

107TH CONGRESS  
2D SESSION

# S. 2873

To improve the provision of health care in all areas of the United States.

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IN THE SENATE OF THE UNITED STATES

AUGUST 1, 2002

Mr. GRASSLEY introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To improve the provision of health care in all areas of the United States.

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; TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the  
5 “Improving Our Well-Being Act of 2002”.

6 (b) **TABLE OF CONTENTS.**—The Table of Contents  
7 of this Act is as follows:

Sec. 1. Short title; table of contents.

### TITLE I—PHYSICIAN PROVISIONS

Sec. 101. Elimination of geographic physician work adjustment factor from geographic indices used to adjust payments under the physician fee schedule.

Sec. 102. GAO study of geographic differences in payments for physicians’ services.

Sec. 103. Medicare incentive payment program improvements.

## TITLE II—HOSPITAL PROVISIONS

### Subtitle A—Acute Care Hospital Provisions

- Sec. 201. Relief for certain non-teaching hospitals.
- Sec. 202. Full market basket increase in 2003 for medicare hospitals in rural and small urban areas.
- Sec. 203. Equalizing urban and rural standardized payment amounts under the medicare inpatient hospital prospective payment system.
- Sec. 204. Two-year extension of hold harmless provisions for small rural hospitals under medicare prospective payment system for hospital outpatient department services.
- Sec. 205. Adjustment in determination of pre-BBA amount for small rural hospitals under medicare prospective payment system for hospital outpatient department services.
- Sec. 206. Increase in payments for certain services furnished by small rural hospitals under medicare prospective payment system for hospital outpatient department services.
- Sec. 207. Medicare wage index improvements.
- Sec. 208. Medicare inpatient payment adjustment for low-volume hospitals.
- Sec. 209. Increase in floor under medicaid for treatment as an extremely low DSH State to 3 percent in fiscal year 2003.

### Subtitle B—Critical Access Hospital Provisions

- Sec. 211. Reinstatement of medicare periodic interim payment (PIP) for critical access hospitals.
- Sec. 212. Elimination of 35-mile requirement for cost reimbursement of ambulance services furnished by critical access hospitals under the medicare program.
- Sec. 213. Treatment of home health services furnished by subdivisions of critical access hospitals under the medicare program.

## TITLE III—OTHER HEALTH CARE PROVISIONS

- Sec. 301. Improvement in rural health clinic reimbursement under medicare.
- Sec. 302. Exclusion of certain rural health clinic and federally qualified health center services from the medicare prospective payment system for skilled nursing facilities.
- Sec. 303. Two-year extension of increase for medicare home health services furnished in rural areas.
- Sec. 304. Five-year extension of availability of medicare cost contracts for medicare beneficiaries.

## TITLE IV—PEDIATRIC DENTAL PROVISIONS

### Subtitle A—Medicaid and SCHIP

- Sec. 401. Grants to improve the provision of dental services under medicaid and SCHIP.
- Sec. 402. Authority to provide dental coverage under SCHIP as a supplement to other health coverage.

### Subtitle B—Community Health Centers, Public Health Departments, and the Indian Health Service

Sec. 411. Grants to improve the provision of dental health services.

Sec. 412. Streamline process for designating dental health professional shortage areas.

Sec. 413. Demonstration projects to increase access to pediatric dental services in underserved areas.

## TITLE I—PHYSICIAN PROVISIONS

### SEC. 101. ELIMINATION OF GEOGRAPHIC PHYSICIAN WORK

#### ADJUSTMENT FACTOR FROM GEOGRAPHIC

#### INDICES USED TO ADJUST PAYMENTS UNDER

#### THE PHYSICIAN FEE SCHEDULE.

Section 1848(e) of the Social Security Act (42 U.S.C. 1395w-4(e)) is amended—

(1) in paragraph (1)(A)(iii), by striking “an index” and inserting “for services provided before January 1, 2003, an index”; and

(2) in paragraph (2), by inserting “, for services provided before January 1, 2003,” after “paragraph (4)), and”.

