106TH CONGRESS
1ST SESSION

H. R. 3146

To amend titles XVIII, XIX, and XXI of the Social Security Act to adjust the Medicare, Medicaid, and children's health insurance programs, as revised by the Balanced Budget Act of 1997.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 26, 1999

Mr. BLILEY (for himself, Mr. BILIRAKIS, Mr. TAUZIN, Mr. PICKERING, Mr. BLUNT, Mr. BURR of North Carolina, Mr. GREENWOOD, Mr. UPTON, Mr. SHADEGG, Mr. OXLEY, Mr. ROGAN, Mr. WHITFIELD, Mr. DEAL of Georgia, Mr. LAZIO, and Mr. BRYANT) introduced the following bill; which was referred to the Committee on Commerce, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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A BILL

To amend titles XVIII, XIX, and XXI of the Social Security Act to adjust the Medicare, Medicaid, and children's health insurance programs, as revised by the Balanced Budget Act of 1997.

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

1 **SECTION 1. SHORT TITLE; AMENDMENTS TO SOCIAL SECU-**
2 **RITY ACT; REFERENCES TO BBA; TABLE OF**
3 **CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 ''Health Care Restoration Act of 1999''.

6 (b) AMENDMENTS TO SOCIAL SECURITY ACT.—Ex-
7 cept as otherwise specifically provided, whenever in this
8 title an amendment is expressed in terms of an amend-
9 ment to or repeal of a section or other provision, the ref-
10 erence shall be considered to be made to that section or
11 other provision of the Social Security Act.

12 (c) REFERENCES TO BALANCED BUDGET ACT OF
13 1997.—In this Act, the term ''BBA'' means the Balanced
14 Budget Act of 1997 (Public Law 105–33).

15 (d) TABLE OF CONTENTS.—The table of contents of
16 this Act is as follows:

Sec. 1. Short title; amendments to Social Security Act; references to BBA; table of contents.

TITLE II—PROVISIONS RELATING TO PART B

Subtitle A—Payment for Physician Services

Sec. 201. Modification of update adjustment factor provisions to reduce update oscillations and require estimate revisions.
Sec. 202. Use of data collected by organizations and entities in determining practice expense relative values.
Sec. 203. Study and report to Congress on resources required to provide safe and effective outpatient cancer therapy.
Sec. 204. Limitation on application of practice expense site-of-service differential; reversion to 1997 practice expense RVU's for certain services.

Subtitle B—Hospital Outpatient Services

Sec. 211. Outlier adjustment and transitional pass-through for certain medical devices, drugs, and biologicals.
Sec. 212. Establishing a transitional corridor for application of OPD PPS.

Sec. 213. Hold-harmless for cancer hospitals and small rural hospitals.
Sec. 214. Annual review process for development of HOPD PPS.

Subtitle C—Other

Sec. 221. 2-year moratorium on therapy caps.
Sec. 222. Phase-in of PPS for ambulatory surgical centers.
Sec. 223. Expanding coverage to direct services under telehealth program for medicare beneficiaries participating in certain demonstration projects.
Sec. 224. Provision for part B add-ons for facilities participating in the NHCMQ demonstration project.
Sec. 225. Study on effect of credentialing of technologists and sonographers on quality of ultrasound and imaging services.
Sec. 226. MedPAC study on the complexity of the medicare program and the levels of burdens placed on providers through Federal regulations.
Sec. 227. Elimination of time limitation on medicare benefits for immunosuppressive drugs.

TITLE III—PROVISIONS RELATING TO PARTS A AND B

Subtitle A—Home Health Services

Sec. 301. Report on costs of compliance with OASIS data collection requirements.
Sec. 302. Limitation of OASIS data collection requirements to medicare and medicaid patients.
Sec. 303. Phase-in and partial elimination of the 15 percent reduction in payments under the PPS for home health services.
Sec. 304. Refinement of home health agency consolidated billing for durable medical equipment.
Sec. 305. Use of payments under PPS for home health services for costs associated with the use of telecommunications systems.

Subtitle B—Other

Sec. 311. Permitting reclassification of certain urban hospitals as rural hospitals.
Sec. 312. MedPAC study on medicare payment for non-physician health professional clinical training in hospitals.

TITLE V—PROVISIONS RELATING TO PART C (MEDICARE+CHOICE PROGRAM)

Subtitle A—Medicare+Choice

Sec. 501. Phase-in of new risk adjustment methodology.
Sec. 502. Continued computation and publication of AAPCC data.
Sec. 503. Changes in Medicare+Choice and medigap enrollment rules.
Sec. 504. Allowing variation in premium waivers within a service area if Medicare+Choice payment rates vary within the area.
Sec. 505. Delay in deadline for submission of adjusted community rates and related information.
Sec. 506. Deeming of Medicare+Choice organization to meet requirements.
Sec. 507. Reduction in adjustment in national per capita Medicare+Choice growth percentage for 2001 and 2002.

Sec. 508. 3 year extension of medicare cost contracts.
Sec. 509. Reducing to 2 years the re-entry period after contract termination.
Sec. 510. MedPAC studies relating to risk adjustment.
Sec. 511. MedPAC report on medicare MSA (medical savings account) plans.
Sec. 512. Miscellaneous changes.

Subtitle B—Other Managed Care Provisions

Sec. 521. Medicare competitive pricing demonstration project.
Sec. 512. Inapplicability of OASIS to PACE.

TITLE VI—MEDICAID

Sec. 601. Making medicaid DSH transition rule permanent.
Sec. 602. Increase in DSH allotment for certain States and the District of Columbia.
Sec. 603. New prospective payment system for Federally-qualified health centers and rural health clinics.
Sec. 604. Parity in reimbursement for certain utilization and quality control services.

TITLE VII—STATE CHILDREN'S HEALTH INSURANCE PROGRAM (SCHIP)

Sec. 701. Stabilizing the SCHIP allotment formula.
Sec. 702. Increased allotments for territories under the State children's health insurance program.

1 # TITLE II—PROVISIONS
2 # RELATING TO PART B

3 ## Subtitle A—Payment for Physician
4 ## Services

5 **SEC. 201. MODIFICATION OF UPDATE ADJUSTMENT FAC-**
6 **TOR PROVISIONS TO REDUCE UPDATE OSCIL-**
7 **LATIONS AND REQUIRE ESTIMATE REVI-**
8 **SIONS.**

9 (a) UPDATE ADJUSTMENT FACTOR.—

10 (1) IN GENERAL.—Section 1848(d) (42 U.S.C.
11 1395w–4(d)) is amended—

12 (A) in paragraph (3)—

1 (i) in the heading, by inserting "FOR
2 1999 AND 2000" after "UPDATE";
3 (ii) in subparagraph (A), by striking
4 "a year beginning with 1999" and insert-
5 ing "1999 and 2000"; and
6 (iii) in subparagraph (C), by inserting
7 "and paragraph (4)" after "For purposes
8 of this paragraph"; and
9 (B) by adding at the end the following new
10 paragraph:
11 "(4) UPDATE FOR YEARS BEGINNING WITH
12 2001.—
13 "(A) IN GENERAL.—Unless otherwise pro-
14 vided by law, subject to the budget-neutrality
15 factor determined by the Secretary under sub-
16 section (c)(2)(B)(ii) and subject to adjustment
17 under subparagraph (F), the update to the sin-
18 gle conversion factor established in paragraph
19 (1)(C) for a year beginning with 2001 is equal
20 to the product of—
21 "(i) 1 plus the Secretary's estimate of
22 the percentage increase in the MEI (as de-
23 fined in section 1842(i)(3)) for the year
24 (divided by 100), and

1 “(ii) 1 plus the Secretary’s estimate of
2 the update adjustment factor under sub-
3 paragraph (B) for the year.
4 “(B) UPDATE ADJUSTMENT FACTOR.—For
5 purposes of subparagraph (A)(ii), subject to
6 subparagraph (D), the ‘update adjustment fac-
7 tor’ for a year is equal (as estimated by the
8 Secretary) to the sum of the following:
9 “(i) PRIOR YEAR ADJUSTMENT COM-
10 PONENT.—An amount determined by—
11 “(I) computing the difference
12 (which may be positive or negative)
13 between the amount of the allowed ex-
14 penditures for physicians’ services for
15 the prior year (as determined under
16 subparagraph (C)) and the amount of
17 the actual expenditures for such serv-
18 ices for that year;
19 “(II) dividing that difference by
20 the amount of the actual expenditures
21 for such services for that year; and
22 “(III) multiplying that quotient
23 by 0.75.
24 “(ii) CUMULATIVE ADJUSTMENT COM-
25 PONENT.—An amount determined by—

1 "(I) computing the difference
2 (which may be positive or negative)
3 between the amount of the allowed ex-
4 penditures for physicians' services (as
5 determined under subparagraph (C))
6 from April 1, 1996, through the end
7 of the prior year and the amount of
8 the actual expenditures for such serv-
9 ices during that period;
10 "(II) dividing that difference by
11 actual expenditures for such services
12 for the prior year as increased by the
13 sustainable growth rate under sub-
14 section (f) for the year for which the
15 update adjustment factor is to be de-
16 termined; and
17 "(III) multiplying that quotient
18 by 0.33.
19 "(C) DETERMINATION OF ALLOWED EX-
20 PENDITURES.—For purposes of this
21 paragraph—
22 "(i) PERIOD UP TO APRIL 1, 1999.—
23 The allowed expenditures for physicians'
24 services for a period before April 1, 1999,
25 shall be the amount of the allowed expendi-

1 tures for such period as determined under
2 paragraph (3)(C).
3 "(ii) TRANSITION TO CALENDAR YEAR
4 ALLOWED EXPENDITURES.—Subject to
5 subparagraph (E), the allowed expendi-
6 tures for—
7 "(I) the 9-month period begin-
8 ning April 1, 1999, shall be the Sec-
9 retary's estimate of the amount of the
10 allowed expenditures that would be
11 permitted under paragraph (3)(C) for
12 such period; and
13 "(II) the year of 1999, shall be
14 the Secretary's estimate of the
15 amount of the allowed expenditures
16 that would be permitted under para-
17 graph (3)(C) for such year.
18 "(iii) YEARS BEGINNING WITH 2000.—
19 The allowed expenditures for a year (be-
20 ginning with 2000) is equal to the allowed
21 expenditures for physicians' services for
22 the previous year, increased by the sustain-
23 able growth rate under subsection (f) for
24 the year involved.

