

# Union Calendar No. 332

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

# H. R. 4986

[Report No. 107-549, Part 1]

To amend part B of title XVIII of the Social Security Act to improve payments for physicians' services and other outpatient services furnished under the medicare program, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 21, 2002

Mr. TAUZIN introduced the following bill; which was referred to the Committee on Energy and 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

JUNE 26, 2002

Reported from the Committee on Energy and Commerce

JUNE 26, 2002

Referral to the Committee on Ways and Means extended for a period ending not later than June 28, 2002

JUNE 28, 2002

Committee on Ways and Means discharged; committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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## A BILL

To amend part B of title XVIII of the Social Security Act to improve payments for physicians' services and

other outpatient services furnished under the medicare program, and for other purposes.

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

3 **TITLE V—PROVISIONS**  
 4 **RELATING TO PART B**  
 5 **Subtitle A—Physicians’ Services**

6 **SEC. 501. REVISION OF UPDATES FOR PHYSICIANS’ SERV-**  
 7 **ICES.**

8 (a) UPDATE FOR 2003 THROUGH 2005.—

9 (1) IN GENERAL.—Section 1848(d) (42 U.S.C.  
 10 1395w-4(d)) is amended by adding at the end the  
 11 following new paragraphs:

12 “(5) UPDATE FOR 2003.—The update to the  
 13 single conversion factor established in paragraph  
 14 (1)(C) for 2003 is 2 percent.

15 “(6) SPECIAL RULES FOR UPDATE FOR 2004  
 16 AND 2005.—The following rules apply in determining  
 17 the update adjustment factors under paragraph  
 18 (4)(B) for 2004 and 2005:

19 “(A) USE OF 2002 DATA IN DETERMINING  
 20 ALLOWABLE COSTS.—

21 “(i) The reference in clause (ii)(I) of  
 22 such paragraph to April 1, 1996, is  
 23 deemed to be a reference to January 1,  
 24 2002.

1           “(ii) The allowed expenditures for  
2           2002 is deemed to be equal to the actual  
3           expenditures for physicians’ services fur-  
4           nished during 2002, as estimated by the  
5           Secretary.

6           “(B) 1 PERCENTAGE POINT INCREASE IN  
7           GDP UNDER SGR.—The annual average percent-  
8           age growth in real gross domestic product per  
9           capita under subsection (f)(2)(C) for each of  
10          2003, 2004, and 2005 is deemed to be in-  
11          creased by 1 percentage point.”.

12          (2) CONFORMING AMENDMENT.—Paragraph  
13          (4)(B) of such section is amended, in the matter be-  
14          fore clause (i), by inserting “and paragraph (6)”  
15          after “subparagraph (D)”.

16          (3) NOT TREATED AS CHANGE IN LAW AND  
17          REGULATION IN SUSTAINABLE GROWTH RATE DE-  
18          TERMINATION.—The amendments made by this sub-  
19          section shall not be treated as a change in law for  
20          purposes of applying section 1848(f)(2)(D) of the  
21          Social Security Act (42 U.S.C. 1395w-4(f)(2)(D)).

22          (b) USE OF 10-YEAR ROLLING AVERAGE IN COM-  
23          PUTING GROSS DOMESTIC PRODUCT.—

24          (1) IN GENERAL.—Section 1848(f)(2)(C) (42  
25          U.S.C. 1395w-4(f)(2)(C)) is amended—

1 (A) by striking “projected” and inserting  
2 “annual average”; and

3 (B) by striking “from the previous applica-  
4 ble period to the applicable period involved”  
5 and inserting “during the 10-year period ending  
6 with the applicable period involved”.

7 (2) EFFECTIVE DATE.—The amendment made  
8 by paragraph (1) shall apply to computations of the  
9 sustainable growth rate for years beginning with  
10 2002.

11 (c) ELIMINATION OF TRANSITIONAL ADJUSTMENT.—  
12 Section 1848(d)(4)(F) (42 U.S.C. 1395w-4(d)(4)(F)) is  
13 amended by striking “subparagraph (A)” and all that fol-  
14 lows and inserting “subparagraph (A), for each of 2001  
15 and 2002, of –0.2 percent.”

