



SPECIAL BULLETIN

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DETAILS OF HOUSE-SENATE MEDICARE AGREEMENT

The House is expected to vote late tomorrow night, and the Senate over the weekend, on Medicare prescription drug legislation that contains important hospital provisions. We've attached for your information the AHA's initial read of the nearly 700-page bill's provider provisions. Here is a quick overview:

- **Market Basket Update:** A full inpatient update for Fiscal Year (FY) 2004. For FY05-07, a full update for hospitals that submit data for a set of 10 quality indicators. Hospitals not submitting would receive updates of Market Basket minus 0.4%.
- **Standardized Amount:** Beginning 4/1/04, all hospitals will receive the large urban rate in perpetuity; hospitals are currently receiving the rate due to an extension through 3/31/04.
- **Wage Index:** The 62% labor share for hospitals with a wage index of less than 1 is effective FY05; all other hospitals are held harmless.
- **IME:** Indirect medical education payments are increased by \$400 million through an adjustment of 6.0% as of 4/1/04, 5.8% for FY05, 5.55% for FY06, and 5.35% for FY07. It reverts to current law, 5.5 %, for FY08 and beyond.
- **Medicaid DSH:** Eliminates DSH "cliff" in FY04 by increasing state allotments by 16% with allotments frozen until approximately 2010. Also, "low-DSH" allotments increase by 16% per year for each of the next five years, adjusted by CPI thereafter.
- **Medicare DSH:** As of 4/1/04, increases the Medicare DSH cap from 5.25% to 12% for rural hospitals and urban hospitals with fewer than 100 beds.
- **Niche Providers:** Provides an 18-month moratorium on new specialty facilities while MedPAC and HHS study the issue; prevents existing facilities from adding investors; grandfathers in existing specialty hospitals and those under development prior to the date the House conference report is filed.