1 "(D) RESTRICTION ON UPDATE ADJUST-
2 MENT FACTOR.—The update adjustment factor
3 determined under subparagraph (B) for a year
4 may not be less than -0.07 or greater than
5 0.03.
6 "(E) RECALCULATION OF ALLOWED EX-
7 PENDITURES FOR UPDATES BEGINNING WITH
8 2001.—For purposes of determining the update
9 adjustment factor for a year beginning with
10 2001, the Secretary shall recompute the allowed
11 expenditures for previous periods beginning on
12 or after April 1, 1999, consistent with sub-
13 section (f)(3).
14 "(F) TRANSITIONAL ADJUSTMENT DE-
15 SIGNED TO PROVIDE FOR BUDGET NEU-
16 TRALITY.—Under this subparagraph the Sec-
17 retary shall provide for an adjustment to the
18 update under subparagraph (A)—
19 "(i) for each of 2001, 2002, 2003,
20 and 2004, of -0.2 percent; and
21 "(ii) for 2005 of +0.8 percent.".
22 (2) PUBLICATION CHANGE.—
23 (A) IN GENERAL.—Section 1848(d)(1)(E)
24 (42 U.S.C. 1395w–4(d)(1)(E)) is amended to
25 read as follows:

1 “(E) PUBLICATION AND DISSEMINATION
2 OF INFORMATION.—The Secretary shall—
3 “(i) cause to have published in the
4 Federal Register not later than November
5 1 of each year (beginning with 2000) the
6 conversion factor which will apply to physi-
7 cians’ services for the succeeding year, the
8 update determined under paragraph (4)
9 for such succeeding year, and the allowed
10 expenditures under such paragraph for
11 such succeeding year; and
12 “(ii) make available to the Medicare
13 Payment Advisory Commission and the
14 public by March 1 of each year (beginning
15 with 2000) an estimate of the conversion
16 factor which will apply to physicians’ serv-
17 ices for the succeeding year and data used
18 in making such estimate.”.
19 (B) MEDPAC REVIEW OF CONVERSION
20 FACTOR ESTIMATES.—Section 1805(b)(1)(D)
21 (42 U.S.C. 1395b–6(b)(1)(D)) is amended by
22 inserting “and including a review of the esti-
23 mate of the conversion factor submitted under
24 section 1848(d)(1)(E)(ii)” before the period at
25 the end.

1 (C) 1-TIME PUBLICATION OF INFORMA-
2 TION ON TRANSITION.—The Secretary of
3 Health and Human Services shall cause to have
4 published in the Federal Register, not later
5 than 90 days after the date of the enactment of
6 this section, the Secretary's determination,
7 based upon the best available data, of—
8 (i) the allowed expenditures under
9 subclauses (I) and (II) of section
10 1848(d)(4)(C)(ii) of the Social Security
11 Act, as added by subsection (a)(1)(B), for
12 the 9-month period beginning on April 1,
13 1999, and for 1999;
14 (ii) the estimated actual expenditures
15 described in section 1848(d) of such Act
16 for 1999; and
17 (iii) the sustainable growth rate under
18 section 1848(f) of such Act (42 U.S.C.
19 1395w–4(f)) for 2000.
20 (3) CONFORMING AMENDMENTS.—
21 (A) Section 1848 (42 U.S.C. 1395w–4) is
22 amended—
23 (i) in subsection (d)(1)(A), by insert-
24 ing "(for years before 2001) and, for years
25 beginning with 2001, multiplied by the up-

1 date (established under paragraph (4)) for
2 the year involved'' after ''for the year in-
3 volved''; and
4 (ii) in subsection (f)(2)(D), by insert-
5 ing ''or (d)(4)(B), as the case may be''
6 after ''(d)(3)(B)''.
7 (B) Section 1833(l)(4)(A)(i)(VII) (42
8 U.S.C. 1395l(l)(4)(A)(i)(VII)) is amended by
9 striking ''1848(d)(3)'' and inserting ''1848(d)''.
10 (b) SUSTAINABLE GROWTH RATES.—Section 1848(f)
11 (42 U.S.C. 1395w–4(f)) is amended—
12 (1) by amending paragraph (1) to read as fol-
13 lows:
14 ''(1) PUBLICATION.—The Secretary shall cause
15 to have published in the Federal Register not later
16 than—
17 ''(A) November 1, 2000, the sustainable
18 growth rate for 2000 and 2001; and
19 ''(B) November 1 of each succeeding year
20 the sustainable growth rate for such succeeding
21 year and each of the preceding 2 years.'';
22 (2) in paragraph (2)—
23 (A) in the matter before subparagraph (A),
24 by striking ''fiscal year 1998)'' and inserting

1 "fiscal year 1998 and ending with fiscal year
2 2000) and a year beginning with 2000''; and
3 (B) in subparagraphs (A) through (D), by
4 striking "fiscal year'' and inserting "applicable
5 period'' each place it appears;
6 (3) in paragraph (3), by adding at the end the
7 following new subparagraph:
8 "(C) APPLICABLE PERIOD.—The term 'ap-
9 plicable period' means—
10 "(i) a fiscal year, in the case of fiscal
11 year 1998, fiscal year 1999, and fiscal year
12 2000; or
13 "(ii) a calendar year with respect to a
14 year beginning with 2000;
15 as the case may be.'';
16 (4) by redesignating paragraph (3) as para-
17 graph (4); and
18 (5) by inserting after paragraph (2) the fol-
19 lowing new paragraph:
20 "(3) DATA TO BE USED.—For purposes of de-
21 termining the update adjustment factor under sub-
22 section (d)(4)(B) for a year beginning with 2001,
23 the sustainable growth rates taken into consideration
24 in the determination under paragraph (2) shall be
25 determined as follows:

1 "(A) FOR 2001.—For purposes of such cal-
2 culations for 2001, the sustainable growth rates
3 for fiscal year 2000 and the years 2000 and
4 2001 shall be determined on the basis of the
5 best data available to the Secretary as of Sep-
6 tember 1, 2000.

7 "(B) FOR 2002.—For purposes of such cal-
8 culations for 2002, the sustainable growth rates
9 for fiscal year 2000 and for years 2000, 2001,
10 and 2002 shall be determined on the basis of
11 the best data available to the Secretary as of
12 September 1, 2001.

13 "(C) FOR 2003 AND SUCCEEDING YEARS.—
14 For purposes of such calculations for a year
15 after 2002—

16 "(i) the sustainable growth rates for
17 that year and the preceding 2 years shall
18 be determined on the basis of the best data
19 available to the Secretary as of September
20 1 of the year preceding the year for which
21 the calculation is made; and

22 "(ii) the sustainable growth rate for
23 any year before a year described in clause
24 (i) shall be the rate as most recently deter-
25 mined for that year under this subsection.

1 Nothing in this paragraph shall be construed as af-
2 fecting the sustainable growth rates established for
3 fiscal year 1998 or fiscal year 1999.''.
4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall be effective in determining the conversion
6 factor under section 1848(d) of the Social Security Act
7 (42 U.S.C. 1395w–4(d)) for years beginning with 2001
8 and shall not apply to or affect any update (or any update
9 adjustment factor) for any year before 2001.

10 **SEC. 202. USE OF DATA COLLECTED BY ORGANIZATIONS**
11 **AND ENTITIES IN DETERMINING PRACTICE**
12 **EXPENSE RELATIVE VALUES.**

13 (a) USE.—The Secretary of Health and Human Serv-
14 ices shall use, to the maximum extent practicable and con-
15 sistent with sound data practices, data collected or devel-
16 oped by entities and organizations (other than the Depart-
17 ment of Health and Human Services) to supplement the
18 data normally collected by that Department in deter-
19 mining the practice expense component under section
20 1848(c)(2)(C)(ii) of the Social Security Act (42 U.S.C.
21 1395w–4(c)(2)(C)(ii)) for purposes of determining relative
22 values for payment for physicians' services under the fee
23 schedule under section 1848 of such Act (42 U.S.C.
24 1395w–4).

1 (b) REPORT.—The Secretary shall submit to Con-
2 gress, in connection with the publication of the update
3 under section 1848(c) of such Act for 2001, a report on
4 the extent to which the Secretary has used data described
5 in subsection (a) in making adjustments in relative values
6 to be applied under such section in 2001 and the reasons
7 (if any) why the Secretary has not used such data, par-
8 ticularly in cases in which the data otherwise used are in-
9 adequate because they are not based upon a large enough
10 sample size to be statistically reliable.

11 **SEC. 203. STUDY AND REPORT TO CONGRESS ON RE-**
12 **SOURCES REQUIRED TO PROVIDE SAFE AND**
13 **EFFECTIVE OUTPATIENT CANCER THERAPY.**

14 (a) STUDY.—The Administrator of the Health Care
15 Financing Administration shall conduct a nationwide
16 study to determine the physician and non-physician clin-
17 ical resources necessary to provide safe outpatient cancer
18 therapy services and the appropriate payment rates for
19 such services under the medicare program. In making
20 such determination, the Secretary shall—

21 (1) shall determine the adequacy of practice ex-
22 penses associated with the utilization of those clin-
23 ical resources;

24 (2) shall determine the adequacy of work units
25 in the practice expense formula; and

1 (3) assess various standards to assure the pro-
2 vision of safe outpatient cancer therapy services.
3 (b) REPORT TO CONGRESS.—The Administrator,
4 after consultation with the Medicare Payment Advisory
5 Commission, shall submit to Congress a report on the
6 study conducted under subsection (a). The report shall in-
7 clude recommendations for practice expense adjustments
8 to the payment methodology under part B of the medicare
9 program, including the development and inclusion of ade-
10 quate work units to assure the adequacy of payment
11 amounts for safe outpatient cancer therapy services. The
12 study shall also include an estimate of the cost of imple-
13 menting such recommendations.

14 **SEC. 204. LIMITATION ON APPLICATION OF PRACTICE EX-**
15 **PENSE SITE-OF-SERVICE DIFFERENTIAL; RE-**
16 **VERSION TO 1997 PRACTICE EXPENSE RVU'S**
17 **FOR CERTAIN SERVICES.**

18 (a) IN GENERAL.—Section 1848(c)(2)(C) (42 U.S.C.
19 1395w–4(c)(2)(C)) is amended by adding at the end the
20 following new clauses:
21 ''(iv) LIMITATION ON APPLICATION OF
22 PRACTICE EXPENSE SITE-OF-SERVICE DIF-
23 FERENTIAL.—No site-of-service differential
24 shall be applied to relative value units for

services which are provided 10 percent or less in an office setting.

"(v) REVERSION TO 1997 RELATIVE VALUE UNITS.—The schedule established under this section shall, as of January 1, 2001, revert to reflect only one professional fee for each CPT-coded service which is provided 10 percent or less in an office setting. The Secretary shall utilize the practice expense relative value units for those services that were published on November 22, 1996, and implemented beginning on January 1, 1997.".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) is effective for services furnished on or after January 1, 2001.

Subtitle B—Hospital Outpatient Services

SEC. 211. OUTLIER ADJUSTMENT AND TRANSITIONAL PASS-THROUGH FOR CERTAIN MEDICAL DEVICES, DRUGS, AND BIOLOGICALS.