16 (d) GAO STUDY OF MEDICARE PAYMENT FOR INHA-  
17 LATION THERAPY.—

18 (1) STUDY.—The Comptroller General of the  
19 United States shall conduct a study to examine the  
20 adequacy of current reimbursements for inhalation  
21 therapy under the medicare program.

22 (2) REPORT.—Not later than May 1, 2003, the  
23 Comptroller General shall submit to Congress a re-  
24 port on the study conducted under paragraph (1).

1 **SEC. 502. STUDIES ON ACCESS TO PHYSICIANS' SERVICES.**

2 (a) GAO STUDY ON BENEFICIARY ACCESS TO PHYSI-  
3 CIANS' SERVICES.—

4 (1) STUDY.—The Comptroller General of the  
5 United States shall conduct a study on access of  
6 medicare beneficiaries to physicians' services under  
7 the medicare program. The study shall include—

8 (A) an assessment of the use by bene-  
9 ficiaries of such services through an analysis of  
10 claims submitted by physicians for such services  
11 under part B of the medicare program;

12 (B) an examination of changes in the use  
13 by beneficiaries of physicians' services over  
14 time;

15 (C) an examination of the extent to which  
16 physicians are not accepting new medicare  
17 beneficiaries as patients.

18 (2) REPORT.—Not later than 1 year after the  
19 date of the enactment of this Act, the Comptroller  
20 General shall submit to Congress a report on the  
21 study conducted under paragraph (1). The report  
22 shall include a determination whether—

23 (A) data from claims submitted by physi-  
24 cians under part B of the medicare program in-  
25 dicate potential access problems for medicare  
26 beneficiaries in certain geographic areas; and

1 (B) access by medicare beneficiaries to  
2 physicians' services may have improved, re-  
3 mained constant, or deteriorated over time.

4 (b) STUDY AND REPORT ON SUPPLY OF PHYSI-  
5 CIANS.—

6 (1) STUDY.—The Secretary shall request the  
7 Institute of Medicine of the National Academy of  
8 Sciences to conduct a study on the adequacy of the  
9 supply of physicians (including specialists) in the  
10 United States and the factors that affect such sup-  
11 ply.

12 (2) REPORT TO CONGRESS.—Not later than 2  
13 years after the date of enactment of this section, the  
14 Secretary shall submit to Congress a report on the  
15 results of the study described in paragraph (1), in-  
16 cluding any recommendations for legislation.

17 **SEC. 503. MEDPAC REPORT ON PAYMENT FOR PHYSICIANS'**  
18 **SERVICES.**

19 Not later than 1 year after the date of the enactment  
20 of this Act, the Medicare Payment Advisory Commission  
21 shall submit to Congress a report on the effect of refine-  
22 ments to the practice expense component of payments for  
23 physicians' services in the case of services for which there  
24 are no physician work relative value units, after the transi-  
25 tion to a full resource-based payment system in 2002,

1 under section 1848 of the Social Security Act (42 U.S.C.  
2 1395w-4). Such report shall examine the following mat-  
3 ters by physician specialty:

4 (1) The effect of such refinements on payment  
5 for physicians' services.

6 (2) The interaction of the practice expense com-  
7 ponent with other components of and adjustments to  
8 payment for physicians' services under such section.

9 (3) The appropriateness of the amount of com-  
10 pensation by reason of such refinements.

11 (4) The effect of such refinements on access to  
12 care by medicare beneficiaries to physicians' serv-  
13 ices.

14 (5) The effect of such refinements on physician  
15 participation under the medicare program.

16 **SEC. 504. PHYSICIAN FEE SCHEDULE WAGE INDEX REVI-**  
17 **SION.**

18 (a) IN GENERAL.—Notwithstanding any other provi-  
19 sion of law, for purposes of payment under the physician  
20 fee schedule under section 1848 of the Social Security Act  
21 (42 U.S.C. 1395w-4) for physicians' services furnished  
22 during 2004, in no case may the work geographic index  
23 otherwise calculated under section 1848(e)(1)(A)(iii) of  
24 such Act (42 U.S.C. 1395w-4(e)(1)(A)(iii)) be less than  
25 0.985.

