

107<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 4515

To amend title XVIII of the Social Security Act to provide for improvements in access to services in rural hospitals and critical access hospitals.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 18, 2002

Mr. MORAN of Kansas (for himself, Mr. TURNER, Mr. THUNE, Mr. PICKERING, Mr. WALDEN, Mr. MCINTYRE, Mr. BERRY, Mr. SANDLIN, Mr. LUCAS of Kentucky, Mr. PHELPS, Mr. CARSON of Oklahoma, Mr. PAUL, Mr. BEREUTER, Mr. SHOWS, Mr. SHIMKUS, Mr. KIND, Mr. OTTER, Mr. WATKINS of Oklahoma, Mr. YOUNG of Alaska, Mr. BARRETT of Wisconsin, Mr. BOUCHER, and Mr. LATHAM) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Energy and Commerce, 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 title XVIII of the Social Security Act to provide for improvements in access to services in rural hospitals and critical access hospitals.

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; AMENDMENTS TO SOCIAL SECU-**  
4       **RITY ACT.**

5       (a) SHORT TITLE.—This Act may be cited as the  
6       “Rural Community Hospital Assistance Act of 2002”.

1 (b) AMENDMENTS TO SOCIAL SECURITY ACT.—Ex-  
 2 cept as otherwise specifically provided, whenever in this  
 3 Act an amendment is expressed in terms of an amendment  
 4 to, or repeal of, a section or other provision, the reference  
 5 shall be considered a reference to that section or other  
 6 provision of the Social Security Act.

7 **SEC. 2. ESTABLISHMENT OF RURAL COMMUNITY HOSPITAL**  
 8 **(RCH) PROGRAM.**

9 (a) IN GENERAL.—Section 1861 (42 U.S.C. 1395x)  
 10 is amended by adding at the end of the following new sub-  
 11 section:

12 “Rural Community Hospital; Rural Community Hospital  
 13 Services

14 “(ww)(1) The term ‘rural community hospital’ means  
 15 a hospital (as defined in subsection (e)) that—

16 “(A) is located in a rural area (as defined in  
 17 section 1886(d)(2)(D)) or treated as being so lo-  
 18 cated pursuant to section 1886(d)(8)(E);

19 “(B) subject to subparagraph (B), has less than  
 20 51 acute care inpatient beds, as reported in its most  
 21 recent cost report;

22 “(C) makes available 24-hour emergency care  
 23 services;

1           “(D) subject to subparagraph (C), has a pro-  
2           vider agreement in effect with the Secretary and is  
3           open to the public as of January 1, 2002; and

4           “(E) applies to the Secretary for such designa-  
5           tion.

6           “(2) For purposes of paragraph (1)(B), beds in a  
7           psychiatric or rehabilitation unit of the hospital which is  
8           a distinct part of the hospital shall not be counted.

9           “(3) Subparagraph (1)(C) shall not be construed to  
10          prohibit any of the following from qualifying as a rural  
11          community hospital:

12           “(A) A replacement facility (as defined by the  
13          Secretary in regulations in effect on January 1,  
14          2002) with the same service area (as defined by the  
15          Secretary in regulations in effect on such date).

16           “(B) A facility obtaining a new provider num-  
17          ber pursuant to a change of ownership.

18           “(C) A facility which has a binding written  
19          agreement with an outside, unrelated party for the  
20          construction, reconstruction, lease, rental, or financ-  
21          ing of a building as of January 1, 2002.

22           “(4) Nothing in this subsection shall be construed as  
23          prohibiting a critical access hospital from qualifying as a  
24          rural community hospital if the critical access hospital

1 meets the conditions otherwise applicable to hospitals  
2 under subsection (e) and section 1866.”.