(a) OUTLIER ADJUSTMENT.—Section 1833(t) (42 U.S.C. 1395l(t)), as added by section 4523(a) of BBA, is amended—

1 (1) by redesignating paragraphs (5) through
2 (9) as paragraphs (7) through (11), respectively;
3 and
4 (2) by inserting after paragraph (4) the fol-
5 lowing new paragraph:
6 "(5) OUTLIER ADJUSTMENT.—
7 "(A) IN GENERAL.—The Secretary shall
8 provide for an additional payment for each cov-
9 ered OPD service (or group of services) for
10 which a hospital's charges, adjusted to cost,
11 exceed—
12 "(i) a fixed multiple of the sum of—
13 "(I) the applicable Medicare
14 OPD fee schedule amount determined
15 under paragraph (3)(D), as adjusted
16 under paragraph (4)(A) (other than
17 for adjustments under this paragraph
18 or paragraph (6)); and
19 "(II) any transitional pass-
20 through payment under paragraph
21 (6); and
22 "(ii) at the option of the Secretary,
23 such fixed dollar amount as the Secretary
24 may establish.

1 "(B) AMOUNT OF ADJUSTMENT.—The
2 amount of the additional payment under sub-
3 paragraph (A) shall be determined by the Sec-
4 retary and shall approximate the marginal cost
5 of care beyond the applicable cutoff point under
6 such subparagraph.
7 "(C) LIMIT ON AGGREGATE OUTLIER AD-
8 JUSTMENTS.—
9 "(i) IN GENERAL.—The total of the
10 additional payments made under this para-
11 graph for covered OPD services furnished
12 in a year (as projected or estimated by the
13 Secretary before the beginning of the year)
14 may not exceed the applicable percentage
15 (specified in clause (ii)) of the total pro-
16 gram payments projected or estimated to
17 be made under this subsection for all cov-
18 ered OPD services furnished in that year.
19 If this paragraph is first applied to less
20 than a full year, the previous sentence
21 shall apply only to the portion of such
22 year.
23 "(ii) APPLICABLE PERCENTAGE.—For
24 purposes of clause (i), the term 'applicable
25 percentage' means a percentage specified

by the Secretary up to (but not to exceed)—

"(I) for a year (or portion of a year) before 2004, 2.5 percent; and

"(II) for 2004 and thereafter, 3.0 percent.".

(b) TRANSITIONAL PASS-THROUGH FOR ADDITIONAL COSTS OF INNOVATIVE MEDICAL DEVICES, DRUGS, AND BIOLOGICALS.—Such section is further amended by inserting after paragraph (5) the following new paragraph:

"(6) TRANSITIONAL PASS-THROUGH FOR ADDITIONAL COSTS OF INNOVATIVE MEDICAL DEVICES, DRUGS, AND BIOLOGICALS.—

"(A) IN GENERAL.—The Secretary shall provide for an additional payment under this paragraph for any of the following that are provided as part of a covered OPD service (or group of services):

"(i) CURRENT ORPHAN DRUGS.—A drug or biological that is used for a rare disease or condition with respect to which the drug or biological has been designated as an orphan drug under section 526 of the Federal Food, Drug and Cosmetic Act if payment for the drug or biological as an

1 outpatient hospital service under this part
2 was being made on the first date that the
3 system under this subsection is imple-
4 mented.

5 "(ii) CURRENT CANCER THERAPY
6 DRUGS AND BIOLOGICALS.—A drug or bio-
7 logical that is used in cancer therapy, if
8 payment for the drug or biological as an
9 outpatient hospital service under this part
10 was being made on such first date.

11 "(iii) NEW MEDICAL DEVICES, DRUGS,
12 AND BIOLOGICALS.—A medical device,
13 drug, or biological not described in clause
14 (i) or (ii) if—

15 "(I) payment for the device,
16 drug, or biological as an outpatient
17 hospital service under this part was
18 not being made as of December 31,
19 1996; and

20 "(II) the cost of the device, drug,
21 or biological is not insignificant in re-
22 lation to the OPD fee schedule
23 amount (as calculated under para-
24 graph (3)(D)) payable for the service
25 (or group of services) involved.

1 "(B) LIMITED PERIOD OF PAYMENT.—The
2 payment under this paragraph with respect to
3 a medical device, drug, or biological shall only
4 apply during a period of at least 2 years, but
5 not more than 3 years, that begins—
6 "(i) on the first date this subsection is
7 implemented in the case of a drug or bio-
8 logical described in clause (i) or (ii) of sub-
9 paragraph (A) and in the case of a device,
10 drug, or biological described in subpara-
11 graph (A)(iii) for which payment under
12 this part is made as an outpatient hospital
13 service before such first date; or
14 "(ii) in the case of a device, drug, or
15 biological described in subparagraph
16 (A)(iii) not described in clause (i), on the
17 first date on which payment is made under
18 this part for the device, drug, or biological
19 as an outpatient hospital service.
20 "(C) AMOUNT OF ADDITIONAL PAY-
21 MENT.—Subject to subparagraph (D)(iii), the
22 amount of the payment under this paragraph
23 with respect to a device, drug, or biological pro-
24 vided as part of a covered OPD service is—

1 "(i) in the case of a drug or biological,
2 the amount by which the amount deter-
3 mined under section 1842(o) for the drug
4 or biological exceeds the portion of the oth-
5 erwise applicable medicare OPD fee sched-
6 ule that the Secretary determines is associ-
7 ated with the drug or biological; or

8 "(ii) in the case of a medical device,
9 the amount by which the hospital's charges
10 for the device, adjusted to cost, exceeds the
11 portion of the otherwise applicable medi-
12 care OPD fee schedule that the Secretary
13 determines is associated with the device.

14 "(D) LIMIT ON AGGREGATE ANNUAL AD-
15 JUSTMENT.—

16 "(i) IN GENERAL.—The total of the
17 additional payments made under this para-
18 graph for covered OPD services furnished
19 in a year (as projected or estimated by the
20 Secretary before the beginning of the year)
21 may not exceed the applicable percentage
22 (specified in clause (ii)) of the total pro-
23 gram payments projected or estimated to
24 be made under this subsection for all cov-
25 ered OPD services furnished in that year.

If this paragraph is first applied to less than a full year, the previous sentence shall apply only to the portion of such year.

“(ii) APPLICABLE PERCENTAGE.—For purposes of clause (i), the term ‘applicable percentage’ means—

“(I) for a year (or portion of a year) before 2004, 2.5 percent; and

“(II) for 2004 and thereafter, a percentage specified by the Secretary up to (but not to exceed) 2.0 percent.

“(iii) UNIFORM PROSPECTIVE REDUCTION IF AGGREGATE LIMIT PROJECTED TO BE EXCEEDED.—If the Secretary projects or estimates before the beginning of a year that the amount of the additional payments under this paragraph for the year (or portion thereof) as determined under clause (i) without regard to this clause) will exceed the limit established under such clause, the Secretary shall reduce pro rata the amount of each of the additional payments under this paragraph for that year (or portion thereof) in order to ensure that

1 the aggregate additional payments under
2 this paragraph (as so projected or esti-
3 mated) do not exceed such limit.''.

4 (c) APPLICATION OF NEW ADJUSTMENTS ON A
5 BUDGET NEUTRAL BASIS.—Section 1833(t)(2)(E) (42
6 U.S.C. 1395l(t)(2)(E)) is amended by striking ''other ad-
7 justments, in a budget neutral manner, as determined to
8 be necessary to ensure equitable payments, such a outlier
9 adjustments or'' and inserting '', in a budget neutral man-
10 ner, outlier adjustments under paragraph (5) and transi-
11 tional pass-through payments under paragraph (6) and
12 other adjustments as determined to be necessary to ensure
13 equitable payments, such as''.

14 (d) LIMITATION ON JUDICIAL REVIEW FOR NEW AD-
15 JUSTMENTS.—Section 1833(t)(11), as redesignated by
16 subsection (a)(1), is amended—

17 (1) by striking ''and'' at the end of subpara-
18 graph (C);

19 (2) by striking the period at the end of sub-
20 paragraph (D) and inserting ''; and''; and

21 (3) by adding at the end the following:

22 ''(E) the determination of the fixed mul-
23 tiple, or a fixed dollar cutoff amount, the mar-
24 ginal cost of care, or applicable percentage
25 under paragraph (5) or the determination of in-

significance of cost, the duration of the additional payments (consistent with paragraph (6)(B)), the portion of the Medicare OPD fee schedule amount associated with particular devices, drugs, or biologicals, and the application of any pro rata reduction under paragraph (6).''.

(e) INCLUSION OF MEDICAL DEVICES UNDER SYSTEM.—Section 1833(t) (42 U.S.C. 1395l(t)) is amended—

(1) in paragraph (1)(B)(ii), by striking ''clause (iii)'' and inserting ''clause (iv)'' and by striking ''but'';

(2) by redesignating clause (iii) of paragraph (1)(B) as clause (iv) and inserting after clause (ii) of such paragraph the following new clause:

''(iii) includes medical devices (such as implantable medical devices); but''; and

(3) in paragraph (2)(B), by inserting after ''resources'' the following: ''and so that a device is classified to the group that includes the service to which the device relates''.

(f) AUTHORIZING PAYMENT WEIGHTS BASED ON MEAN HOSPITAL COSTS.—Section 1833(t)(2)(C) (42 U.S.C. 1395l(t)(2)(C)) is amended by inserting ''(or, at the election of the Secretary, mean)'' after ''median''.

1 (g) LIMITING VARIATION OF COSTS OF SERVICES
2 CLASSIFIED WITH A GROUP.—Section 1833(t)(2) (42
3 U.S.C. 1395l(t)(2)) is amended by adding at the end the
4 following: ''For purposes of subparagraph (B), items and
5 services within a group shall not be treated as 'comparable
6 with respect to the use of resources' if the highest median
7 cost (or mean cost, if elected by the Secretary under sub-
8 paragraph (C)) for an item or service within the group
9 is more than 2 times greater than the lowest median cost
10 (or mean cost, if so elected) for an item or service within
11 the group; except that the Secretary may make exceptions
12 in unusual cases, such as low volume items and services.''.
13 (h) NO IMPACT ON COPAYMENT.—Section 1833(t)(7)
14 (42 U.S.C. 1395l(t)(7)), as redesignated by subsection (a),
15 is amended by adding at the end the following new sub-
16 paragraph:
17 ''(D) COMPUTATION IGNORING OUTLIER
18 AND PASS-THROUGH ADJUSTMENTS.—The co-
19 payment amount shall be computed under sub-
20 paragraph (A) as if the adjustments under
21 paragraphs (5) and (6) (and any adjustment
22 made under paragraph (2)(E) in relation to
23 such adjustments) had not occurred.''.
24 (i) TECHNICAL CORRECTION IN REFERENCE RELAT-
25 ING TO HOSPITAL-BASED AMBULANCE SERVICES.—Sec-

tion 1833(t)(9) (42 U.S.C. 1395l(t)(9)), as redesignated by subsection (a), is amended by striking "the matter in subsection (a)(1) preceding subparagraph (A)" and inserting "section 1861(v)(1)(U)".

(j) EFFECTIVE DATE.—The amendments made by this section shall be effective as if included in the enactment of BBA.