1           (b) EXEMPTION FROM LIMITATION ON ANNUAL AD-  
2 JUSTMENTS.—The increase in expenditures attributable to  
3 subsection (a) during 2004 shall not be taken into account  
4 in applying section 1848(c)(2)(B)(ii)(II) of such Act (42  
5 U.S.C. 1395w-4(c)(2)(B)(ii)(II)) for that year.

6           (c) GAO REPORT.—

7           (1) STUDY.—The Comptroller General of the  
8 United States shall conduct a study to evaluate the  
9 following:

10                   (A) The economic basis of the current  
11 methodology for geographic adjustment of the  
12 work component of the physician payment rate  
13 under the physician fee schedule under section  
14 1848 of the Social Security Act (42 U.S.C.  
15 1395w-4).

16                   (B) Whether the adjustment under sub-  
17 section (a) should be continued, and whether  
18 there is an economic basis for the continuation  
19 of such adjustment, in those areas in which the  
20 adjustment applies.

21                   (C) The effect of the methodology on phy-  
22 sician location and retention in areas affected  
23 by such adjustment.

24                   (D) The differences in recruitment costs  
25 and retention rates for physicians, including

1 specialists, between large urban areas and other  
2 areas.

3 (E) The mobility of physicians, including  
4 specialists, over the last decade.

5 (F) The effect of raising the floor of the  
6 geographic index to a value of 1.0 for adjust-  
7 ment of the work component.

8 (2) REPORT.—The Comptroller General shall  
9 submit to Congress a report on the study conducted  
10 under paragraph (1) by not later than 1 year after  
11 the date of the enactment of this Act.

## 12 **Subtitle B—Other Services**

### 13 **SEC. 511. COMPETITIVE ACQUISITION OF CERTAIN ITEMS** 14 **AND SERVICES.**

15 (a) IN GENERAL.—Section 1847 (42 U.S.C. 1395w–  
16 3) is amended to read as follows:

17 “COMPETITIVE ACQUISITION OF CERTAIN ITEMS AND  
18 SERVICES

19 “SEC. 1847. (a) ESTABLISHMENT OF COMPETITIVE  
20 ACQUISITION PROGRAMS.—

21 “(1) IMPLEMENTATION OF PROGRAMS.—

22 “(A) IN GENERAL.—The Secretary shall  
23 establish and implement programs under which  
24 competitive acquisition areas are established  
25 throughout the United States for contract  
26 award purposes for the furnishing under this

1 part of competitively priced items and services  
2 (described in paragraph (2)) for which payment  
3 is made under this part. Such areas may differ  
4 for different items and services.

5 “(B) PHASED-IN IMPLEMENTATION.—The  
6 programs shall be phased-in among competitive  
7 acquisition areas over a period of not longer  
8 than 3 years in a manner so that the competi-  
9 tion under the programs occurs in—

10 “(i) at least  $\frac{1}{3}$  of such areas in 2004;

11 and

12 “(ii) at least  $\frac{2}{3}$  of such areas in  
13 2005.

14 “(C) WAIVER OF CERTAIN PROVISIONS.—  
15 In carrying out the programs, the Secretary  
16 may waive such provisions of the Federal Ac-  
17 quisition Regulation as are necessary for the ef-  
18 ficient implementation of this section, other  
19 than provisions relating to confidentiality of in-  
20 formation and such other provisions as the Sec-  
21 retary determines appropriate.

22 “(2) ITEMS AND SERVICES DESCRIBED.—The  
23 items and services referred to in paragraph (1) are  
24 the following:

1           “(A) DURABLE MEDICAL EQUIPMENT AND  
2           INHALATION DRUGS USED IN CONNECTION  
3           WITH DURABLE MEDICAL EQUIPMENT.—Cov-  
4           ered items (as defined in section 1834(a)(13))  
5           for which payment is otherwise made under sec-  
6           tion 1834(a), other than items used in infusion,  
7           and inhalation drugs used in conjunction with  
8           durable medical equipment.

