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(Original Signature of Member)

111TH CONGRESS  
1ST SESSION

**H. R.**

To amend title XVIII of the Social Security Act to create a value indexing mechanism for the physician work component of the Medicare physician fee schedule.

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IN THE HOUSE OF REPRESENTATIVES

Mr. KIND (for himself, Mr. BRALEY of Iowa, Mr. BLUMENAUER, and Mr. WALZ) introduced the following bill; which was referred to the Committee on \_\_\_\_\_

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**A BILL**

To amend title XVIII of the Social Security Act to create a value indexing mechanism for the physician work component of the Medicare physician fee schedule.

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.**

4 This Act may be cited as the “Medicare Payment Im-  
5 provement Act of 2009”.

1 **SEC. 2. VALUE INDEX UNDER THE MEDICARE PHYSICIAN**  
2 **FEE SCHEDULE.**

3 (a) IN GENERAL.—Section 1848(e)(5) of the Social  
4 Security Act (42 U.S.C. 1395w–4 (e)) is amended by add-  
5 ing at the end the following new paragraph:

6 “(6) VALUE INDEX.—

7 “(A) IN GENERAL.—The Secretary shall  
8 determine a value index for each fee schedule  
9 area. The value index shall be the ratio of the  
10 quality component under subparagraph (B) to  
11 the cost component under subparagraph (C) for  
12 that fee schedule area.

13 “(B) QUALITY COMPONENT.—

14 “(i) IN GENERAL.—The quality com-  
15 ponent shall be based on a composite score  
16 that reflects quality measures available on  
17 a State or fee schedule area basis. The  
18 measures shall reflect health outcomes and  
19 health status for the Medicare population,  
20 patient safety, and patient satisfaction.  
21 The Secretary shall use the best data  
22 available, after consultation with the Agen-  
23 cy for Healthcare Research and Quality  
24 and with private entities that compile qual-  
25 ity data.

1           “(ii) REQUIREMENT.—In establishing  
2           the quality component under this subpara-  
3           graph, the Secretary shall take into ac-  
4           count the following:

5                   “(I) Hospital readmission rates.

6                   “(II) Hospital emergency depart-  
7                   ment utilization for ambulatory care-  
8                   sensitive conditions.

9                   “(III) Hospital admissions for  
10                  ambulatory care-sensitive conditions.

11                  “(IV) Mortality amenable to  
12                  health care.

13                  “(V) Other items determined ap-  
14                  propriate by the Secretary.

15           “(iii) ESTABLISHMENT.—The quality  
16           component for each fee schedule area shall  
17           be the ratio of the quality score for such  
18           area to the national average quality score.

19           “(iv) APPLICATION.—In the case of a  
20           fee schedule area that is less than an en-  
21           tire State, if available quality data is not  
22           sufficient to measure quality at the sub-  
23           State level, the quality component for a  
24           sub-State fee schedule area shall be the  
25           quality component for the entire State.

1 “(C) COST COMPONENT.—

2 “(i) IN GENERAL.—The cost compo-  
3 nent shall be total annual per beneficiary  
4 Medicare expenditures under part A and  
5 this part for the fee schedule area. The  
6 Secretary may use total per beneficiary ex-  
7 penditures under such parts in the last two  
8 years of life as an alternative measure if  
9 the Secretary determines that such meas-  
10 ure better takes into account severity dif-  
11 ferences among fee schedule areas.

12 “(ii) ESTABLISHMENT.—The cost  
13 component for a fee schedule area shall be  
14 the ratio of the cost per beneficiary for  
15 such area to the national average cost per  
16 beneficiary.”.

17 (b) CONFORMING AMENDMENTS.—Section 1848 of  
18 the Social Security Act (42 U.S.C. 1395w-4) is amend-  
19 ed—

20 (1) in subparagraph (b)(1)(C), by striking “ge-  
21 ographic” and inserting “geographic and value”; and

22 (2) in subsection (e)—

23 (A) in paragraph (1)—

24 (i) in the heading, by inserting “AND  
25 VALUE” after “GEOGRAPHIC”;

1 (ii) in subparagraph (A), by striking  
2 clause (iii) and inserting the following new  
3 clause:

4 “(iii) a value index (as defined in  
5 paragraph (6)) applicable to physician  
6 work.”;

7 (iii) in subparagraph (C), by inserting  
8 “and value” after “geographic” in the first  
9 sentence;

10 (iv) in subparagraph (D), by striking  
11 “physician work effort” and inserting  
12 “value”;

13 (v) by striking subparagraph (E); and

14 (vi) by striking subparagraph (G);

15 (B) by striking paragraph (2) and insert-  
16 ing the following new paragraph:

17 “(2) COMPUTATION OF GEOGRAPHIC AND  
18 VALUE ADJUSTMENT FACTOR.—For purposes of sub-  
19 section (b)(1)(C), for all physicians’ services for each  
20 fee schedule area the Secretary shall establish a geo-  
21 graphic and value adjustment factor equal to the  
22 sum of the geographic cost-of-practice adjustment  
23 factor (specified in paragraph (3)), the geographic  
24 malpractice adjustment factor (specified in para-  
25 graph (4)), and the value adjustment factor (speci-

1       fied in paragraph (5)) for the service and the area.”;  
2       and

3                   (C) by striking paragraph (5) and insert-  
4       ing the following new paragraph:

5           “(5) PHYSICIAN WORK VALUE ADJUSTMENT  
6       FACTOR.—For purposes of paragraph (2), the ‘phy-  
7       sician work value adjustment factor’ for a service for  
8       a fee schedule area, is the product of—

9                   “(A) the proportion of the total relative  
10       value for the service that reflects the relative  
11       value units for the work component; and

12                   “(B) the value index score for the area,  
13       based on the value index established under  
14       paragraph (6).”.

15       (c) AVAILABILITY OF QUALITY COMPONENT PRIOR  
16       TO IMPLEMENTATION.—The Secretary of Health and  
17       Human Services shall make the quality component de-  
18       scribed in section 1848(c)(6)(B) of the Social Security  
19       Act, as added by subsection (a), for each fee schedule area  
20       available to the public by not later than January 1, 2011.

21       (d) EFFECTIVE DATE.—The amendments made by  
22       this section shall apply to the Medicare physician fee  
23       schedule for 2012 and each subsequent year.