SEC. 212. ESTABLISHING A TRANSITIONAL CORRIDOR FOR APPLICATION OF OPD PPS.

(a) IN GENERAL.—Section 1833(t) (42 U.S.C. 1395l(t)), as amended by section 211(a), is further amended—

(1) in paragraph (4), in the matter before subparagraph (A), by inserting ", subject to paragraph (7)," after "is determined"; and

(2) by redesignating paragraphs (7) through (11) as paragraphs (8) through (12), respectively; and

(3) by inserting after paragraph (6), as inserted by section 211(b), the following new paragraph:

"(7) TRANSITIONAL ADJUSTMENT TO LIMIT DECLINE IN PAYMENT.—

"(A) BEFORE 2002.—For covered OPD services furnished before January 1, 2002, for

1 which the PPS amount (as defined in subpara-
2 graph (D)(i)) is—
3 ‘‘(i) at least 90 percent, but less than
4 100 percent, of the pre-BBA amount (as
5 defined in subparagraph (D)(ii)), the
6 amount of payment under this subsection
7 shall be increased by 80 percent of the
8 amount of such difference;
9 ‘‘(ii) at least 80 percent, but less than
10 90 percent, of the pre-BBA amount, the
11 amount of payment under this subsection
12 shall be increased by the amount by which
13 (I) the product of 0.71 and the pre-BBA
14 amount, exceeds (II) the product of 0.70
15 and the PPS amount;
16 ‘‘(iii) at least 70 percent, but less
17 than 80 percent, of the pre-BBA amount,
18 the amount of payment under this sub-
19 section shall be increased by the amount
20 by which (I) the product of 0.63 and the
21 pre-BBA amount, exceeds (II) the product
22 of 0.60 and the PPS amount;
23 ‘‘(iv) less than 70 percent of the pre-
24 BBA amount, the amount of payment

1 under this subsection shall be increased by
2 21 percent of the pre-BBA amount.
3 ‘‘(B) 2002.—For covered OPD services
4 furnished during 2002, for which the PPS
5 amount is—
6 ‘‘(i) at least 90 percent, but less than
7 100 percent, of the pre-BBA amount, the
8 amount of payment under this subsection
9 shall be increased by 70 percent of the
10 amount of such difference;
11 ‘‘(ii) at least 80 percent, but less than
12 90 percent, of the pre-BBA amount, the
13 amount of payment under this subsection
14 shall be increased by the amount by which
15 (I) the product of 0.61 and the pre-BBA
16 amount, exceeds (II) the product of 0.60
17 and the PPS amount;
18 ‘‘(iii) less than 80 percent of the pre-
19 BBA amount, the amount of payment
20 under this subsection shall be increased by
21 13 percent of the pre-BBA amount.
22 ‘‘(C) 2003.—For covered OPD services
23 furnished during 2003, for which the PPS
24 amount is—

1 "(i) at least 90 percent, but less than
2 100 percent, of the pre-BBA amount, the
3 amount of payment under this subsection
4 shall be increased by 60 percent of the
5 amount of such difference; or
6 "(ii) less than 90 percent of the pre-
7 BBA amount, the amount of payment
8 under this subsection shall be increased by
9 6 percent of the pre-BBA amount.
10 "(D) DEFINITIONS.—For purposes of this
11 subparagraph:
12 "(i) PPS AMOUNT.—The term 'PPS
13 amount' means, with respect to a covered
14 OPD service, the amount of payment
15 under this title for such service (deter-
16 mined without regard to this paragraph).
17 "(ii) PRE-BBA AMOUNT.—The term
18 'pre-BBA amount' means, with respect to
19 a covered OPD service, the amount that
20 would have been paid under this title for
21 such service if this subsection did not
22 apply.
23 "(E) CONSTRUCTION.—Nothing in this
24 paragraph shall be construed to affect the co-
25 payment amount under paragraph (5).".

1 (b) EFFECTIVE DATE.—The amendments made by
2 subsection shall be effective as if included in the enact-
3 ment of BBA.
4 (c) REPORT ON RURAL AND CANCER HOSPITALS.—
5 Not later than July 1, 2002, the Secretary of Health and
6 Human Services shall submit to Congress a report and
7 recommendations on whether the prospective payment sys-
8 tem for covered outpatient services furnished under title
9 XVIII of the Social Security Act should apply to the fol-
10 lowing providers of services furnishing outpatient items
11 and services for which payment is made under such title:
12 (1) Medicare-dependent, small rural hospitals
13 (as defined in section 1886(d)(5)(G)(iv) of such Act
14 (42 U.S.C. 1395ww(d)(5)(G)(iv))).
15 (2) Sole community hospitals (as defined in sec-
16 tion 1886(d)(5)(D)(iii) of such Act (42 U.S.C.
17 1395ww(d)(5)(D)(iii)).
18 (3) Rural health clinics (as defined in section
19 1861(aa)(2) of such Act (42 U.S.C. 1395x(aa)(2)).
20 (4) Rural referral centers (as so classified
21 under section 1886(d)(5)(C) of such Act (42 U.S.C.
22 1395ww(d)(5)(C)).
23 (5) Any other rural hospital that the Secretary
24 determines appropriate.

(6) Hospitals described in section 1886(d)(1)(B)(v) of such Act (42 U.S.C. 1395ww(d)(1)(B)(v)).

SEC. 213. HOLD-HARMLESS FOR CANCER HOSPITALS AND SMALL RURAL HOSPITALS.

(a) IN GENERAL.—Section 1833(t)(10), as so redesignated by section 201(a)(1), is amended—

(1) by striking " described in section 1886(d)(1)(B)(v)'' in the matter before subparagraph (A);

(2) in subparagraphs (A) and (B), by inserting ''described in section 1886(d)(1)(B)(v)'' after ''(A)'' and ''(B)'', respectively;

(3) by striking ''and'' at the end of subparagraph (A);

(4) by striking the period at the end of subparagraph (B) and inserting ''; and''; and

(5) by adding at the end the following new subparagraph:

''(C) notwithstanding paragraph (1), hospitals described in section 1886(d)(1)(B)(v) and hospitals located in a rural area with less than 100 beds, the amount of payment under the system under this subsection for covered OPD services furnished before January 1, 2005, may

1 not be less than the amount of payment under
2 this part for such services that would have been
3 payable under this part under the law as in ef-
4 fect immediately before the implementation of
5 this subsection (but applying for purposes of
6 such law, the copayment amount otherwise ap-
7 plicable under paragraph (7)).''.

8 (b) EFFECTIVE DATE.—The amendments made by
9 subsection (a) are effective as if included in the enactment
10 of the BBA.

11 **SEC. 214. ANNUAL REVIEW PROCESS FOR DEVELOPMENT**
12 **OF HOPD PPS.**

13 (a) IN GENERAL.—Section 1833(t)(8)(A) (42 U.S.C.
14 1395l(t)(8)(A)), as redesignated by section 211(a)(1), is
15 amended—

16 (1) by striking ''may periodically review'' and
17 inserting ''shall review not less often than annually'';
18 and

19 (2) by adding at the end the following: ''The
20 Secretary shall accept and use, to the maximum ex-
21 tent practicable and consistent with sound data
22 practice, data (particularly including data relating to
23 drugs, devices, and biologicals) collected or developed
24 by entities and organizations (other than the De-
25 partment of Health and Human Services) to supple-

1 ment the data collected by the Secretary in such re-
2 view and revisions and shall collect new data with
3 respect to new technologies. The Secretary shall con-
4 sult with an expert outside panel composed of an ap-
5 propriate selection of representatives of providers to
6 review revisions proposed to be made by the Sec-
7 retary.''.
8 (b) EFFECTIVE DATES.—The Secretary of Health
9 and Human Services shall first conduct the annual review
10 under the amendment made by subsection (a)(1) in 2001
11 for application in 2002 and the amendment made by sub-
12 section (a)(2) takes effect on the date of the enactment
13 of this Act.

14 Subtitle C—Other

15 **SEC. 221. 2-YEAR MORATORIUM ON THERAPY CAPS.**

16 (a) MORATORIUM.—
17 (1) IN GENERAL.—Section 1833(g) (42 U.S.C.
18 1395l(g)) is amended—
19 (A) in paragraphs (1) and (3), by striking
20 ''In the case'' each place it appears and insert-
21 ing ''Subject to paragraph (4), in the case'';
22 and
23 (B) by adding at the end the following:
24 ''(4) This subsection shall not apply to expenses in-
25 curred in 2000 and 2001.''.

1 (2) EFFECTIVE DATE.—The amendments made
2 by paragraph (1) shall apply to expenses incurred on
3 or after January 1, 2000.
4 (b) REVISION OF REPORT.—
5 (1) IN GENERAL.—Section 4541(d)(2) of the
6 Balanced Budget Act of 1997 (42 U.S.C. 1395l
7 note) is amended to read as follows:
8 "(2) REPORT.—By not later than January 1,
9 2001, the Secretary of Health and Human Services
10 shall submit to Congress a report that includes rec-
11 ommendations on—
12 "(A) the establishment of a mechanism for
13 assuring appropriate utilization of outpatient
14 physical therapy services, outpatient occupa-
15 tional therapy services, and speech-language pa-
16 thology services that are covered under the
17 medicare program under title XVIII of the So-
18 cial Security Act (42 U.S.C. 1395); and
19 "(B) the establishment of an alternative
20 payment policy for such services based on clas-
21 sification of individuals by diagnostic category,
22 functional status, prior use of services (in both
23 inpatient and outpatient settings), and such
24 other criteria as the Secretary determines ap-
25 propriate, in place of the uniform dollar limita-

1 tions specified in section 1833(g) of such Act,
2 as amended by paragraph (1).
3 The recommendations shall include how such a
4 mechanism or policy might be implemented in a
5 budget-neutral manner.''.
6 (2) EFFECTIVE DATE.—The amendment made
7 by paragraph (1) shall take effect as if included in
8 the enactment of section 4541 of the Balanced
9 Budget Act of 1997 (Public Law 105–33; 111 Stat.
10 454).
11 (c) STUDY AND REPORT ON UTILIZATION.—
12 (1) STUDY.—
13 (A) IN GENERAL.—The Secretary of
14 Health and Human Services shall conduct a
15 study which compares—
16 (i) utilization patterns (including na-
17 tionwide patterns, and patterns by region,
18 types of settings, and diagnosis or condi-
19 tion) of outpatient physical therapy serv-
20 ices, outpatient occupational therapy serv-
21 ices, and speech-language pathology serv-
22 ices that are covered under the medicare
23 program under title XVIII of the Social
24 Security Act (42 U.S.C. 1395) and pro-
25 vided on or after January 1, 2000; with

(ii) such patterns for such services that were provided in 1998 and 1999.

(B) REVIEW OF CLAIMS.—In conducting the study under this subsection the Secretary of Health and Human Services shall review a statistically significant number of claims for reimbursement for the services described in subparagraph (A).

(2) REPORT.—Not later than March 31, 2001, the Secretary of Health and Human Services shall submit a report to Congress on the study conducted under paragraph (1), together with any recommendations for legislation that the Secretary determines to be appropriate as a result of such study.