### SEC. 102. GAO STUDY OF GEOGRAPHIC DIFFERENCES IN

#### PAYMENTS FOR PHYSICIANS’ SERVICES.

(a) STUDY.—The Comptroller General of the United States shall conduct a study of differences in payment amounts under the physician fee schedule under section 1848 of the Social Security Act (42 U.S.C. 1395w-4) for physicians’ services in different geographic areas. Such study shall include—

1           (1) an assessment of the validity of the geo-  
2           graphic adjustment factors used for each component  
3           of the fee schedule;

4           (2) an evaluation of the measures used for such  
5           adjustment, including the frequency of revisions; and

6           (3) an evaluation of the methods used to deter-  
7           mine professional liability insurance costs used in  
8           computing the malpractice component, including a  
9           review of increases in professional liability insurance  
10          premiums and variation in such increases by State  
11          and physician specialty and methods used to update  
12          the geographic cost of practice index and relative  
13          weights for the malpractice component.

14          (b) REPORT.—Not later than 1 year after the date  
15          of the enactment of this Act, the Comptroller General shall  
16          submit to Congress a report on the study conducted under  
17          subsection (a). The report shall include recommendations  
18          regarding the use of more current data in computing geo-  
19          graphic cost of practice indices as well as the use of data  
20          directly representative of physicians' costs (rather than  
21          proxy measures of such costs).

22          **SEC. 103. MEDICARE INCENTIVE PAYMENT PROGRAM IM-**  
23          **PROVEMENTS.**

24          (a) PROCEDURES FOR SECRETARY, AND NOT PHYSI-  
25          CIANS, TO DETERMINE WHEN BONUS PAYMENTS UNDER

1 MEDICARE INCENTIVE PAYMENT PROGRAM SHOULD BE  
2 MADE.—Section 1833(m) of the Social Security Act (42  
3 U.S.C. 1395l(m)) is amended—

4 (1) by inserting “(1)” after “(m)”; and

5 (2) by adding at the end the following new  
6 paragraph:

7 “(2) The Secretary shall establish procedures under  
8 which the Secretary, and not the physician furnishing the  
9 service, is responsible for determining when a payment is  
10 required to be made under paragraph (1).”.

11 (b) EDUCATIONAL PROGRAM REGARDING THE MEDI-  
12 CARE INCENTIVE PAYMENT PROGRAM.—The Secretary of  
13 Health and Human Services shall establish and implement  
14 an ongoing educational program to provide education to  
15 physicians under the medicare program on the medicare  
16 incentive payment program under section 1833(m) of the  
17 Social Security Act (42 U.S.C. 1395l(m)).

18 (c) ONGOING STUDY AND ANNUAL REPORT ON THE  
19 MEDICARE INCENTIVE PAYMENT PROGRAM.—

20 (1) ONGOING STUDY.—The Secretary of Health  
21 and Human Services shall conduct an ongoing study  
22 on the medicare incentive payment program under  
23 section 1833(m) of the Social Security Act (42  
24 U.S.C. 1395l(m)). Such study shall focus on wheth-  
25 er such program increases the access of medicare

1 beneficiaries who reside in an area that is designated  
 2 (under section 332(a)(1)(A) of the Public Health  
 3 Service Act (42 U.S.C. 254e(a)(1)(A))) as a health  
 4 professional shortage area to physicians' services  
 5 under the medicare program.

6 (2) ANNUAL REPORTS.—Not later than 1 year  
 7 after the date of enactment of this Act, and annually  
 8 thereafter, the Secretary of Health and Human  
 9 Services shall submit to Congress a report on the  
 10 study conducted under subsection (a), together with  
 11 recommendations for such legislation and adminis-  
 12 trative actions as the Secretary considers appro-  
 13 priate.

## 14 **TITLE II—HOSPITAL** 15 **PROVISIONS**

### 16 **Subtitle A—Acute Care Hospital** 17 **Provisions**

#### 18 **SEC. 201. RELIEF FOR CERTAIN NON-TEACHING HOS-** 19 **PITALS.**

20 (a) IN GENERAL.—In the case of a non-teaching hos-  
 21 pital that meets the condition of subsection (b), in each  
 22 of fiscal years 2003, 2004, and 2005 the amount of pay-  
 23 ment made to the hospital under section 1886(d) of the  
 24 Social Security Act for discharges occurring during such  
 25 fiscal year only shall be increased as though the applicable

1 percentage increase (otherwise applicable to discharges oc-  
2 ccurring during such fiscal year under section  
3 1886(b)(3)(B)(i) of the Social Security Act (42 U.S.C.  
4 1395ww(b)(3)(B)(i)) had been increased by 5 percentage  
5 points. The previous sentence shall be applied for each  
6 such fiscal year separately without regard to its applica-  
7 tion in a previous fiscal year and shall not affect payment  
8 for discharges for any hospital occurring during a fiscal  
9 year after fiscal year 2005.