9           “(B) OFF-THE-SHELF ORTHOTICS.—  
10          Orthotics (described in section 1861(s)(9)) for  
11          which payment is otherwise made under section  
12          1834(h) which require minimal self-adjustment  
13          for appropriate use and does not require exper-  
14          tise in trimming, bending, molding, assembling,  
15          or customizing to fit to the patient.

16          “(3) EXEMPTION AUTHORITY.—In carrying out  
17          the programs under this section, the Secretary may  
18          exempt—

19                 “(A) areas that are not competitive due to  
20                 low population density; and

21                 “(B) items and services for which the ap-  
22                 plication of competitive acquisition is not likely  
23                 to result in significant savings.

24          “(b) PROGRAM REQUIREMENTS.—

1           “(1) IN GENERAL.—The Secretary shall con-  
2           duct a competition among entities supplying items  
3           and services described in subsection (a)(2) for each  
4           competitive acquisition area in which the program is  
5           implemented under subsection (a) with respect to  
6           such items and services.

7           “(2) CONDITIONS FOR AWARDING CONTRACT.—

8           “(A) IN GENERAL.—The Secretary may  
9           not award a contract to any entity under the  
10          competition conducted in an competitive acqui-  
11          sition area pursuant to paragraph (1) to fur-  
12          nish such items or services unless the Secretary  
13          finds all of the following:

14               “(i) The entity meets quality and fi-  
15               nancial standards specified by the Sec-  
16               retary or developed by accreditation enti-  
17               ties or organizations recognized by the Sec-  
18               retary.

19               “(ii) The total amounts to be paid  
20               under the contract (including costs associ-  
21               ated with the administration of the con-  
22               tract) are expected to be less than the total  
23               amounts that would otherwise be paid.

1           “(iii) Beneficiary access to a choice of  
2           multiple suppliers in the area is main-  
3           tained.

4           “(iv) Beneficiary liability is limited to  
5           the applicable percentage of contract  
6           award price.

7           “(B) QUALITY STANDARDS.—The quality  
8           standards specified under subparagraph (A)(i)  
9           shall not be less than the quality standards that  
10          would otherwise apply if this section did not  
11          apply and shall include consumer services  
12          standards. The Secretary shall consult with an  
13          expert outside advisory panel composed of an  
14          appropriate selection of representatives of phy-  
15          sicians, practitioners, and suppliers to review  
16          (and advise the Secretary concerning) such  
17          quality standards.

18          “(3) CONTENTS OF CONTRACT.—

19                 “(A) IN GENERAL.—A contract entered  
20                 into with an entity under the competition con-  
21                 ducted pursuant to paragraph (1) is subject to  
22                 terms and conditions that the Secretary may  
23                 specify.

1           “(B) TERM OF CONTRACTS.—The Sec-  
2           retary shall rebid contracts under this section  
3           not less often than once every 3 years.

4           “(4) LIMIT ON NUMBER OF CONTRACTORS.—

5           “(A) IN GENERAL.—The Secretary may  
6           limit the number of contractors in a competitive  
7           acquisition area to the number needed to meet  
8           projected demand for items and services covered  
9           under the contracts. In awarding contracts, the  
10          Secretary shall take into account the ability bid-  
11          ding entities to furnish items or services in suf-  
12          ficient quantities to meet the anticipated needs  
13          of beneficiaries for such items or services in the  
14          geographic area covered under the contract on  
15          a timely basis.

16          “(B) MULTIPLE WINNERS.—The Secretary  
17          shall award contracts to more than one entity  
18          submitting a bid in each area for an item or  
19          service.

20          “(5) PARTICIPATING CONTRACTORS.—Payment  
21          shall not be made for items and services described  
22          in subsection (a)(2) furnished by a contractor and  
23          for which competition is conducted under this sec-  
24          tion unless—

1           “(A) the contractor has submitted a bid  
2           for such items and services under this section;  
3           and

4           “(B) the Secretary has awarded a contract  
5           to the contractor for such items and services  
6           under this section.

7           “(6) AUTHORITY TO CONTRACT FOR EDU-  
8           CATION, OUTREACH AND COMPLAINT SERVICES.—  
9           The Secretary may enter into a contract with an ap-  
10          propriate entity to address complaints from bene-  
11          ficiaries who receive items and services from an enti-  
12          ty with a contract under this section and to conduct  
13          appropriate education of and outreach to such bene-  
14          ficiaries with respect to the program.

