare physician payments under the Sustainable Growth Rate (SGR) formula that would otherwise go into effect on January 1, 2011. The proposal also includes extensions of other expiring health care provisions, including protections for rural hospitals and doctors, Transitional Medical Assistance, and the Special Diabetes Program. The legislation would be paid for by modifying the policy regarding overpayments of the health care affordability tax credit. This policy does not change the tax credits for which people are eligible based on their income. Instead, the proposal would change the way people pay back overpayments when they have received more credit than they are eligible for because, for example, they earned more money than expected in a given year.

Under current law there is a flat cap of \$250 for individuals and \$400 for families on the amount of the health care affordability tax credit people are required to pay back when they received an overpayment. This payback cap is the same for people earning 160 percent of the federal poverty level and 360 percent of the federal poverty level. Under this proposal for correcting overpayments, the cap on the payback amount would be on a sliding scale based on the income of the recipient of the tax credit, making the policy fairer to both recipients and all taxpayers.

The Finance Committee has jurisdiction over the Medicare program and the physician payment formula, which also sets payment levels for the Tricare program. A summary of the Medicare and Medicaid Extenders Act of 2010 follows below. The legislative text of the Medicare and Medicaid Extenders Act of 2010 can be found on the Finance Committee website <http://finance.senate.gov/legislation/>.

## **Summary of the Medicare and Medicaid Extenders Act of 2010**

### **I. Extensions**

**Physician payment update.** Medicare physician payment rates are scheduled to be reduced by 25 percent on January 1, 2011. This provision would reverse that reduction and extend current Medicare payment rates through December 31, 2011. *The estimated cost of the provision is \$14.9 billion over ten years.*

**Extension of MMA section 508 reclassifications.** Under current law, hospital geographic reclassifications authorized under section 508 of the Medicare Modernization

Act expire on September 30, 2010. The bill would extend these reclassifications through FY 2011. *The estimated cost of the provision is \$300 million over ten years.*

**Extension of Medicare work geographic adjustment floor.** Under current law, the Medicare fee schedule is adjusted geographically for three factors to reflect differences in the cost of resources needed to produce physician services: physician work, practice expense, and medical malpractice insurance. The provision would extend the existing 1.0 floor on the “physician work” index through December 31, 2011. *The estimated cost of the provision is \$500 million over ten years.*

**Extension of exceptions process for Medicare therapy caps.** Current law places annual per beneficiary payment limits for all outpatient therapy services provided by non-hospital providers. The Secretary was required to implement an exceptions process for cases in which the provision of additional therapy services was determined to be medically necessary. The provision would extend the therapy caps exception process through December 31, 2011. *The estimated cost of the provision is \$900 million over ten years.*

**Extension of payment for technical component of certain physician pathology services.** The provision would extend the ability of independent laboratories to receive direct payments for the technical component for certain pathology services through December 31, 2011. *The estimated cost of the provision is \$100 million over ten years.*

**Extension of ambulance add-ons.** The provision would extend the increased Medicare rates for ambulance services, including in super rural areas, through December 31, 2011. *The estimated cost of the provision is \$100 million over ten years.*

**Extension of physician fee schedule mental health add-on payment.** The provision would extend the five percent increase in payments for certain Medicare mental health services through December 31, 2011. *The estimated cost of the provision is \$100 million over ten years.*

**Extension of outpatient hold harmless provision.** Under current law, the outpatient hold harmless provision expires on December 31, 2010. This provision extends the outpatient hold harmless provision through December 31, 2011. *The estimated cost of the provision is \$200 million over ten years.*

**Extension of Medicare reasonable costs payments for certain clinical diagnostic laboratory tests furnished to hospital patients in certain rural areas.** Under current law, laboratory services provided by certain rural hospitals receive reasonable cost reimbursement through July 1, 2011. This provision extends this policy until July 1, 2011. *The provision does not score.*

**Extension of the qualifying individual (QI) program.** This program allows Medicaid to pay the Medicare part B premiums for low-income Medicare beneficiaries with

incomes between 120 percent and 135 percent of poverty. QI expires December 31, 2010. *The estimated cost of the provision is \$600 million over ten years.*