10 (b) CONDITION.—A non-teaching hospital meets the  
11 condition of this subsection if—

12 (1) it is located in a rural area and the amount  
13 of the aggregate payments under subsection (d) of  
14 section 1886 of the Social Security Act for hospitals  
15 located in rural areas in the State for their cost re-  
16 porting periods beginning during fiscal year 1999 is  
17 less than the aggregate allowable operating costs of  
18 inpatient hospital services (as defined in subsection  
19 (a)(4) of such section) for all subsection (d) hos-  
20 pitals in such areas in such State with respect to  
21 such cost reporting periods; or

22 (2) it is located in an urban area and the  
23 amount of the aggregate payments under subsection  
24 (d) of such section for hospitals located in urban  
25 areas in the State for their cost reporting periods

1 beginning during fiscal year 1999 is less than 103  
2 percent of the aggregate allowable operating costs of  
3 inpatient hospital services (as defined in subsection  
4 (a)(4) of such section) for all subsection (d) hos-  
5 pitals in such areas in such State with respect to  
6 such cost reporting periods.

7 The amounts under paragraphs (1) and (2) shall be deter-  
8 mined by the Secretary of Health and Human Services  
9 based on data of the Medicare Payment Advisory Commis-  
10 sion.

11 (c) DEFINITIONS.—For purposes of this section:

12 (1) NON-TEACHING HOSPITAL.—The term  
13 “non-teaching hospital” means, for a cost reporting  
14 period, a subsection (d) hospital (as defined in sub-  
15 section (d)(1)(B) of section 1886 of the Social Secu-  
16 rity Act, 42 U.S.C. 1395ww) that is not receiving  
17 any additional payment under subsection (d)(5)(B)  
18 of such section or a payment under subsection (h)  
19 of such section for discharges occurring during the  
20 period. A subsection (d) hospital that receives addi-  
21 tional payments under subsection (d)(5)(B) or (h) of  
22 such section shall, for purposes of this section, also  
23 be treated as a non-teaching hospital unless a chair-  
24 man of a department in the medical school with  
25 which the hospital is affiliated is serving or has been



1 appointed as a clinical chief of service in the hos-  
 2 pital.

3 (2) RURAL; URBAN.—The terms “rural” and  
 4 “urban” have the meanings given such terms for  
 5 purposes of section 1886(d) of the Social Security  
 6 Act (42 U.S.C. 1395ww(d)).

7 **SEC. 202. FULL MARKET BASKET INCREASE IN 2003 FOR**  
 8 **MEDICARE HOSPITALS IN RURAL AND SMALL**  
 9 **URBAN AREAS.**

10 Section 1886(b)(3)(B)(i)(XVIII) of the Social Secu-  
 11 rity Act (42 U.S.C. 1395ww(b)(3)(B)(i)(XVIII)) is  
 12 amended to read as follows:

13 “(XVIII) for fiscal year 2003, the market bas-  
 14 ket percentage increase minus 0.55 percentage  
 15 points for hospitals located in a large urban area  
 16 and the market basket percentage increase for hos-  
 17 pitals located in an area other than a large urban  
 18 area, and”.

19 **SEC. 203. EQUALIZING URBAN AND RURAL STANDARDIZED**  
 20 **PAYMENT AMOUNTS UNDER THE MEDICARE**  
 21 **INPATIENT HOSPITAL PROSPECTIVE PAY-**  
 22 **MENT SYSTEM.**

23 (a) IN GENERAL.—Section 1886(d)(3)(A) of the So-  
 24 cial Security Act (42 U.S.C. 1395ww(d)(3)(A)) is  
 25 amended—

1 (1) in clause (iv)—

2 (A) by inserting “and ending on or before  
3 September 30, 2003,” after “October 1,  
4 1995,”; and

5 (B) by striking “and for hospitals” and in-  
6 serting “and, subject to clause (v), for hos-  
7 pitals”; and

8 (2) by redesignating clauses (v) and (vi) as  
9 clauses (vii) and (viii), respectively, and inserting  
10 after clause (iv) the following new clauses:

11 “(v) For discharges occurring in the fiscal year  
12 beginning on October 1, 2002, the operating stand-  
13 ardized amount for hospitals located in areas other  
14 than a large urban area shall be equal to the oper-  
15 ating standardized amount, as determined under  
16 clause (iv), applicable to such discharges for hos-  
17 pitals located in a large urban area.