15          “(c) ANNUAL REPORTS.—The Secretary shall submit  
16          to Congress an annual management report on the pro-  
17          grams under this section. Each such report shall include  
18          information on savings, reductions in cost-sharing, access  
19          to items and services, and beneficiary satisfaction.

20          “(d) DEMONSTRATION PROJECT FOR CLINICAL LAB-  
21          ORATORY SERVICES.—

22                 “(1) IN GENERAL.—The Secretary shall con-  
23          duct a demonstration project on the application of  
24          competitive acquisition under this section to clinical  
25          diagnostic laboratory tests—

1           “(A) for which payment is otherwise made  
2           under section 1833(h) or 1834(d)(1) (relating  
3           to colorectal cancer screening tests); and

4           “(B) which are furnished without a face-  
5           to-face encounter between the individual and  
6           the hospital or physician ordering the tests.

7           “(2) TERMS AND CONDITIONS.—Such project  
8           shall be under the same conditions as are applicable  
9           to items and services described in subsection (a)(2).

10          “(3) REPORT.—The Secretary shall submit to  
11          Congress—

12           “(A) an initial report on the project not  
13           later than December 31, 2004; and

14           “(B) such progress and final reports on  
15           the project after such date as the Secretary de-  
16           termines appropriate.”.

17          (b) CONTINUATION OF CERTAIN DEMONSTRATION  
18          PROJECTS.—Notwithstanding the amendment made by  
19          subsection (a), with respect to demonstration projects im-  
20          plemented by the Secretary under section 1847 of the So-  
21          cial Security Act (42 U.S.C. 1395w–3) (relating to the es-  
22          tablishment of competitive acquisition areas) that was in  
23          effect on the day before the date of the enactment of this  
24          Act, each such demonstration project may continue under

1 the same terms and conditions applicable under that sec-  
2 tion as in effect on that date.

3 (c) REPORT ON DIFFERENCES IN PAYMENT FOR  
4 LABORATORY SERVICES.—Not later than 18 months after  
5 the date of the enactment of this Act, the Comptroller  
6 General of the United States shall submit to Congress a  
7 report that analyzes differences in reimbursement between  
8 public and private payors for clinical diagnostic laboratory  
9 services.

10 **SEC. 512. PAYMENT FOR AMBULANCE SERVICES.**

11 (a) PHASE-IN PROVIDING FLOOR USING BLEND OF  
12 FEE SCHEDULE AND REGIONAL FEE SCHEDULES.—Sec-  
13 tion 1834(l) (42 U.S.C. 1395m(l)) is amended—

14 (1) in paragraph (2)(E), by inserting “con-  
15 sistent with paragraph (10)” after “in an efficient  
16 and fair manner”;

17 (2) by redesignating the paragraph (8) added  
18 by section 221(a) of BIPA as paragraph (9); and

19 (3) by adding at the end the following new  
20 paragraph:

21 “(10) PHASE-IN PROVIDING FLOOR USING  
22 BLEND OF FEE SCHEDULE AND REGIONAL FEE  
23 SCHEDULES.—In carrying out the phase-in under  
24 paragraph (2)(E) for each level of service furnished  
25 in a year before January 1, 2007, the portion of the

1 payment amount that is based on the fee schedule  
2 shall not be less than the following blended rate of  
3 the fee schedule under paragraph (1) and of a re-  
4 gional fee schedule for the region involved:

5 “(A) For 2003, the blended rate shall be  
6 based 20 percent on the fee schedule under  
7 paragraph (1) and 80 percent on the regional  
8 fee schedule.

9 “(B) For 2004, the blended rate shall be  
10 based 40 percent on the fee schedule under  
11 paragraph (1) and 60 percent on the regional  
12 fee schedule.

13 “(C) For 2005, the blended rate shall be  
14 based 60 percent on the fee schedule under  
15 paragraph (1) and 40 percent on the regional  
16 fee schedule.