SEC. 222. PHASE-IN OF PPS FOR AMBULATORY SURGICAL CENTERS.

If the Secretary of Health and Human Services implements a revised prospective payment system for services of ambulatory surgical facilities under part B of title XVIII of the Social Security Act, prior to incorporating data from the 1999 Medicare cost survey, such system shall be implemented consistent with the following principles:

(1) PHASE-IN.—The system shall provide that, in the first year (or similar period) of its implemen-

1 tation, only a proportion (specified by the Secretary
2 and not to exceed 1⁄3) of the payment for such serv-
3 ices shall be made in accordance with such system
4 and the remainder shall be made in accordance with
5 current regulations, and in the following year a pro-
6 portion (specified by the Secretary and not to exceed
7 2⁄3) of the payment for such services shall be made
8 under such system.

9 (2) BUDGET NEUTRALITY.—The system shall
10 be designed so that aggregate payments under such
11 part for such services after the system is imple-
12 mented shall approximate the aggregate payments
13 that would have been made under such part for such
14 services if the system had not been implemented.

15 **SEC. 223. EXPANDING COVERAGE TO DIRECT SERVICES**
16 **UNDER TELEHEALTH PROGRAM FOR MEDI-**
17 **CARE BENEFICIARIES PARTICIPATING IN**
18 **CERTAIN DEMONSTRATION PROJECTS.**

19 Section 4206 of BBA (42 U.S.C. 1395l note) is
20 amended by adding at the end the following new sub-
21 section:

22 "(e) EXPANDING COVERAGE TO DIRECT SERVICES
23 FOR MEDICARE BENEFICIARIES PARTICIPATING IN CER-
24 TAIN DEMONSTRATION PROJECTS.—

1 "(1) IN GENERAL.—Not later than January 1,
2 2000, the Secretary shall make payments from the
3 Federal Supplementary Medical Insurance Trust
4 Fund under part B of such title in accordance with
5 a payment methodology specified by the Secretary
6 for direct professional services furnished before Jan-
7 uary 1, 2005, by a physician or practitioner de-
8 scribed in subsection (a) via telecommunications sys-
9 tems if—
10 "(A) payment may be made under such
11 part if the service were provided in person, and
12 "(B) the beneficiary is participating in a
13 demonstration project receiving funds from the
14 Health Care Financing Administration or the
15 Health Resources and Services Administration.
16 Such services shall include the broadest possible
17 range of billing codes as determined appropriate by
18 the Secretary.
19 "(2) STUDY.—The Secretary shall conduct a
20 study of the effectiveness of the use of telemedicine
21 services in delivering health care to beneficiaries.
22 The study also shall examine the desirability of per-
23 mitting billing for direct services across all settings.
24 Not later than 3 years after the date of the enact-

1 ment of this subsection, the Secretary shall submit
2 to Congress a report on such study.''.

3 **SEC. 224. PROVISION FOR PART B ADD-ONS FOR FACILI-**
4 **TIES PARTICIPATING IN THE NHCMQ DEM-**
5 **ONSTRATION PROJECT.**

6 (a) IN GENERAL.—Section 1888(e)(3) (42 U.S.C.
7 1395yy(e)(3)), as added by section 4432(a) of BBA, is
8 amended—

9 (1) in subparagraph (A)—
10 (A) in clause (i), by inserting ''or, in the
11 case of a facility participating in the Nursing
12 Home Case-Mix and Quality Demonstration
13 (RUGS–III), the RUGS–III rate received by
14 the facility during the cost reporting period be-
15 ginning in 1997'' after ''to nonsettled cost re-
16 ports''; and
17 (B) in clause (ii), by striking ''furnished
18 during such period'' and inserting ''furnished
19 during the applicable cost reporting period de-
20 scribed in clause (i)''.
21 (2) in subparagraph (B), to read as follows:
22 ''(B) UPDATE TO FIRST COST REPORTING
23 PERIOD.—The Secretary shall update the
24 amount determined under subparagraph (A),
25 for each cost reporting period after the applica-

1 ble cost reporting period described in subpara-
2 graph (A)(i) and up to the first cost reporting
3 period by a factor equal to the skilled nursing
4 facility market basket percentage increase
5 minus 1 percentage point (except that for the
6 cost reporting period beginning in fiscal year
7 2001, the factor shall be equal to such market
8 basket percentage plus 0.8 percentage point).''.
9 (b) EFFECTIVE DATE.—The amendments made by
10 subsection (a) shall be effective as if included in the enact-
11 ment of section 4432(a) of BBA.

12 **SEC. 225. STUDY ON EFFECT OF CREDENTIALING OF TECH-**
13 **NOLOGISTS AND SONOGRAPHERS ON QUAL-**
14 **ITY OF ULTRASOUND AND IMAGING SERV-**
15 **ICES.**

16 (a) STUDY.—The Administrator for Health Care Pol-
17 icy and Research shall provide for a study that compares
18 the differences in quality of ultrasound and other imaging
19 services (including error rates and resulting complications)
20 furnished under the medicare and medicaid programs be-
21 tween such services furnished by individuals who are
22 credentialed by private entities or organizations and by
23 those who are not so credentialed. Such study shall exam-
24 ine and evaluate differences in error rates and patient out-
25 comes as a result of the differences in credentialing.

1 (b) REPORT.—By not later than two years after the
2 date of the enactment of this Act, the Administrator shall
3 submit a report to Congress on the study conducted under
4 subsection (a).

5 **SEC. 226. MEDPAC STUDY ON THE COMPLEXITY OF THE**
6 **MEDICARE PROGRAM AND THE LEVELS OF**
7 **BURDENS PLACED ON PROVIDERS THROUGH**
8 **FEDERAL REGULATIONS.**

9 (a) STUDY.—The Medicare Payment Advisory Com-
10 mission shall undertake a comprehensive study to review
11 the regulatory burdens placed on all classes of health care
12 providers under parts A and B of the medicare program
13 under title XVIII of the Social Security Act and to deter-
14 mine the costs these burdens impose on the nation's health
15 care system. The study shall also examine the complexity
16 of the current regulatory system and its impact on pro-
17 viders.

18 (b) REPORT.—Not later than December 31, 2001,
19 the Commission shall submit to Congress a report on the
20 study conducted under subsection (a). The report shall in-
21 clude recommendations regarding—

22 (1) how the Health Care Financing Administra-
23 tion can reduce the regulatory burdens placed on pa-
24 tients and providers; and

(2) legislation that may be appropriate to reduce the complexity of the medicare program, including improvement of the rules regarding billing, compliance, and fraud and abuse.

SEC. 227. ELIMINATION OF TIME LIMITATION ON MEDICARE BENEFITS FOR IMMUNOSUPPRESSIVE DRUGS.

(a) IN GENERAL.—Section 1861(s)(2)(J) of the Social Security Act (42 U.S.C. 1395x(s)(2)(J)) is amended by striking ‘‘, but only’’ and all that follows up to the semicolon at the end.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to drugs furnished on or after October 1, 2000.

TITLE III—PROVISIONS RELATING TO PARTS A AND B

Subtitle A—Home Health Services

SEC. 301. REPORT ON COSTS OF COMPLIANCE WITH OASIS DATA COLLECTION REQUIREMENTS.

(a) REPORT TO CONGRESS.—

(1) IN GENERAL.—Not later than 90 days after the date of the enactment of this Act, the Secretary of Health and Human Services shall submit to Congress and the Comptroller General of the United States a report on matters described in paragraph

1 (2) with respect to the data collection requirement of
2 patients of such agencies under the Outcome and
3 Assessment Information Set (OASIS) standard as
4 part of the comprehensive assessment of patients.
5 (2) MATTERS STUDIED.—For purposes of para-
6 graph (1), the matters described in this paragraph
7 include the following:
8 (A) An assessment of the costs incurred by
9 medicare home health agencies in complying
10 with such data collection requirement.
11 (B) An analysis of the effect of such data
12 collection requirement on the privacy interests
13 of patients from whom data is collected.
14 (3) GAO AUDIT.—The Comptroller General of
15 the United States shall conduct an independent
16 audit of the costs described in paragraph (2)(A).
17 Not later than 180 days after receipt of the report
18 under paragraph (1), the Comptroller General shall
19 submit to Congress a report describing the Comp-
20 troller General's findings with respect to such audit,
21 and shall include comments on the report submitted
22 to Congress by the Secretary of Health and Human
23 Services under paragraph (1).
24 (b) DEFINITIONS.—In this section:

(1) COMPREHENSIVE ASSESSMENT OF PATIENTS.—The term "comprehensive assessment of patients" means the rule published by the Health Care Financing Administration that requires, as a condition of participation in the medicare program, a home health agency to provide a patient-specific comprehensive assessment that accurately reflects the patient's current status and that incorporates the Outcome and Assessment Information Set (OASIS).

(2) OUTCOME AND ASSESSMENT INFORMATION SET.—The term "Outcome and Assessment Information Set" means the standard provided under the rule relating to data items that must be used in conducting a comprehensive assessment of patients.

SEC. 302. LIMITATION OF OASIS DATA COLLECTION REQUIREMENTS TO MEDICARE AND MEDICAID PATIENTS.

Effective as if included in the enactment of the Balanced Budget Act of 1997 (Public Law 105–33), section 4602(e) of such Act (42 U.S.C. 1395fff note) is amended by adding at the end the following new sentence: "Notwithstanding any provision of section 1891 of the Social Security Act (42 U.S.C. 1395bbb) to the contrary, the Secretary may only require the submission of additional

information under this subsection with respect to individuals who are entitled to benefits under parts A, B, or C of title XVIII of such Act, or an individual eligible for medical assistance under the State plan under title XIX of such Act.''.

SEC. 303. PHASE-IN AND PARTIAL ELIMINATION OF THE 15 PERCENT REDUCTION IN PAYMENTS UNDER THE PPS FOR HOME HEALTH SERVICES.

Section 1895(b)(3)(A) (42 U.S.C. 1395fff(b)(3)(A)) (as amended by section 5101 of the Tax and Trade Relief Extension Act of 1998 (contained in division J of Public Law 105–277)) is amended—

(1) in clause (i)—

(A) by striking the period at the end of the first sentence and the second sentence and inserting the following: ''as follows:

''(I) Such amount (or amounts) shall initially be based on the most current audited cost report data available to the Secretary and shall be computed in a manner so that the total amounts payable under the system for fiscal year 2001 shall be equal to the total amount that would have been made if the system had not been

in effect, but if the reduction in limits described in clause (ii) (applied by substituting '5' for '12.5') had been in effect.

"(II) For fiscal year 2002, such amount (or amounts) shall be equal to the amount (or amounts) that would have been determined under subclause (I) if the reduction in limits described in clause (ii) (applied by substituting '10' for '12.5') had been in effect for fiscal year 2001, and updated under subparagraph (B) for fiscal year 2002.