18 “(vi) For discharges occurring in a fiscal year  
19 beginning on or after October 1, 2003, the Secretary  
20 shall compute an operating standardized amount for  
21 hospitals located in all areas within the United  
22 States equal to the operating standardized amount  
23 computed under clause (v) or this clause for the pre-  
24 vious fiscal year increased by the applicable percent-

1 age increase under subsection (b)(3)(B)(i) for the  
2 fiscal year involved.”.

3 (b) CONFORMING AMENDMENTS.—

4 (1) COMPUTING DRG-SPECIFIC RATES.—Section  
5 1886(d)(3)(D) of the Social Security Act (42 U.S.C.  
6 1395ww(d)(3)(D)) is amended—

7 (A) in the heading, by striking “IN DIF-  
8 FERENT AREAS”;

9 (B) in the matter preceding clause (i), by  
10 striking “each of which is”;

11 (C) in clause (i)—

12 (i) in the matter preceding subclause  
13 (I), by inserting “for fiscal years before fis-  
14 cal year 2003,” before “for hospitals”; and

15 (ii) in subclause (II), by striking  
16 “and” after the semicolon at the end;

17 (D) in clause (ii)—

18 (i) in the matter preceding subclause  
19 (I), by inserting “for fiscal years before fis-  
20 cal year 2003,” before “for hospitals”; and

21 (ii) in subclause (II), by striking the  
22 period at the end and inserting “; and”;  
23 and

24 (E) by adding at the end the following new  
25 clause:

1           “(iii) for a fiscal year beginning after fiscal  
2           year 2002, for hospitals located in all areas, to  
3           the product of—

4                   “(I) the applicable operating stand-  
5                   ardized amount (computed under subpara-  
6                   graph (A)), reduced under subparagraph  
7                   (B), and adjusted or reduced under sub-  
8                   paragraph (C) for the fiscal year; and

9                   “(II) the weighting factor (determined  
10                   under paragraph (4)(B)) for that diag-  
11                   nosis-related group.”.

12           (2) TECHNICAL CONFORMING SUNSET.—Section  
13           1886(d)(3) of the Social Security Act (42 U.S.C.  
14           1395ww(d)(3)) is amended—

15                   (A) in the matter preceding subparagraph  
16                   (A), by inserting “, for fiscal years before fiscal  
17                   year 1997,” before “a regional adjusted DRG  
18                   prospective payment rate”; and

19                   (B) in subparagraph (D), in the matter  
20                   preceding clause (i), by inserting “, for fiscal  
21                   years before fiscal year 1997,” before “a re-  
22                   gional DRG prospective payment rate for each  
23                   region,”.

1 **SEC. 204. TWO-YEAR EXTENSION OF HOLD HARMLESS PRO-**  
2 **VISIONS FOR SMALL RURAL HOSPITALS**  
3 **UNDER MEDICARE PROSPECTIVE PAYMENT**  
4 **SYSTEM FOR HOSPITAL OUTPATIENT DE-**  
5 **PARTMENT SERVICES.**

6 Section 1833(t)(7)(D)(i) of the Social Security Act  
7 (42 U.S.C. 1395l(t)(7)(D)(i)) is amended by striking  
8 “2004” and inserting “2006”.

9 **SEC. 205. ADJUSTMENT IN DETERMINATION OF PRE-BBA**  
10 **AMOUNT FOR SMALL RURAL HOSPITALS**  
11 **UNDER MEDICARE PROSPECTIVE PAYMENT**  
12 **SYSTEM FOR HOSPITAL OUTPATIENT DE-**  
13 **PARTMENT SERVICES.**

14 Section 1833(t)(7)(F)(ii) of the Social Security Act  
15 (42 U.S.C. 1395l(t)(7)(F)(ii)) is amended by adding at  
16 the end the following new sentence: “The preceding sen-  
17 tence shall not apply with respect to the determination of  
18 the amount of payment under this subsection for covered  
19 OPD services furnished on or after January 1, 2003, and  
20 before January 1, 2006, by a hospital described in sub-  
21 paragraph (D)(i).”.