3 (b) PAYMENT.—

4 (1) INPATIENT SERVICES.—Section 1814 (42  
5 U.S.C. 1395f) is amended by adding at the end the  
6 following new subsection:

7 “Payment for Inpatient Services Furnished in Rural  
8 Community Hospitals

9 “(m) The amount of payment under this part for in-  
10 patient hospital services furnished in a rural community  
11 hospital, other than such services furnished in a psy-  
12 chiatric or rehabilitation unit of the hospital which is a  
13 distinct part, is, at the election of the hospital in the appli-  
14 cation referred to in section 1861(ww)(1)(D)—

15 “(1) the reasonable costs of providing such  
16 services, without regard to the amount of the cus-  
17 tomary or other charge, or

18 “(2) the amount of payment provided for under  
19 the prospective payment system for inpatient hos-  
20 pital services under section 1886(d).”.

21 (2) OUTPATIENT SERVICES.—Section 1834 (42  
22 U.S.C. 1395m) is amended by adding at the end the  
23 following new subsection:

24 “(n) PAYMENT FOR OUTPATIENT SERVICES FUR-  
25 NISHED IN RURAL COMMUNITY HOSPITALS.—The

1 amount of payment under this part for outpatient services  
2 furnished in a rural community hospital is, at the election  
3 of the hospital in the application referred to in section  
4 1861(ww)(1)(D)—

5 “(1) the reasonable costs of providing such  
6 services, without regard to the amount of the cus-  
7 tomary or other charge and any limitation under  
8 section 1861(v)(1)(U), or

9 “(2) the amount of payment provided for under  
10 the prospective payment system for covered OPD  
11 services under section 1833(t).”.

12 (3) HOME HEALTH SERVICES.—

13 (A) EXCLUSION FROM HOME HEALTH  
14 PPS.—

15 (i) IN GENERAL.—Section 1895 (42  
16 U.S.C. 1395fff) is amended by adding at  
17 the end the following:

18 “(f) EXCLUSION.—

19 “(1) IN GENERAL.—In determining payments  
20 under this title for home health services furnished on  
21 or after October 1, 2002, by a qualified RCH-based  
22 home health agency (as defined in paragraph (2))—

23 “(A) the agency may make a one-time elec-  
24 tion to waive application of the prospective pay-  
25 ment system established under this section to

1 such services furnished by the agency shall not  
2 apply; and

3 “(B) in the case of such an election, pay-  
4 ment shall be made on the basis of the reason-  
5 able costs incurred in furnishing such services  
6 as determined under section 1861(v), but with-  
7 out regard to the amount of the customary or  
8 other charges with respect to such services or  
9 the limitations established under paragraph  
10 (1)(L) of such section.

11 “(2) QUALIFIED RCH-BASED HOME HEALTH  
12 AGENCY DEFINED.—For purposes of paragraph (1),  
13 a ‘qualified RCH-based home health agency’ is a  
14 home health agency that is a provider-based entity  
15 (as defined in section 404 of the Medicare, Medicaid,  
16 and SCHIP Benefits Improvement and Protection  
17 Act of 2000 (Public Law 106–554; Appendix F, 114  
18 Stat. 2763A–506) of a rural community hospital  
19 that is located—

20 “(A) in a county in which no main or  
21 branch office of another home health agency is  
22 located; or

23 “(B) at least 35 miles from any main or  
24 branch office of another home health agency.”.

25 (ii) CONFORMING CHANGES.—

1 (I) PAYMENTS UNDER PART A.—  
2 Section 1814(b) (42 U.S.C. 1395f(b))  
3 is amended by inserting “or with re-  
4 spect to services to which section  
5 1895(f) applies” after “equipment” in  
6 the matter preceding paragraph (1).

7 (II) PAYMENTS UNDER PART  
8 B.—Section 1833(a)(2)(A) (42 U.S.C.  
9 1395l(a)(2)(A)) is amended by strik-  
10 ing “the prospective payment system  
11 under”.

12 (III) PER VISIT LIMITS.—Section  
13 1861(v)(1)(L)(i) (42 U.S.C.  
14 1395x(v)(1)(L)(i)) is amended by in-  
15 sserting “(other than by a qualified  
16 RCH-based home health agency (as  
17 defined in section 1895(f)(2))” after  
18 “with respect to services furnished by  
19 home health agencies”.