"(II) For fiscal year 2003, such amount (or amounts) shall be equal to the amount (or amounts) that would have been determined under subclause (I) if the reduction in limits described in clause (ii) had been in effect for fiscal year 2001, and updated under subparagraph (B) for fiscal years 2002 and 2003."; and

1 (B) by striking "Such amount" in the
2 third sentence and inserting "Each such
3 amount"; and
4 (2) in clause (ii), by striking "15 percent" and
5 inserting "12.5 percent".

6 **SEC. 304. REFINEMENT OF HOME HEALTH AGENCY CON-**
7 **SOLIDATED BILLING FOR DURABLE MEDICAL**
8 **EQUIPMENT.**

9 (a) IN GENERAL.—Section 1842(a)(6)(F) (42 U.S.C.
10 1395u(a)(6)(F)), as amended by section 4603(c)(2)(B) of
11 BBA, is amended by inserting "(including medical sup-
12 plies but excluding durable medical equipment to the ex-
13 tent provided for in section 1861(m)(5))" after "home
14 health services".
15 (b) CONFORMING AMENDMENT.—Section
16 1862(a)(21) (42 U.S.C. 1395y(a)(21)) is amended by in-
17 serting "(including medical supplies but excluding durable
18 medical equipment to the extent provided for in section
19 1861(m)(5))" after "home health services".
20 (c) EFFECTIVE DATE.—The amendments made by
21 this section apply to services furnished on or after the date
22 of the enactment of this Act.

SEC. 305. USE OF PAYMENTS UNDER PPS FOR HOME HEALTH SERVICES FOR COSTS ASSOCIATED WITH THE USE OF TELECOMMUNICATIONS SYSTEMS.

(a) IN GENERAL.—Section 1895(b) (42 U.S.C. 1395fff(b)) (as added by section 4603(a) of the Balanced Budget Act of 1997 and amended by section 5101 of the Tax and Trade Relief Extension Act of 1998 (contained in division J of Public Law 105–277)) is amended by adding at the end the following new paragraph:

"(7) USE OF TELECOMMUNICATIONS SYSTEMS.—A home health agency receiving payment under the system under this subsection shall be permitted by the Secretary to use such payments to cover the cost of services, training, and supervision when they are provided to beneficiaries under this title in that beneficiary's place of residence via telecommunication systems. The payment available to the agency under such system shall be the same as it would be if the telecommunications systems were not used. Such telecommunications systems may not be substituted for services required to establish or maintain eligibility for home health services under section 1814(a)(2)(C) or 1835(a)(2)(A).".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) applies with respect to items and services

furnished on or after the date of the enactment of this Act.

Subtitle B—Other

SEC. 311. PERMITTING RECLASSIFICATION OF CERTAIN URBAN HOSPITALS AS RURAL HOSPITALS.

(a) IN GENERAL.—Section 1886(d)(8) (42 U.S.C. 1395ww(d)(8)) is amended by adding at the end the following new subparagraph:

"(E)(i) For purposes of this subsection and section 1833(t), not later than 60 days after the receipt of an application from a subsection (d) hospital described in clause (ii), the Secretary shall treat the hospital as being located in the rural area (as defined in such paragraph (2)(D)) of the State in which the hospital is located.

"(ii) For purposes of clause (i), a subsection (d) hospital described in this clause is a subsection (d) hospital that is located in an urban area (as defined in paragraph (2)(D)) and satisfies any of the following criteria:

"(I) The hospital is located in a rural census tract of a metropolitan statistical area (as determined under the Goldsmith Modification, as pub-

1 lished in the Federal Register on Feb-
2 ruary 27, 1992 (57 FR 6725)).
3 "(II) The hospital is located in
4 an area designated by any law or reg-
5 ulation of such State as a rural area
6 (or is designated by such State as a
7 rural hospital).
8 "(iii) The hospital would qualify as a
9 sole community hospital under paragraph
10 (5)(D) or as a rural or regional or national
11 referral center under paragraph (5)(C) if
12 the hospital were located in a rural area.
13 "(iv) The hospital meets such other
14 criteria as the Secretary may specify.".
15 (b) CONFORMING CHANGE.—Section
16 1820(c)(2)(B)(i) (42 U.S.C. 1395i–4(c)(2)(B)(i)) is
17 amended by inserting "or is treated as being located in
18 a rural area pursuant to section 1886(d)(8)(E)" after
19 "section 1886(d)(2)(D)).".
20 (c) EFFECTIVE DATE.—The amendments made by
21 this section shall become effective on January 1, 2000.

1 **SEC. 312. MEDPAC STUDY ON MEDICARE PAYMENT FOR**
2 **NON-PHYSICIAN HEALTH PROFESSIONAL**
3 **CLINICAL TRAINING IN HOSPITALS.**

4 (a) IN GENERAL.—The Medicare Payment Advisory
5 Commission shall conduct a study on medicare payment
6 policy with respect to graduate clinical training of dif-
7 ferent classes of non-physician health care professionals
8 (such as nurses, allied health professionals, physician as-
9 sistants, and psychologists) and the basis for any dif-
10 ferences in treatment among such classes.

11 (b) REPORT.—The Commission shall submit a report
12 to Congress on the study conducted under subsection (a)
13 not later than 18 months after the date of the enactment
14 of this Act.

15 TITLE V—PROVISIONS RELAT-
16 ING TO PART C
17 (MEDICARE+CHOICE PRO-
18 GRAM)

19 Subtitle A—Medicare+Choice

20 **SEC. 501. PHASE-IN OF NEW RISK ADJUSTMENT METHOD-**
21 **OLOGY.**

22 Section 1853(a)(3)(C) (42 U.S.C. 1395w–
23 23(a)(3)(C)) is amended—

24 (1) by redesignating the first sentence as clause
25 (i) with the heading "IN GENERAL.—" and appro-
26 priate indentation; and

1 (2) by adding at the end the following new
2 clause:
3 "(ii) PHASE-IN.—Subject to clause
4 (iii)(II), such risk adjustment methodology
5 shall be implemented in a phased-in man-
6 ner so that the new methodology applies
7 only to—
8 "(I) 10 percent of the payment
9 amount in 2000, 2001, 2002, and
10 2003;
11 "(II) 50 percent of such amount
12 in 2004;
13 "(III) 75 percent of such amount
14 in 2005; and
15 "(IV) 100 percent of such
16 amount in any subsequent year.
17 "(iii) REQUIREMENT AND CONTIN-
18 GENCY.—
19 "(I) REQUIREMENT.—The Sec-
20 retary shall provide for the application
21 of data from multiple settings (includ-
22 ing hospital outpatient settings) in ap-
23 plying the risk methodology in years
24 beginning with 2004.

1 "(II) CONTINGENCY.—The per-
2 cent applied under clause (ii) shall not
3 exceed 10 percent in a year after
4 2003 unless the Secretary is using
5 data from multiple settings (including
6 hospital outpatient settings) in apply-
7 ing the risk methodology in that
8 year.".

9 **SEC. 502. CONTINUED COMPUTATION AND PUBLICATION**
10 **OF AAPCC DATA.**

11 (a) IN GENERAL.—Section 1853(b) (42 U.S.C.
12 1395w–23(b)) is amended by adding at the end the fol-
13 lowing new paragraph:

14 "(4) CONTINUED COMPUTATION AND PUBLICA-
15 TION OF COUNTY-SPECIFIC PER CAPITA FEE-FOR-
16 SERVICE EXPENDITURE INFORMATION.—The Sec-
17 retary, through the Chief Actuary of the Health
18 Care Financing Administration, shall provide for the
19 computation and publication, on an annual basis at
20 the time of publication of the annual
21 Medicare+Choice capitation rates, of information on
22 the level of the average annual per capita costs (de-
23 scribed in section 1876(a)(4)) for each
24 Medicare+Choice payment area.".

1 (b) EFFECTIVE DATE.—The amendment made by
2 subsection (a) shall take effect on the date of the enact-
3 ment of this Act and apply to publications of the annual
4 Medicare+Choice capitation rates made on or after such
5 date.

6 **SEC. 503. CHANGES IN MEDICARE+CHOICE AND MEDIGAP**
7 **ENROLLMENT RULES.**

8 (a) PERMITTING ENROLLMENT IN ALTERNATIVE
9 MEDICARE+CHOICE PLANS IN CASE OF INVOLUNTARY
10 TERMINATION OF MEDICARE+CHOICE ENROLLMENT.—
11 Section 1851(e)(4) (42 U.S.C. 1395w–21(e)(4)) is amend-
12 ed by striking subparagraph (A) and inserting the fol-
13 lowing:

14 ''(A)(i) the certification of the organization
15 or plan under this part has been terminated, or
16 the organization or plan has notified the indi-
17 vidual of an impending termination of such cer-
18 tification; or

19 ''(ii) the organization has terminated or
20 otherwise discontinued providing the plan in the
21 area in which the individual resides, or has no-
22 tified the individual of an impending termi-
23 nation or discontinuation of such plan;''.

1 (b) CONFORMING MEDIGAP AMENDMENT.—Section
2 1882(s)(3)(A) (42 U.S.C. 1395ss(s)(3)(A)) is amended, in
3 the matter following clause (iii)—
4 (1) by inserting "(or, if elected by the indi-
5 vidual, the date of notification of the individual or
6 the Secretary by the plan or organization of the im-
7 pending termination or discontinuance of the plan in
8 the area in which the individual resides)" after "the
9 date of the termination of enrollment described in
10 such subparagraph"; and
11 (2) by inserting "(or the date of such notifica-
12 tion)" after "the date of termination or
13 disenrollment".

14 **SEC. 504. ALLOWING VARIATION IN PREMIUM WAIVERS**
15 **WITHIN A SERVICE AREA IF**
16 **MEDICARE+CHOICE PAYMENT RATES VARY**
17 **WITHIN THE AREA.**

18 (a) IN GENERAL.—Section 1854(c) (42 U.S.C.
19 1395w–24(c)) is amended—
20 (1) by striking "The" and inserting "Subject to
21 paragraph (2), the";
22 (2) by redesignating the first sentence as a
23 paragraph (1) with an appropriate indentation and
24 the heading "IN GENERAL.—"; and

1 (3) by adding at the end the following new
2 paragraph:
3 "(2) VARIATION IN PREMIUM WAIVER PER-
4 MITTED.—A Medicare+Choice organization may
5 waive part or all of a premium described in para-
6 graph (1) for one or more Medicare+Choice pay-
7 ment areas within its service area if the annual
8 Medicare+Choice capitation rates under section
9 1853(c) vary between such payment area and other
10 payment areas within such service area.".
11 (b) EFFECTIVE DATE.—The amendments made by
12 subsection (a) apply to premiums for contract years begin-
13 ning on or after January 1, 2001.