1 **SEC. 206. INCREASE IN PAYMENTS FOR CERTAIN SERVICES**  
2 **FURNISHED BY SMALL RURAL HOSPITALS**  
3 **UNDER MEDICARE PROSPECTIVE PAYMENT**  
4 **SYSTEM FOR HOSPITAL OUTPATIENT DE-**  
5 **PARTMENT SERVICES.**

6 (a) INCREASE.—

7 (1) IN GENERAL.—In the case of an applicable  
8 covered OPD service (as defined in paragraph (2))  
9 that is furnished by a hospital described in para-  
10 graph (7)(D)(i) of section 1833(t) of the Social Se-  
11 curity Act (42 U.S.C. 1395l(t)) on or after January  
12 1, 2003, and before January 1, 2006, the Secretary  
13 of Health and Human Services shall increase the  
14 medicare OPD fee schedule amount (as determined  
15 under paragraph (4)(A) of such section) that is ap-  
16 plicable for such service by 10 percent.

17 (2) APPLICABLE COVERED OPD SERVICES DE-  
18 FINED.—For purposes of this section, the term “ap-  
19 plicable covered OPD service” means a covered clinic  
20 or emergency room visit that is classified within the  
21 groups of covered OPD services (as defined in para-  
22 graph (1)(B) of section 1833(t) of the Social Secu-  
23 rity Act (42 U.S.C. 1395l(t))) established under  
24 paragraph (2)(B) of such section.

25 (b) NO EFFECT ON COPAYMENT AMOUNT.—The Sec-  
26 retary of Health and Human Services shall compute the

1 copayment amount for applicable covered OPD services  
2 under section 1833(t)(8)(A) of the Social Security Act (42  
3 U.S.C. 1395l(t)(8)(A)) as if this section had not been en-  
4 acted.

5 (c) NO EFFECT ON INCREASE UNDER HOLD HARM-  
6 LESS PROVISIONS.—The Secretary of Health and Human  
7 Services shall apply the temporary hold harmless provision  
8 under section 1833(t)(7)(D)(i) of the Social Security Act  
9 (42 U.S.C. 1395l(t)(7)(D)(i)) as if this section had not  
10 been enacted.

11 (d) WAIVING BUDGET NEUTRALITY AND NO REVI-  
12 SION OR ADJUSTMENTS.—The Secretary of Health and  
13 Human Services shall not make any revision or adjust-  
14 ment under subparagraph (A), (B), or (C) of section  
15 1833(t)(9) of the Social Security Act (42 U.S.C.  
16 1395l(t)(9)) because of the application of subsection  
17 (a)(1).

18 (e) NO EFFECT ON PAYMENTS AFTER INCREASE PE-  
19 RIOD ENDS.—The Secretary of Health and Human Serv-  
20 ices shall not take into account any payment increase pro-  
21 vided under subsection (a)(1) in determining payments for  
22 covered OPD services (as defined in paragraph (1)(B) of  
23 section 1833(t) of the Social Security Act (42 U.S.C.  
24 1395l(t))) under such section that are furnished after  
25 January 1, 2006.

1           (f)           TECHNICAL           AMENDMENT.—Section  
 2 1833(t)(2)(B) of the Social Security Act (42 U.S.C.  
 3 1395l(t)(2)(B)) is amended by inserting “(and periodically  
 4 revise such groups pursuant to paragraph (9)(A))” after  
 5 “establish groups”.

6 **SEC. 207. MEDICARE WAGE INDEX IMPROVEMENTS.**

7           (a) ACCELERATION OF PHASE-OUT OF CERTAIN  
 8 COSTS IN COMPUTING AREA WAGE INDEX.—For pur-  
 9 poses of computing the area wage index under section  
 10 1886(d)(3)(E) of the Social Security Act (42 U.S.C.  
 11 1395ww(d)(3)(E)) for services provided in fiscal year  
 12 2003 and any subsequent year, the Secretary shall exclude  
 13 from such calculation employee compensation and paid  
 14 hours of employment attributable to teaching physicians,  
 15 residents in approved medical residency training programs  
 16 (as defined in section 1886(h)(5)(A) of such Act (42  
 17 U.S.C. 1395ww(h)(5)(A))), and certified registered nurse  
 18 anesthetists (as defined in section 1861(bb)(2) of the So-  
 19 cial Security Act (42 U.S.C. 1395x(bb)(2))).

20           (b) MEDPAC REVIEW AND REPORT.—

21           (1) REVIEW.—The Medicare Payment Advisory  
 22 Commission shall conduct a review of the method-  
 23 ology used by the Secretary of Health and Human  
 24 Services to determine the proportion of hospitals’  
 25 costs attributable to wages and wage-related costs



1 which are adjusted under section 1886(d)(3)(E) of  
 2 the Social Security Act (42 U.S.C.  
 3 1395ww(d)(3)(E)).