17 “(D) For 2006, the blended rate shall be  
18 based 80 percent on the fee schedule under  
19 paragraph (1) and 20 percent on the regional  
20 fee schedule.

21 For purposes of this paragraph, the Secretary shall  
22 establish a regional fee schedule for each of the 9  
23 Census divisions using the methodology (used in es-  
24 tablishing the fee schedule under paragraph (1)) to  
25 calculate a regional conversion factor and a regional

1 mileage payment rate and using the same payment  
2 adjustments and the same relative value units as  
3 used in the fee schedule under such paragraph.”.

4 (b) ADJUSTMENT IN PAYMENT FOR CERTAIN LONG  
5 TRIPS.—Section 1834(l), as amended by subsection (a),  
6 is further amended by adding at the end the following new  
7 paragraph:

8 “(11) ADJUSTMENT IN PAYMENT FOR CERTAIN  
9 LONG TRIPS.—In the case of ground ambulance  
10 services furnished on or after January 1, 2003, and  
11 before January 1, 2008, regardless of where the  
12 transportation originates, the fee schedule estab-  
13 lished under this subsection shall provide that, with  
14 respect to the payment rate for mileage for a trip  
15 above 50 miles the per mile rate otherwise estab-  
16 lished shall be increased by  $\frac{1}{4}$  of the payment per  
17 mile otherwise applicable to such miles.”.

18 (c) EFFECTIVE DATE.—The amendments made by  
19 this section shall apply to ambulance services furnished  
20 on or after January 1, 2003.

21 **SEC. 513. 2-YEAR EXTENSION OF MORATORIUM ON THER-**  
22 **APY CAPS; PROVISIONS RELATING TO RE-**  
23 **PORTS.**

24 (a) 2-YEAR EXTENSION OF MORATORIUM ON THER-  
25 APY CAPS.—Section 1833(g)(4) (42 U.S.C. 1395l(g)(4))

1 is amended by striking “and 2002” and inserting “2002,  
2 2003, and 2004”.

3 (b) PROMPT SUBMISSION OF OVERDUE REPORTS ON  
4 PAYMENT AND UTILIZATION OF OUTPATIENT THERAPY  
5 SERVICES.—Not later than December 31, 2002, the Sec-  
6 retary shall submit to Congress the reports required under  
7 section 4541(d)(2) of the Balanced Budget Act of 1997  
8 (relating to alternatives to a single annual dollar cap on  
9 outpatient therapy) and under section 221(d) of the Medi-  
10 care, Medicaid, and SCHIP Balanced Budget Refinement  
11 Act of 1999 (relating to utilization patterns for outpatient  
12 therapy).

13 (c) IDENTIFICATION OF CONDITIONS AND DISEASES  
14 JUSTIFYING WAIVER OF THERAPY CAP.—

15 (1) STUDY.—The Secretary shall request the  
16 Institute of Medicine of the National Academy of  
17 Sciences to identify conditions or diseases that  
18 should justify conducting an assessment of the need  
19 to waive the therapy caps under section 1833(g)(4)  
20 of the Social Security Act (42 U.S.C. 1395l(g)(4)).

21 (2) REPORTS TO CONGRESS.—Not later than  
22 September 1, 2003, the Secretary shall submit to  
23 Congress a preliminary report on the conditions and  
24 diseases identified under paragraph (1) and not later

1 than December 31, 2003, a final report on the con-  
2 ditions and diseases so identified.

3 (d) GAO STUDY OF PATIENT ACCESS TO PHYSICAL  
4 THERAPIST SERVICES.—

5 (1) STUDY.—The Comptroller General of the  
6 United States shall conduct a study on access to  
7 physical therapist services in States authorizing such  
8 services without a physician referral and in States  
9 that require such a physician referral. The study  
10 shall—

11 (A) examine the use of and referral pat-  
12 terns for physical therapist services for patients  
13 age 50 and older in States that authorize such  
14 services without a physician referral and in  
15 States that require such a physician referral;

16 (B) examine the use of and referral pat-  
17 terns for physical therapist services for patients  
18 who are medicare beneficiaries; and

19 (C) examine the delivery of physical thera-  
20 pists' services within the facilities of Depart-  
21 ment of Defense; and

22 (D) analyze the potential impact on medi-  
23 care beneficiaries and on expenditures under  
24 the medicare program of eliminating the need

1 for a physician referral for physical therapist  
2 services under the medicare program.