14 **SEC. 505. DELAY IN DEADLINE FOR SUBMISSION OF AD-**
15 **JUSTED COMMUNITY RATES AND RELATED**
16 **INFORMATION.**

17 (a) DELAY IN DEADLINE FOR SUBMISSION OF AD-
18 JUSTED COMMUNITY RATES AND RELATED INFORMA-
19 TION.—Section 1854(a)(1) (42 U.S.C. 1395w–24(a)(1)) is
20 amended by striking "May 1" and inserting "July 1".
21 (b) ADJUSTMENT IN INFORMATION DISCLOSURE
22 PROVISIONS.—Section 1851(d)(2)(A)(ii) (42 U.S.C.
23 1395w–21(d)(2)(A)(ii)) is amended by inserting after "in-
24 formation described in paragraph (4) concerning such
25 plans" the following: ", to the extent such information is

1 available at the time of preparation of the material for
2 mailing''.

3 **SEC. 506. DEEMING OF MEDICARE+CHOICE ORGANIZATION**
4 **TO MEET REQUIREMENTS.**

5 Section 1852(e)(4) (42 U.S.C. 1395w–22(e)(4)) is
6 amended to read as follows:

7 ''(4) TREATMENT OF ACCREDITATION.—The
8 Secretary shall provide that a Medicare+Choice or-
9 ganization is deemed to meet requirements of para-
10 graphs (1) and (2) of this subsection and subsection
11 (h) (relating to confidentiality and accuracy of en-
12 rollee records) if the organization is accredited (and
13 periodically reaccredited) by a private accrediting or-
14 ganization under a process that the Secretary has
15 determined assures that the accrediting organization
16 applies standards that meet or exceed the standards
17 established under section 1856 to carry out the re-
18 spective requirements. The Secretary shall deter-
19 mine, within 90 days after the date the Secretary re-
20 ceives an application by a private accrediting organi-
21 zation, whether the process of the private accrediting
22 organization meets the requirements of the pre-
23 ceding sentence using the criteria specified in section
24 1865(b)(2). The Secretary shall, using the process
25 described in section 1865(b), deem a

1 Medicare+Choice organization that is so accredited
2 as meeting the requirements of paragraphs (1) and
3 (2) of this subsection and subsection (h).''

4 **SEC. 507. REDUCTION IN ADJUSTMENT IN NATIONAL PER**
5 **CAPITA MEDICARE+CHOICE GROWTH PER-**
6 **CENTAGE FOR 2001 AND 2002.**

7 Section 1853(c)(6)(B) (42 U.S.C. 1395w–
8 23(c)(6)(B)) is amended in clauses (iv) and (v) by striking
9 ''0.5 percentage points'' and inserting ''0.3 percentage
10 points''.

11 **SEC. 508. 3 YEAR EXTENSION OF MEDICARE COST CON-**
12 **TRACTS.**

13 Section 1876(h)(5)(B) (42 U.S.C.
14 1395mm(h)(5)(B)) is amended by striking ''2002'' and in-
15 serting ''2005''.

16 **SEC. 509. REDUCING TO 2 YEARS THE RE-ENTRY PERIOD**
17 **AFTER CONTRACT TERMINATION.**

18 (a) IN GENERAL.—Section 1857(c)(4) (42 U.S.C.
19 1395w–27(c)(4)) is amended by striking ''5-year period''
20 and inserting ''2-year period''.

21 (b) EFFECTIVE DATE.—The amendment made by
22 subsection (a) applies to contract terminations occurring
23 before, on, or after the date of the enactment of this Act.

1 **SEC. 510. MEDPAC STUDIES RELATING TO RISK ADJUST-**
2 **MENT.**

3 (a) STUDY.—The Medicare Payment Advisory Com-
4 mission established under section 1805 of the Social Secu-
5 rity Act (42 U.S.C. 1395b–6) (in this section referred to
6 as ''MedPAC'') shall conduct a study on the adequacy and
7 accuracy of health-based risk adjustment methodologies
8 being developed and used by the Health Care Financing
9 Administration in the Medicare+Choice program.

10 (b) REPORT.—The Commission shall submit to Con-
11 gress by March 1, 2001, a report on the study under sub-
12 section (a) and shall include recommendations regarding
13 alternative risk adjustment methodologies that are less on-
14 erous.

15 **SEC. 511. MEDPAC REPORT ON MEDICARE MSA (MEDICAL**
16 **SAVINGS ACCOUNT) PLANS.**

17 Not later than 1 year after the date of the enactment
18 of this Act, the Medicare Payment Advisory Commission
19 shall submit to Congress a report on specific legislative
20 changes that should be made to make MSA plans a viable
21 option under the Medicare+Choice program.

22 **SEC. 512. MISCELLANEOUS CHANGES.**

23 (a) PERMITTING RELIGIOUS FRATERNAL BENEFIT
24 SOCIETIES TO OFFER A RANGE OF MEDICARE+CHOICE
25 PLANS.—Section 1859(e)(2)(A) (42 U.S.C. 1395w–

1 29(e)(2)(A)) is amended by striking “section
2 1851(a)(2)(A)” and inserting “section 1851(a)(2)”.

3 # Subtitle B—Other Managed Care
4 # Provisions

5 **SEC. 521. MEDICARE+CHOICE COMPETITIVE BIDDING DEM-**
6 **ONSTRATION PROJECT.**

7 Section 4011 of BBA is amended—
8 (1) in subsection (a)—
9 (A) by striking “The Secretary” and in-
10 serting the following:
11 “(1) IN GENERAL.—Subject to the succeeding
12 provisions of this subsection, the Secretary”; and
13 (B) by adding at the end the following:
14 “(2) DELAY IN IMPLEMENTATION.—The Sec-
15 retary shall not implement the project until January
16 1, 2002, or, if later, 6 months after the date the
17 Competitive Pricing Advisory Committee has sub-
18 mitted to Congress a report on each of the following
19 topics:
20 “(A) INCORPORATION OF ORIGINAL FEE-
21 FOR-SERVICE MEDICARE PROGRAM INTO
22 PROJECT.—What changes would be required in
23 the project to feasibly incorporate the original
24 fee-for-service medicare program into the

1 project in the areas in which the project is operational.

3 "(B) QUALITY ACTIVITIES.—The nature and extent of the quality reporting and monitoring activities that should be required of plans participating in the project, the estimated costs that plans will incur as a result of these requirements, and the current ability of the Health Care Financing Administration to collect and report comparable data, sufficient to support comparable quality reporting and monitoring activities with respect to beneficiaries enrolled in the original fee-for-service medicare program generally.

15 "(C) RURAL PROJECT.—The current viability of initiating a project site in a rural area, given the site specific budget neutrality requirements of the project, and insofar as the Committee decides that the addition of such a site is not viable, recommendations on how the project might best be changed so that such a site is viable.

23 "(D) BENEFIT STRUCTURE.—The nature and extent of the benefit structure that should be required of plans participating in the project,

1 the rationale for such benefit structure, the po-
2 tential implications that any benefit standard-
3 ization requirement may have on the number of
4 plan choices available to a beneficiary in an
5 area designated under the project, the potential
6 implications of requiring participating plans to
7 offer variations on any standardized benefit
8 package the committee might recommend, such
9 that a beneficiary could elect to pay a higher
10 percentage of out-of-pocket costs in exchange
11 for a lower premium (or premium rebate as the
12 case may be), and the potential implications of
13 expanding the project (in conjunction with the
14 potential inclusion of the original fee-for-service
15 medicare program) to require medicare supple-
16 mental insurance plans operating in an area
17 designated under the project to offer a coordi-
18 nated and comparable standardized benefit
19 package.

20 "(3) CONFORMING DEADLINES.—Any dates
21 specified in the succeeding provisions of this section
22 shall be delayed (as specified by the Secretary) in a
23 manner consistent with the delay effected under
24 paragraph (2)."; and

25 (2) in subsection (c)(1)(A)—

1 (A) by striking ''and'' at the end of clause
2 (i); and
3 (B) by adding at the end the following new
4 clause:
5 ''(iii) establish beneficiary premiums
6 for plans offered in such area in a manner
7 such that a beneficiary who enrolls in an
8 offered plan with a below average price (as
9 established by the competitive pricing
10 methodology established for such area)
11 may, at the plan's election, be offered a re-
12 bate of some or all of the medicare part B
13 premium that such individual must other-
14 wise pay in order to participate in a
15 Medicare+Choice plan under the
16 Medicare+Choice program; and''.

17 **SEC. 522. INAPPLICABILITY OF OASIS TO PACE.**

18 Sections 1894(e)(3) and 1934(e)(3) (42 U.S.C.
19 1395eee(e)(3); 1396u–4(e)(3)) are each amended by add-
20 ing at the end the following:
21 ''(C) INAPPLICABILITY OF OASIS TO
22 PACE.—Notwithstanding the previous provisions
23 of this paragraph, with respect to any home
24 health service provided under a PACE program
25 under this section, the Secretary shall not apply

1 the data collection and reporting requirements
2 under the Outcome and Assessment Informa-
3 tion Set (OASIS) to such program or to any
4 enrollee of such program, regardless of whether
5 such service is provided by a PACE program di-
6 rectly or through a contract with a home health
7 agency.''.

8 TITLE VI—MEDICAID

9 **SEC. 601. MAKING MEDICAID DSH TRANSITION RULE PER-**
10 **MANENT.**

11 (a) IN GENERAL.—Section 4721(e) of the Balanced
12 Budget Act of 1997 (42 U.S.C. 1396r–4 note) is
13 amended—
14 (1) in the matter before paragraph (1), by
15 striking ''1923(g)(2)(A)'' and ''1396r–4(g)(2)(A)''
16 and inserting ''1923(g)(2)'' and ''1396r–4(g)(2)'',
17 respectively;
18 (2) in paragraphs (1) and (2)—
19 (A) by striking '', and before July 1,
20 1999''; and
21 (B) by striking ''in such section'' and in-
22 serting ''in subparagraph (A) of such section'';
23 and
24 (3) by striking ''and'' at the end of paragraph
25 (1), by striking the period at the end of paragraph

1 (2) and inserting ''; and'', and by adding at the end
2 the following new paragraph:
3 ''(3) effective for State fiscal years that begin
4 on or after July 1, 1999, 'or (b)(1)(B)' were in-
5 serted in section 1923(g)(2)(B)(ii)(I) after
6 '(b)(1)(A)'.''.
7 (b) EFFECTIVE DATE.—The amendments made by
8 subsection (a) shall take effect as if included in the enact-
9 ment of section 4721(e) of the Balanced Budget Act of
10 1997 (Public Law 105–33; 110 Stat. 514).

11 **SEC. 602. INCREASE IN DSH ALLOTMENT FOR CERTAIN**
12 **STATES AND THE DISTRICT OF COLUMBIA.**

13 (a) IN GENERAL.—The table in section 1923(f)(2)
14 (42 U.S.C. 1396r–4(f)(2)) is amended under each of the
15 columns for FY 00, FY 01, and FY 02—
16 (1) in the entry for the District of Columbia, by
17 striking ''23'' and inserting ''32'';
18 (2) in the entry for Minnesota, by striking ''16''
19 and inserting ''33'';
20 (3) in the entry for New Mexico, by striking
21 ''5'' and inserting ''9''; and
22 (4) in the entry for Wyoming, by striking ''0''
23 and inserting ''.100''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) take effect on October 1, 1999, and applies to expenditures made on or after such date.