4 (2) REPORT.—Not later than 1 year after the  
 5 date of enactment of this Act, the Commission shall  
 6 submit to Congress a report on the review conducted  
 7 under paragraph (1) together with recommendations  
 8 on how to alter the methodology described in such  
 9 paragraph in order to improve the accuracy of the  
 10 determination of the proportion described in such  
 11 paragraph.

12 **SEC. 208. MEDICARE INPATIENT PAYMENT ADJUSTMENT**  
 13 **FOR LOW-VOLUME HOSPITALS.**

14 (a) IN GENERAL.—Section 1886(d) of the Social Se-  
 15 curity Act (42 U.S.C. 1395ww(d)) is amended by adding  
 16 at the end the following new paragraph:

17 “(12) PAYMENT ADJUSTMENT FOR LOW-VOLUME  
 18 HOSPITALS.—

19 “(A) PAYMENT ADJUSTMENT.—

20 “(i) IN GENERAL.—Notwithstanding any  
 21 other provision of this section, for each cost re-  
 22 porting period (beginning with the cost report-  
 23 ing period that begins in fiscal year 2003), the  
 24 Secretary shall provide for an additional pay-  
 25 ment amount to each low-volume hospital (as

1 defined in clause (iii)) for discharges occurring  
2 during that cost reporting period to increase  
3 the amount paid to such hospital under this  
4 section for such discharges by the applicable  
5 percentage increase determined under clause  
6 (ii).

7 “(ii) APPLICABLE PERCENTAGE IN-  
8 CREASE.—The Secretary shall determine a per-  
9 centage increase applicable under this para-  
10 graph that ensures that—

11 “(I) no percentage increase in pay-  
12 ments under this paragraph exceeds 25  
13 percent of the amount of payment that  
14 would otherwise be made to a low-volume  
15 hospital under this section for each dis-  
16 charge (but for this paragraph);

17 “(II) low-volume hospitals that have  
18 the lowest number of discharges during a  
19 cost reporting period receive the highest  
20 percentage increase in payments due to the  
21 application of this paragraph; and

22 “(III) the percentage increase in pay-  
23 ments due to the application of this para-  
24 graph is reduced as the number of dis-  
25 charges per cost reporting period increases.

1           “(iii) LOW-VOLUME HOSPITAL DEFINED.—  
2           For purposes of this paragraph, the term ‘low-  
3           volume hospital’ means, for a cost reporting pe-  
4           riod, a subsection (d) hospital (as defined in  
5           paragraph (1)(B)) other than a critical access  
6           hospital (as defined in section 1861(mm)(1))  
7           that—

8                   “(I) the Secretary determines had an  
9                   average of less than 800 discharges (deter-  
10                  mined with respect to all patients and not  
11                  just individuals receiving benefits under  
12                  this title) during the 3 most recent cost re-  
13                  porting periods for which data are avail-  
14                  able that precede the cost reporting period  
15                  to which this paragraph applies; and

16                   “(II) is located at least 15 miles from  
17                  a similar hospital (or is deemed by the  
18                  Secretary to be so located by reason of  
19                  such factors as the Secretary determines  
20                  appropriate, including the time required  
21                  for an individual to travel to the nearest  
22                  alternative source of appropriate inpatient  
23                  care (taking into account the location of  
24                  such alternative source of inpatient care

1                   and any weather or travel conditions that  
2                   may affect such travel time)).

3                   “(B) PROHIBITING CERTAIN REDUCTIONS.—  
4                   Notwithstanding subsection (e), the Secretary shall  
5                   not reduce the payment amounts under this section  
6                   to offset the increase in payments resulting from the  
7                   application of subparagraph (A).”.

8                   (b) TECHNICAL AMENDMENT.—Section 1886(d) of  
9                   the Social Security Act (42 U.S.C. 1395ww(d)) is amend-  
10                  ed by moving the indentation of paragraph (11), and sub-  
11                  paragraphs (A) through (D) of such paragraph, 2 ems to  
12                  the left.