20 (iii) CONSOLIDATED BILLING.—

21 (I) RECIPIENT OF PAYMENT.—  
22 Section 1842(b)(6)(F) (42 U.S.C.  
23 1395u(b)(6)(F)) is amended by in-  
24 sserting “and excluding home health  
25 services to which section to which sec-

1                   tion 1895(f) applies” after “provided  
2                   for in such section”.

3                   (II) EXCEPTION TO EXCLUSION  
4                   FROM COVERAGE.—Section 1862(a)  
5                   (42 U.S.C. 1395y(a)) is amended by  
6                   inserting before the period at the end  
7                   of the second sentence the following:  
8                   “and paragraph (21) shall not apply  
9                   to home health services to which sec-  
10                  tion 1895(f) applies”.

11                  (4) RETURN ON EQUITY.—Section  
12                  1861(v)(1)(P) (42 U.S.C. 1395x(v)(1)(P)) is  
13                  amended—

14                         (A) by inserting “(i)” after “(P)”; and

15                         (B) by adding at the end the following:

16                   “(ii)(I) Notwithstanding clause (i), subparagraph  
17                   (S)(i), and section 1886(g)(2), such regulations shall pro-  
18                   vide, in determining the reasonable costs of the services  
19                   described in subclause (II) furnished by a rural commu-  
20                   nity hospital on or after October 1, 2002, for payment  
21                   of a return on equity capital at a rate of return equal to  
22                   150 percent of the average specified in clause (i):

23                   “(II) The services referred to in subclause (I) are in-  
24                   patient hospital services, outpatient hospital services,  
25                   home health services furnished by an RCH-based home



1 health agency (as defined in section 1895(f)(2)), and am-  
2 balance services.

3 “(III) Payment under this clause shall be made with-  
4 out regard to whether a provider is a proprietary pro-  
5 vider.”.

6 (5) EXEMPTION FROM 30 PERCENT REDUCTION  
7 IN REIMBURSEMENT FOR BAD DEBT.—Section  
8 1861(v)(1)(T) (42 U.S.C. 1395x(v)(1)(T)) is amend-  
9 ed by inserting “(other than a rural community hos-  
10 pital)” after “In determining such reasonable costs  
11 for hospitals”.

12 (c) BENEFICIARY COST-SHARING FOR OUTPATIENT  
13 SERVICES.—Section 1834(n) (as added by subsection  
14 (b)(2)) is amended—

15 (1) by inserting “(1)” after “(n)”; and

16 (2) adding at the end the following:

17 “(2) The amounts of beneficiary cost sharing for out-  
18 patient services furnished in a rural community hospital  
19 under this part shall be as follows:

20 “(A) For items and services that would have  
21 been paid under section 1833(t) if provided by a  
22 hospital, the amount of cost sharing determined  
23 under paragraph (8) of such section.

1           “(B) For items and services that would have  
2           been paid under section 1833(h) if furnished by a  
3           provider or supplier, no cost sharing shall apply.

4           “(C) For all other items and services, the  
5           amount of cost sharing that would apply to the item  
6           or service under the methodology that would be used  
7           to determine payment for such item or service if pro-  
8           vided by a physician, provider, or supplier, as the  
9           case may be.”.

10          (d) CONFORMING AMENDMENTS.—

11                 (1) PART A PAYMENT.—Section 1814(b) (42  
12                 U.S.C. 1395f(b)) is amended by inserting “other  
13                 than inpatient hospital services furnished by a rural  
14                 community hospital,” after “critical access hospital  
15                 services,”.