3 (2) REPORT.—The Comptroller General shall  
4 submit to Congress a report on the study conducted  
5 under paragraph (1) by not later than 1 year after  
6 the date of the enactment of this Act.

7 **SEC. 514. ACCELERATED IMPLEMENTATION OF 20 PERCENT**  
8 **COINSURANCE FOR HOSPITAL OUTPATIENT**  
9 **DEPARTMENT (OPD) SERVICES; OTHER OPD**  
10 **PROVISIONS.**

11 (a) ACCELERATED IMPLEMENTATION OF COINSUR-  
12 ANCE REDUCTIONS.—Section 1833(t)(8)(C)(ii) (42  
13 U.S.C. 1395l(t)(8)(C)(ii)) is amended by striking sub-  
14 clauses (III) through (V) and inserting the following:

15 “(III) For procedures performed  
16 in 2004, 45 percent.

17 “(IV) For procedures performed  
18 in 2005, 40 percent.

19 “(V) For procedures performed  
20 in 2006, 2007, 2008 and 2009, 35  
21 percent.

22 “(VI) For procedures performed  
23 in 2010, 30 percent.

24 “(VII) For procedures performed  
25 in 2011, 25 percent.

1                   “(VIII) For procedures per-  
2                   formed in 2012 and thereafter, 20  
3                   percent.”.

4           (b) TREATMENT OF TEMPERATURE MONITORED  
5 CRYOABLATION.—

6           (1) IN GENERAL.—Section 1833(t)(6)(A)(ii)  
7           (42 U.S.C. 1395l(t)(6)(A)(ii)) is amended by strik-  
8           ing “or temperature monitored cryoablation”.

9           (2) EFFECTIVE DATE.—The amendment made  
10          by paragraph (1) applies to payment for services  
11          furnished on or after January 1, 2003.

12 **SEC. 515. COVERAGE OF AN INITIAL PREVENTIVE PHYS-**  
13 **ICAL EXAMINATION.**

14          (a) COVERAGE.—Section 1861(s)(2) (42 U.S.C.  
15 1395x(s)(2)), is amended—

16           (1) in subparagraph (U), by striking “and” at  
17           the end;

18           (2) in subparagraph (V), by inserting “and” at  
19           the end; and

20           (3) by adding at the end the following new sub-  
21           paragraph:

22                   “(W) an initial preventive physical exam-  
23                   ination (as defined in subsection (ww));”.

1 (b) SERVICES DESCRIBED.—Section 1861 (42 U.S.C.  
2 1395x) is amended by adding at the end the following new  
3 subsection:

4 “Initial Preventive Physical Examination  
5 “(ww) The term ‘initial preventive physical examina-  
6 tion’ means physicians’ services consisting of a physical  
7 examination with the goal of health promotion and disease  
8 detection and includes items and services specified by the  
9 Secretary in regulations.”.

10 (c) PAYMENT AS PHYSICIANS’ SERVICES.—Section  
11 1848(j)(3) (42 U.S.C. 1395w-4(j)(3)) by inserting  
12 “(2)(W),” after “(2)(S),”.

13 (d) OTHER CONFORMING AMENDMENTS.—Section  
14 1862(a) (42 U.S.C. 1395y(a)) is amended—

15 (1) in paragraph (1)—

16 (A) by striking “and” at the end of sub-  
17 paragraph (H);

18 (B) by striking the semicolon at the end of  
19 subparagraph (I) and inserting “, and”; and

20 (C) by adding at the end the following new  
21 subparagraph:

22 “(J) in the case of an initial preventive physical  
23 examination, which is performed not later than 6  
24 months after the date the individual’s first coverage  
25 period begins under part B;” and

1           (2) in paragraph (7), by striking “or (H)” and  
2           inserting “(H), or (J)”.

3           (e) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to services furnished on or after  
5 January 1, 2004, but only for individuals whose coverage  
6 period begins on or after such date.