13 **SEC. 209. INCREASE IN FLOOR UNDER MEDICAID FOR**  
14                   **TREATMENT AS AN EXTREMELY LOW DSH**  
15                   **STATE TO 3 PERCENT IN FISCAL YEAR 2003.**

16                  (a) INCREASE IN DSH FLOOR.—Section 1923(f)(5)  
17                  of the Social Security Act (42 U.S.C. 1396r-4(f)(5)) is  
18                  amended—

19                   (1) by striking “fiscal year 1999” and inserting  
20                   “fiscal year 2001”;

21                   (2) by striking “August 31, 2000” and insert-  
22                   ing “August 31, 2002”;

23                   (3) by striking “1 percent” each place it ap-  
24                   pears and inserting “3 percent”; and

1 (4) by striking “fiscal year 2001” and inserting  
2 “fiscal year 2003”.

3 (b) EFFECTIVE DATE.—The amendments made by  
4 subsection (a) take effect on October 1, 2002, and apply  
5 to DSH allotments under title XIX of the Social Security  
6 Act for fiscal year 2003 and each fiscal year thereafter.

7 **Subtitle B—Critical Access**  
8 **Hospital Provisions**

9 **SEC. 211. REINSTATEMENT OF MEDICARE PERIODIC IN-**  
10 **TERIM PAYMENT (PIP) FOR CRITICAL ACCESS**  
11 **HOSPITALS.**

12 (a) IN GENERAL.—Section 1815(e)(2) of the Social  
13 Security Act (42 U.S.C. 1395g(e)(2)) is amended—

14 (1) by striking “and” at the end of subpara-  
15 graph (C);

16 (2) by adding “and” at the end of subpara-  
17 graph (D); and

18 (3) by inserting after subparagraph (D) the fol-  
19 lowing new subparagraph:

20 “(E) inpatient critical access hospital services  
21 (as defined in section 1861(mm)(2));”.

22 (b) EFFECTIVE DATES.—The amendments made by  
23 subsection (a) shall apply to payments made on or after  
24 January 1, 2003.

1 **SEC. 212. ELIMINATION OF 35-MILE REQUIREMENT FOR**  
2 **COST REIMBURSEMENT OF AMBULANCE**  
3 **SERVICES FURNISHED BY CRITICAL ACCESS**  
4 **HOSPITALS UNDER THE MEDICARE PRO-**  
5 **GRAM.**

6 (a) **ELIMINATION.**—

7 (1) **IN GENERAL.**—Paragraph (8) of section  
8 1834(l) of the Social Security Act (42 U.S.C.  
9 1395m(l)), as added by section 205(a) of the Medi-  
10 care, Medicaid, and SCHIP Benefits Improvement  
11 and Protection Act of 2000 (114 Stat. 2763A–482),  
12 as enacted into law by section 1(a)(6) of Public Law  
13 106–554, is amended—

14 (A) in subparagraph (B), by striking the  
15 comma at the end and inserting a period; and

16 (B) by striking “but only if” and all that  
17 follows.

18 (2) **EFFECTIVE DATE.**—The amendments made  
19 by paragraph (1) shall apply to services furnished on  
20 or after January 1, 2003.

21 (b) **TECHNICAL AMENDMENT.**—

22 (1) **IN GENERAL.**—Paragraph (8) of section  
23 1834(l) of the Social Security Act (42 U.S.C.  
24 1395m(l)), as added by section 221(a) of the Medi-  
25 care, Medicaid, and SCHIP Benefits Improvement  
26 and Protection Act of 2000 (114 Stat. 2763A–486),

1 as enacted into law by section 1(a)(6) of Public Law  
2 106–554, is redesignated as paragraph (9).

3 (2) EFFECTIVE DATE.—The amendment made  
4 by paragraph (1) shall take effect as if included in  
5 the enactment of such section 221(a).

6 **SEC. 213. TREATMENT OF HOME HEALTH SERVICES FUR-**  
7 **NISHED BY SUBDIVISIONS OF CRITICAL AC-**  
8 **CESS HOSPITALS UNDER THE MEDICARE**  
9 **PROGRAM.**

10 (a) HOME HEALTH SERVICES.—

11 (1) IN GENERAL.—Section 1895 of the Social  
12 Security Act (42 U.S.C. 1395fff) is amended by  
13 adding at the end the following new subsection:

14 “(f) SERVICES FURNISHED BY CRITICAL ACCESS  
15 HOSPITALS.—Notwithstanding any other provision of this  
16 section, the Secretary shall pay the reasonable costs in-  
17 curred in furnishing home health services if such services  
18 are furnished by a home health agency that is a subdivi-  
19 sion of a critical access hospital (as defined in section  
20 1861(mm)(1)).”.