16                 (2) PART B PAYMENT.—

17                         (A) IN GENERAL.—Section 1833(a) (42  
18                         U.S.C. 1395l(a)) is amended—

19                                 (i) in paragraph (2), in the matter be-  
20                                 fore subparagraph (A), by striking “and  
21                                 (I)” and inserting “(I), and (K)”;

22                                 (ii) by striking “and” at the end of  
23                                 paragraph (8);

1 (iii) by striking the period at the end  
2 of paragraph (9) and inserting “; and”;  
3 and

4 (iv) by adding at the end the fol-  
5 lowing:

6 “(10) in the case of outpatient services fur-  
7 nished by a rural community hospital, the amounts  
8 described in section 1834(n).”.

9 (B) AMBULANCE SERVICES.—Section  
10 1834(l)(8) (42 U.S.C. 1395m(l)(8)), as added  
11 by section 205(a) of the Medicare, Medicaid,  
12 and SCHIP Benefits Improvement and Protec-  
13 tion Act of 2000 (Appendix F, 114 Stat.  
14 2763A–463), as enacted into law by section  
15 1(a)(6) of Public Law 106–554, is amended—

16 (i) in the heading, by striking “CRIT-  
17 ICAL ACCESS HOSPITALS” and inserting  
18 “CERTAIN FACILITIES”;

19 (ii) by striking “or” at the end of sub-  
20 paragraph (A);

21 (iii) by redesignating subparagraph  
22 (B) as subparagraph (C);

23 (iv) by inserting after subparagraph  
24 (A) the following new subparagraph:

1 “(B) by a rural community hospital (as de-  
2 fined in section 1861(ww)(1)), or”; and

3 (v) in subparagraph (C), as so redes-  
4 ignated, by inserting “or a rural commu-  
5 nity hospital” after “critical access hos-  
6 pital”.

7 (3) TECHNICAL AMENDMENTS.—

8 (A) CONSULTATION WITH STATE AGEN-  
9 CIES.—Section 1863 (42 U.S.C. 1395z) is  
10 amended by striking “and (dd)(2)” and insert-  
11 ing “(dd)(2), (mm)(1), and (ww)(1)”.

12 (B) PROVIDER AGREEMENTS.—Section  
13 1866(a)(2)(A) (42 U.S. C. 1395cc(a)(2)(A)) is  
14 amended by inserting “section 1834(n)(2),”  
15 after “section 1833(b),”.

16 (e) EFFECTIVE DATE.—The amendments made by  
17 this section shall apply to items and services furnished on  
18 or after October 1, 2002.

19 **SEC. 3. REMOVING BARRIERS TO ESTABLISHMENT OF DIS-**  
20 **TINCT PART UNITS BY RCH AND CAH FACILI-**  
21 **TIES.**

22 (a) IN GENERAL.—Section 1886(d)(1)(B) (42 U.S.C.  
23 1395ww(d)(1)(B)) is amended by striking “a distinct part  
24 of the hospital (as defined by the Secretary)” in the mat-  
25 ter following cause (v) and inserting “a distinct part (as

1 defined by the Secretary) of the hospital or of a critical  
2 access hospital or a rural community hospital”.

3 (b) **EFFECTIVE DATE.**—The amendment made by  
4 subsection (a) shall apply to determinations with respect  
5 to distinct part unit status that are made on or after Octo-  
6 ber 1, 2002.

7 **SEC. 4. IMPROVEMENTS TO MEDICARE CRITICAL ACCESS**  
8 **HOSPITAL (CAH) PROGRAM.**

9 (a) **EXCLUSION OF CERTAIN BEDS FROM BED**  
10 **COUNT.**—Section 1820(c)(2) (42 U.S.C. 1395i–4(c)(2)) is  
11 amended by adding at the end the following:

12 “(E) **EXCLUSION OF CERTAIN BEDS FROM**  
13 **BED COUNT.**—In determining the number of  
14 beds of a facility for purposes of applying the  
15 bed limitations referred to in subparagraph  
16 (B)(iii) and subsection (f), the Secretary shall  
17 not take into account any bed of a distinct part  
18 psychiatric or rehabilitation unit (described in  
19 the matter following clause (v) of section  
20 1886(d)(1)(B)) of the facility, except that the  
21 total number of beds that are not taken into ac-  
22 count pursuant to this subparagraph with re-  
23 spect to a facility shall not exceed 10.”.