SEC. 603. NEW PROSPECTIVE PAYMENT SYSTEM FOR FEDERALLY-QUALIFIED HEALTH CENTERS AND RURAL HEALTH CLINICS.

(a) IN GENERAL.—Section 1902(a) of the Social Security Act (42 U.S.C. 1396a(a)) is amended—

(1) in paragraph (13)—

(A) in subparagraph (A), by adding ''and'' at the end;

(B) in subparagraph (B), by striking ''and'' at the end; and

(C) by striking subparagraph (C); and

(2) by inserting after paragraph (14) the following new paragraph:

''(15) for payment for services described in clause (B) or (C) of section 1905(a)(2) under the plan in accordance with subsection (aa);''.

(b) NEW PROSPECTIVE PAYMENT SYSTEM.—Section 1902 of the Social Security Act (42 U.S.C. 1396a) is amended by adding at the end the following:

''(aa) PAYMENT FOR SERVICES PROVIDED BY FEDERALLY-QUALIFIED HEALTH CENTERS AND RURAL HEALTH CLINICS.—

1 "(1) IN GENERAL.—Beginning with fiscal year
2 2000 and each succeeding fiscal year, the State plan
3 shall provide for payment for services described in
4 section 1905(a)(2)(C) furnished by a Federally-
5 qualified health center and services described in sec-
6 tion 1905(a)(2)(B) furnished by a rural health clinic
7 in accordance with the provisions of this subsection.
8 "(2) FISCAL YEAR 2000.—Subject to paragraph
9 (4), for services furnished during fiscal year 2000,
10 the State plan shall provide for payment for such
11 services in an amount (calculated on a per visit
12 basis) that is equal to 100 percent of the costs of
13 the center or clinic of furnishing such services dur-
14 ing fiscal year 1999 which are reasonable and re-
15 lated to the cost of furnishing such services, or
16 based on such other tests of reasonableness as the
17 Secretary prescribes in regulations under section
18 1833(a)(3), or, in the case of services to which such
19 regulations do not apply, the same methodology used
20 under section 1833(a)(3), adjusted to take into ac-
21 count any increase in the scope of such services fur-
22 nished by the center or clinic during fiscal year
23 2000.
24 "(3) FISCAL YEAR 2001 AND SUCCEEDING FIS-
25 CAL YEARS.—Subject to paragraph (4), for services

1 furnished during fiscal year 2001 or a succeeding
2 fiscal year, the State plan shall provide for payment
3 for such services in an amount (calculated on a per
4 visit basis) that is equal to the amount calculated for
5 such services under this subsection for the preceding
6 fiscal year—
7 ‘‘(A) increased by the percentage increase
8 in the MEI (as defined in section 1842(i)(3))
9 applicable to primary care services (as defined
10 in section 1842(i)(4)) for that fiscal year; and
11 ‘‘(B) adjusted to take into account any in-
12 crease in the scope of such services furnished by
13 the center or clinic during that fiscal year.
14 ‘‘(4) ESTABLISHMENT OF INITIAL YEAR PAY-
15 MENT AMOUNT FOR NEW CENTERS OR CLINICS.—In
16 any case in which an entity first qualifies as a Fed-
17 erally-qualified health center or rural health clinic
18 after fiscal year 1999, the State plan shall provide
19 for payment for services described in section
20 1905(a)(2)(C) furnished by the center or services
21 described in section 1905(a)(2)(B) furnished by the
22 clinic in the first fiscal year in which the center or
23 clinic so qualifies in an amount (calculated on a per
24 visit basis) that is equal to 100 percent of the costs
25 of furnishing such services during such fiscal year in

1 accordance with the regulations and methodology re-
2 ferred to in paragraph (2). For each fiscal year fol-
3 lowing the fiscal year in which the entity first quali-
4 fies as a Federally-qualified health center or rural
5 health clinic, the State plan shall provide for the
6 payment amount to be calculated in accordance with
7 paragraph (3).

8 "(5) ADMINISTRATION IN THE CASE OF MAN-
9 AGED CARE.—In the case of services furnished by a
10 Federally-qualified health center or rural health clin-
11 ic pursuant to a contract between the center or clinic
12 and a managed care entity (as defined in section
13 1932(a)(1)(B)), the State plan shall provide for pay-
14 ment to the center or clinic (at least quarterly) by
15 the State of a supplemental payment equal to the
16 amount (if any) by which the amount determined
17 under paragraphs (2), (3), and (4) of this subsection
18 exceeds the amount of the payments provided under
19 the contract.

20 "(6) ALTERNATIVE PAYMENT METHODOLO-
21 GIES.—Notwithstanding any other provision of this
22 section, the State plan may provide for payment in
23 any fiscal year to a Federally-qualified health center
24 for services described in section 1905(a)(2)(C) or to
25 a rural health clinic for services described in section

1905(a)(2)(B) in an amount which is determined under an alternative payment methodology that—

"(A) is agreed to by the State and the center or clinic; and

"(B) results in payment to the center or clinic of an amount which is at least equal to the amount otherwise required to be paid to the center or clinic under this section.".

(c) CONFORMING AMENDMENTS.—

(1) Section 4712 of the Balanced Budget Act of 1997 (Public Law 105–33; 111 Stat. 508) is amended by striking subsection (c).

(2) Section 1915(b) of the Social Security Act (42 U.S.C. 1396n(b)) is amended by striking "1902(a)(13)(E)" and inserting "1902(a)(15), 1902(aa),".

(d) EFFECTIVE DATE.—The amendments made by this section take effect on October 1, 1999, and apply to services furnished on or after such date.

SEC. 604. PARITY IN REIMBURSEMENT FOR CERTAIN UTILIZATION AND QUALITY CONTROL SERVICES.

(a) IN GENERAL.—Section 1903(a)(3)(C)(i) (42 U.S.C. 1396b(a)(3)(C)(i)) is amended—

(1) by inserting "(other than a review described in clause (ii))" after "quality review"; and

1 (2) by inserting "(or under a contract with the
2 State that sets forth standards of performance
3 equivalent to those under section 1902(d))" before
4 the semicolon.

5 (b) EFFECTIVE DATE.—The amendments made by
6 subsection (a) apply to expenditures made on and after
7 the date of the enactment of this Act.

8 TITLE VII—STATE CHILDREN'S 9 HEALTH INSURANCE PRO- 10 GRAM (SCHIP)

11 SEC. 701. STABILIZING THE SCHIP ALLOTMENT FORMULA.

12 (a) IN GENERAL.—Section 2104(b) (42 U.S.C.
13 1397dd(b)) is amended—

14 (1) in paragraph (2)(A)—

15 (A) in clause (i), by striking "through
16 2000" and inserting "and 1999"; and

17 (B) in clause (ii), by striking "2001" and
18 inserting "2000";

19 (2) by amending paragraph (4) to read as fol-
20 lows:

21 "(4) FLOORS AND CEILINGS IN STATE ALLOT-
22 MENTS.—

23 "(A) IN GENERAL.—The proportion of the
24 allotment under this subsection for a subsection
25 (b) State (as defined in subparagraph (D)) for

1 fiscal year 2000 and each fiscal year thereafter
2 shall be subject to the following floors and ceil-
3 ings:

4 "(i) FLOOR OF $2,000,000.—A floor
5 equal to $2,000,000 divided by the total of
6 the amount available under this subsection
7 for all such allotments for the fiscal year.

8 "(ii) ANNUAL FLOOR OF 10 PERCENT
9 BELOW PRECEDING FISCAL YEAR'S PRO-
10 PORTION.—A floor of 90 percent of the
11 proportion for the State for the preceding
12 fiscal year.

13 "(iii) CUMULATIVE FLOOR OF 30 PER-
14 CENT BELOW THE FY 1999 PROPORTION.—
15 A floor of 70 percent of the proportion for
16 the State for fiscal year 1999.

17 "(iv) CUMULATIVE CEILING OF 45
18 PERCENT ABOVE FY 1999 PROPORTION.—A
19 ceiling of 145 percent of the proportion for
20 the State for fiscal year 1999.

21 "(B) RECONCILIATION.—

22 "(i) ELIMINATION OF ANY DEFICIT BY
23 ESTABLISHING A PERCENTAGE INCREASE
24 CEILING FOR STATES WITH HIGHEST AN-
25 NUAL PERCENTAGE INCREASES.—To the

1 extent that the application of subparagraph (A) would result in the sum of the proportions of the allotments for all subsection (b) States exceeding 1.0, the Secretary shall establish a maximum percentage increase in such proportions for all subsection (b) States for the fiscal year in a manner so that such sum equals 1.0.

"(ii) ALLOCATION OF SURPLUS THROUGH PRO RATA INCREASE.—To the extent that the application of subparagraph (A) would result in the sum of the proportions of the allotments for all subsection (b) States being less than 1.0, the proportions of such allotments (as computed before the application of floors under clauses (i), (ii), and (iii) of subparagraph (A)) for all subsection (b) States shall be increased in a pro rata manner (but not to exceed the ceiling established under subparagraph (A)(iv)) so that (after the application of such floors and ceiling) such sum equals 1.0.

"(C) CONSTRUCTION.—This paragraph shall not be construed as applying to (or taking

1 into account) amounts of allotments redistributed under subsection (f).

3 "(D) DEFINITIONS.—In this paragraph:

4 "(i) PROPORTION OF ALLOTMENT.—The term 'proportion' means, with respect to the allotment of a subsection (b) State for a fiscal year, the amount of the allotment of such State under this subsection for the fiscal year divided by the total of the amount available under this subsection for all such allotments for the fiscal year.

12 "(ii) SUBSECTION (b) STATE.—The term 'subsection (b) State' means one of the 50 States or the District of Columbia.";

16 (3) in paragraph (2)(B), by striking "the fiscal year" and inserting "the calendar year in which such fiscal year begins"; and

19 (4) in paragraph (3)(B), by striking "the fiscal year involved" and inserting "the calendar year in which such fiscal year begins".

22 (b) EFFECTIVE DATE.—The amendments made by this section apply to allotments determined under title XXI of the Social Security Act (42 U.S.C. 1397aa et seq.) for fiscal year 2000 and each fiscal year thereafter.

1 **SEC. 702. INCREASED ALLOTMENTS FOR TERRITORIES**
2 **UNDER THE STATE CHILDREN'S HEALTH IN-**
3 **SURANCE PROGRAM.**

4 Section 2104(c)(4)(B) (42 U.S.C. 1397dd(c)(4)(B))
5 is amended by inserting ", $34,200,000 for each of fiscal
6 years 2000 and 2001, $25,200,000 for each of fiscal years
7 2002 through 2004, $32,400,000 for each of fiscal years
8 2005 and 2006, and $40,000,000 for fiscal year 2007''
9 before the period.

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