**Extension of Transitional Medical Assistance (TMA).** Transitional Medical Assistance (TMA) allows low-income families to maintain their Medicaid coverage as they transition into employment and increase their earnings. TMA expires December 31, 2010. *The estimated cost of the provision is \$1 billion over ten years.*

**Special Diabetes Programs.** Funds research for type I diabetes and supports diabetes treatment and prevention initiatives for American Indians and Alaska Natives. The Special Diabetes Program (SDP) expires at the end of 2011, but early reauthorization is critical to the continuation of the existing research initiatives. This provision would extend the SDP for two years. *The estimated cost of the provision is \$600 million over ten years.*

## II. Other Provisions

**Clarification of effective date of part B special enrollment period for disabled TRICARE beneficiaries.** Under current law, disabled Medicare beneficiaries who are also eligible for TRICARE are eligible for a 12-month special enrollment period (SEP) for Medicare Part B in order to ensure that they properly enroll in Medicare Part B and retain their TRICARE eligibility. This provision would clarify the effective date of this SEP to ensure that beneficiaries can use it. *The estimated cost of the provision is \$3 million over ten years.*

**Repeal of delay of RUG–IV.** Under current law, implementation of Version four of the Resource Utilization Groups (“RUG IV”) for purposes of reimbursing skilled nursing facilities under Medicare is delayed until October 1, 2011. The provision would repeal the delay and allow RUG IV to go into effect on October 1, 2010, consistent with the final SNF payment regulation for FY2011. *This provision does not score.*

**Clarification for affiliated hospitals for distribution of additional residency positions.** The provision would make a technical correction to clarify that residency positions that are being shared between teaching hospitals under an “affiliation agreement” would not be redistributed to other hospitals. *The estimated savings of the provision are less than \$50 million over ten years.*

**Continued inclusion of orphan drugs in definition of covered outpatient drugs with respect to children’s hospitals under the drug discount program.** The provision would make a technical correction to ensure the continued inclusion of orphan drugs in the definition of covered outpatient drugs with respect to children’s hospitals under the 340B drug discount program. *This provision does not score.*

**Medicaid and CHIP technical corrections.** The provision would make technical corrections to Medicaid and CHIP relating to exclusion from participation, income eligibility levels for children, measurement of payment error rates, coverage of children of state employees, and payment for electronic health records. Also included are some

designation corrections from HR5712 as passed the House of Representatives on July 14, 2010 and several additional corrections made at the request of Senate Legislative Counsel. *These provisions do not score.*

**Funding for claims reprocessing.** Extensions of Medicare payment policies for calendar year 2010 were enacted into law on March 23, 2010, requiring the Centers for Medicare & Medicaid Services (CMS) to reprocess Medicare claims back to January 1, 2010. The provision allocates funding for CMS to reprocess these claims. *The estimated cost of the provision is \$200 million over ten years.*

**Revision to the Medicare Improvement Fund.** The Medicare Improvement Fund makes a limited amount of money available to make improvements to the Medicare program. *The estimated savings of the provision are \$275 million over ten years.*

**Limitations on aggregate amount recovered on reconciliation of the health insurance tax credit and the advance of that credit.** Under current law, if an individual's income turns out to be higher than the amount that was used to calculate the advanced premium tax credit, the individual must return part or all of the excess payment to the government. The amount repaid by the individual is limited to \$250 for individuals and \$400 for families for those at or below 400 percent of the Federal Poverty Level. This provision increases the existing limits of \$250 and \$400, and replaces the across-the-board structure with a scaled structure that starts with lower limits for those with lower incomes. *The estimated savings of the provision are \$19 billion over ten years.*

**Determination of budgetary effects.** This section is required under the Statutory Pay-As-You-Go Act of 2010 (P.L. 111-139) to ensure Congressional scoring is used to determine the budgetary effects of this Act for the five- and ten-year statutory paygo scorecards.

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