24 (b) **PAYMENTS TO HOME HEALTH AGENCIES OWNED**  
25 **AND OPERATED BY A CAH.**—Section 1895(f) (42 U.S.C.

1 1395fff(f)), as added by section 2(b)(3), is further amend-  
2 ed by inserting “or by a home health agency that is owned  
3 and operated by a critical access hospital (as defined in  
4 section 1861(mm)(1))” after “as defined in paragraph  
5 (2))”.

6 (c) PAYMENTS TO CAH-OWNED SNFs.—

7 (1) IN GENERAL.—Section 1888(e) (42 U.S.C.  
8 1395yy(e)) is amended—

9 (A) in paragraph (1), by striking “and  
10 (12)” and inserting “(12), and (13)”; and

11 (B) by adding at the end thereof the fol-  
12 lowing:

13 “(13) EXEMPTION OF CAH FACILITIES FROM  
14 PPS.—In determining payments under this part for  
15 covered skilled nursing facility services furnished on  
16 or after October 1, 2002, by a skilled nursing facil-  
17 ity that is a distinct part unit of a critical access  
18 hospital (as defined in section 1861(mm)(1)) or is  
19 owned and operated by a critical access hospital—

20 “(A) the prospective payment system es-  
21 tablished under this subsection shall not apply;  
22 and

23 “(B) payment shall be made on the basis  
24 of the reasonable costs incurred in furnishing  
25 such services as determined under section

1 1861(v), but without regard to the amount of  
2 the customary or other charges with respect to  
3 such services or the limitations established  
4 under subsection (a).”.

5 (2) CONFORMING CHANGES.—

6 (A) IN GENERAL.—Section 1814(b) (42  
7 U.S.C. 1395f(b)), as amended by subsection  
8 (b)(2)(A), is further amended in the matter  
9 preceding paragraph (1)—

10 (i) by inserting “other than a skilled  
11 nursing facility providing covered skilled  
12 nursing facility services (as defined in sec-  
13 tion 1888(e)(2)) or posthospital extended  
14 care services to which section 1888(e)(13)  
15 applies,” after “inpatient critical access  
16 hospital services”; and

17 (ii) by striking “1813 1886,” and in-  
18 serting “1813, 1886, 1888,”.

19 (B) CONSOLIDATED BILLING.—

20 (i) RECIPIENT OF PAYMENT.—Section  
21 1842(b)(6)(E) (42 U.S.C. 1395u(b)(6)(E))  
22 is amended by inserting “services to which  
23 paragraph (7)(C) or (13) of section  
24 1888(e) applies and” after “other than”.

1 (ii) EXCEPTION TO EXCLUSION FROM  
2 COVERAGE.—Section 1862(a)(18) (42  
3 U.S.C. 1395y(a)(18)) is amended by in-  
4 serting “(other than services to which  
5 paragraph (7)(C) or (13) of section  
6 1888(e) applies)” after “section  
7 1888(e)(2)(A)(i)”.

8 (d) PAYMENTS TO DISTINCT PART PSYCHIATRIC OR  
9 REHABILITATION UNITS OF CAHS.—Section 1886(b) (42  
10 U.S.C. 1395ww(b)) is amended—

11 (1) in paragraph (1), by inserting “, other than  
12 a distinct part psychiatric or rehabilitation unit to  
13 which paragraph (8) applies,” after “subsection  
14 (d)(1)(B)”;

15 (2) by adding at the end the following:

16 “(8) EXEMPTION OF CERTAIN DISTINCT PART PSY-  
17 CHIATRIC OR REHABILITATION UNITS FROM COST LIM-  
18 ITS.—In determining payments under this part for inpa-  
19 tient hospital services furnished on or after October 1,  
20 2002, by a distinct part psychiatric or rehabilitation unit  
21 (described in the matter following clause (v) of subsection  
22 (d)(1)(B)) of a critical access hospital (as defined in sec-  
23 tion 1861(mm)(1))—

24 “(A) the limits imposed under the preceding  
25 paragraphs of this subsection shall not apply; and



1           “(B) payment shall be made on the basis of the  
2           reasonable costs incurred in furnishing such services  
3           as determined under section 1861(v), but without re-  
4           gard to the amount of the customary or other  
5           charges with respect to such services.”.