7 **SEC. 516. RENAL DIALYSIS SERVICES.**

8           (a) REPORT ON DIFFERENCES IN COSTS IN DIF-  
9 FERENT SETTINGS.—Not later than 1 year after the date  
10 of the enactment of this Act, the Comptroller General of  
11 the United States shall submit to Congress a report  
12 containing—

13           (1) an analysis of the differences in costs of  
14 providing renal dialysis services under the medicare  
15 program in home settings and in facility settings;

16           (2) an assessment of the percentage of overhead  
17 costs in home settings and in facility settings; and

18           (3) an evaluation of whether the charges for  
19 home dialysis supplies and equipment are reasonable  
20 and necessary.

21           (b) RESTORING COMPOSITE RATE EXCEPTIONS FOR  
22 PEDIATRIC FACILITIES.—

23           (1) IN GENERAL.—Section 422(a)(2) of BIPA  
24 is amended—

1 (A) in subparagraph (A), by striking “and  
2 (C)” and inserting “, (C), and (D)”;

3 (B) in subparagraph (B), by striking “In  
4 the case” and inserting “Subject to subpara-  
5 graph (D), in the case”; and

6 (C) by adding at the end the following new  
7 subparagraph:

8 “(D) INAPPLICABILITY TO PEDIATRIC FA-  
9 CILITIES.—Subparagraphs (A) and (B) shall  
10 not apply, as of October 1, 2002, to pediatric  
11 facilities that do not have an exception rate de-  
12 scribed in subparagraph (C) in effect on such  
13 date. For purposes of this subparagraph, the  
14 term ‘pediatric facility’ means a renal facility at  
15 least 50 percent of whose patients are individ-  
16 uals under 18 years of age.”.

17 (2) CONFORMING AMENDMENT.—The fourth  
18 sentence of section 1881(b)(7) (42 U.S.C.  
19 1395rr(b)(7)) is amended by striking “The Sec-  
20 retary” and inserting “Subject to section 422(a)(2)  
21 of the Medicare, Medicaid, and SCHIP Benefits Im-  
22 provement and Protection Act of 2000, the Sec-  
23 retary”.

24 (c) INCREASE IN RENAL DIALYSIS COMPOSITE RATE  
25 FOR SERVICES FURNISHED IN 2004.—Notwithstanding

1 any other provision of law, with respect to payment under  
2 part B of title XVIII of the Social Security Act for renal  
3 dialysis services furnished in 2004, the composite payment  
4 rate otherwise established under section 1881(b)(7) of  
5 such Act (42 U.S.C. 1395rr(b)(7)) shall be increased by  
6 1.2 percent.

7 **SEC. 517. IMPROVED PAYMENT FOR CERTAIN MAMMOG-**  
8 **RAPHY SERVICES.**

9 (a) EXCLUSION FROM OPD FEE SCHEDULE.—Sec-  
10 tion 1833(t)(1)(A)(iv) (42 U.S.C. 1395l(t)(1)(A)(iv)) is  
11 amended by inserting before the period at the end the fol-  
12 lowing: “and does not include screening mammography (as  
13 defined in section 1861(jj)) and unilateral and bilateral  
14 diagnostic mammography”.

15 (b) ADJUSTMENT TO TECHNICAL COMPONENT.—For  
16 diagnostic mammography performed on or after January  
17 1, 2004, for which payment is made under the physician  
18 fee schedule under section 1848 of the Social Security Act  
19 (42 U.S.C. 1395w-4), the Secretary, based on the most  
20 recent cost data available, shall provide for an appropriate  
21 adjustment in the payment amount for the technical com-  
22 ponent of the diagnostic mammography.

23 (c) EFFECTIVE DATE.—The amendment made by  
24 subsection (a) shall apply to mammography performed on  
25 or after January 1, 2004.

**Union Calendar No. 332**

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

**H. R. 4986**

**[Report No. 107-549, Part 1]**

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**A BILL**

To amend part B of title XVIII of the Social Security Act to improve payments for physicians' services and other outpatient services furnished under the medicare program, and for other purposes.

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JUNE 28, 2002

Committee on Ways and Means discharged; committed to the Committee of the Whole House on the State of the Union and ordered to be printed