6           (e) ELIMINATION OF ISOLATION TEST FOR COST-  
7           BASED CAH AMBULANCE SERVICES.—Paragraph (8) of  
8           section 1834(l) (42 U.S.C. 1395m(l)), as added by section  
9           205(a) of BIPA, is amended by striking the comma at  
10          the end of the last subparagraph and all that follows and  
11          inserting a period.

12          (f) RETURN ON EQUITY.—Section 1861(v)(1)(P) (42  
13          U.S.C. 1395x(v)(1)(P)), as amended by section 2(b)(4),  
14          is further amended by adding at the end the following:

15           “(iii)(I) Notwithstanding clause (i), subparagraph  
16           (S)(i), and section 1886(g)(2), such regulations shall pro-  
17           vide, in determining the reasonable costs of the services  
18           described in subclause (II) furnished by a rural commu-  
19           nity hospital on or after October 1, 2002, for payment  
20           of a return on equity capital at a rate of return equal to  
21           150 percent of the average specified in clause (i):

22           “(II) The services referred to in subclause (I) are in-  
23           patient critical access hospital services (as defined in sec-  
24           tion 1861(mm)(2)), outpatient critical access hospital  
25           services (as defined in section 1861(mm)(3)), extended

1 care services provided pursuant to an agreement under  
2 section 1883, posthospital extended care services to which  
3 section 1888(e)(13) applies, home health services to which  
4 section 1895(f) applies, ambulance services to which sec-  
5 tion 1834(l) applies, and inpatient hospital services to  
6 which section 1886(b)(8) applies.

7 “(III) Payment under this clause shall be made with-  
8 out regard to whether a provider is a proprietary pro-  
9 vider.”.

10 (g) TECHNICAL CORRECTIONS.—

11 (1) SECTION 403(b) OF BBRA 1999.—Section  
12 1820(b)(2) (42 U.S.C. 1395i–4(b)(2)) is amended  
13 by striking “nonprofit or public hospitals” and in-  
14 serting “hospitals”.

15 (2) SECTION 203(b) OF BIPA 2000.—Section  
16 1883(a)(3) (42 U.S.C. 1395tt(a)(3)) is amended—

17 (A) by inserting “section 1861(v)(1)(G)  
18 or” after “Notwithstanding”; and

19 (B) by striking “covered skilled nursing fa-  
20 cility”.

21 (h) EFFECTIVE DATES.—

22 (1) ELIMINATION OF REQUIREMENTS.—The  
23 amendment made by subsections (a) and (b) shall  
24 apply to services furnished on or after October 1,  
25 2002.

1 (2) TECHNICAL CORRECTIONS.—

2 (A) BBRA.—The amendment made by  
3 subsection (f)(1) shall be effective as if included  
4 in the enactment of section 403(b) of the Medi-  
5 care, Medicaid, and SCHIP Balanced Budget  
6 Refinement Act of 1999 (Appendix F, 113 Stat.  
7 1501A–321), as enacted into law by section  
8 1000(a)(6) of Public Law 106–113.

9 (B) BIPA.—The amendment made by sub-  
10 section (f)(2) shall be effective as if included in  
11 the enactment of section 203(b) of the Medi-  
12 care, Medicaid, and SCHIP Benefits Improve-  
13 ment and Protection Act of 2000 (Appendix F,  
14 114 Stat. 2763A–463), as enacted into law by  
15 section 1(a)(6) of Public Law 106–554.

○