21 (2) CONFORMING AMENDMENT.—Section  
22 1833(a)(2)(A) of the Social Security Act (42 U.S.C.  
23 1395l(a)(2)(A)) is amended—

24 (A) by striking “1861(kk),” and inserting  
25 “1861(kk), (i)”; and

1 (B) by inserting before the semicolon at  
 2 the end the following: “, and (ii) with respect  
 3 to home health services described in subsection  
 4 (f) of such section, the amounts paid shall be  
 5 the amounts described in such subsection”.

6 (3) TECHNICAL AMENDMENT.—Section  
 7 1833(a)(2)(A) of the Social Security Act (42 U.S.C.  
 8 1395l(a)(2)(A)) is amended by striking “drug) (as  
 9 defined in section 1861(kk))” and inserting “drug  
 10 (as defined in section 1861(kk))”.

11 (4) EFFECTIVE DATE.—The amendments made  
 12 by this subsection shall apply to services furnished  
 13 on or after January 1, 2004.

## 14 **TITLE III—OTHER HEALTH CARE** 15 **PROVISIONS**

### 16 **SEC. 301. IMPROVEMENT IN RURAL HEALTH CLINIC REIM-** 17 **BURSEMENT UNDER MEDICARE.**

18 Section 1833(f) of the Social Security Act (42 U.S.C.  
 19 1395l(f)) is amended—

20 (1) in paragraph (1), by striking “, and” at the  
 21 end and inserting a semicolon;

22 (2) in paragraph (2)—

23 (A) by striking “in a subsequent year” and  
 24 inserting “in 1989 through 2002”; and



1 (B) by striking the period at the end and  
 2 inserting a semicolon; and

3 (3) by adding at the end the following new  
 4 paragraphs:

5 “(3) in 2003, at \$80 per visit; and

6 “(4) in a subsequent year, at the limit estab-  
 7 lished under this subsection for the previous year in-  
 8 creased by the percentage increase in the MEI (as  
 9 so defined) applicable to primary care services (as so  
 10 defined) furnished as of the first day of that year.”.

11 **SEC. 302. EXCLUSION OF CERTAIN RURAL HEALTH CLINIC**  
 12 **AND FEDERALLY QUALIFIED HEALTH CEN-**  
 13 **TER SERVICES FROM THE MEDICARE PRO-**  
 14 **SPECTIVE PAYMENT SYSTEM FOR SKILLED**  
 15 **NURSING FACILITIES.**

16 (a) IN GENERAL.—Section 1888(e) of the Social Se-  
 17 curity Act (42 U.S.C. 1395yy(e)) is amended—

18 (1) in paragraph (2)(A)(i)(II), by striking  
 19 “clauses (ii) and (iii)” and inserting “clauses (ii),  
 20 (iii), and (iv)”; and

21 (2) by adding at the end of paragraph (2)(A)  
 22 the following new clause:

23 “(iv) EXCLUSION OF CERTAIN RURAL  
 24 HEALTH CLINIC AND FEDERALLY QUALI-

1 FIED HEALTH CENTER SERVICES.—Services  
2 ices described in this clause are—

3 “(I) rural health clinic services  
4 (as defined in paragraph (1) of sec-  
5 tion 1861(aa)); and

6 “(II) Federally qualified health  
7 center services (as defined in para-  
8 graph (3) of such section);

9 that would be described in clause (ii) if  
10 such services were not furnished by an in-  
11 dividual affiliated with a rural health clinic  
12 or a Federally qualified health center.”.

13 (b) EFFECTIVE DATE.—The amendments made by  
14 subsection (a) shall apply to services furnished on or after  
15 January 1, 2003.

16 **SEC. 303. TWO-YEAR EXTENSION OF INCREASE FOR MEDI-**  
17 **CARE HOME HEALTH SERVICES FURNISHED**  
18 **IN RURAL AREAS.**

19 (a) IN GENERAL.—Section 508(a) of the Medicare,  
20 Medicaid, and SCHIP Benefits Improvement and Protec-  
21 tion Act of 2000 (114 Stat. 2763A–533), as enacted into  
22 law by section 1(a)(6) of Public Law 106–554, is amended  
23 by striking “April 1, 2003” and inserting “April 1, 2005”.

24 (b) TECHNICAL AMENDMENT.—Section 547(c)(2) of  
25 the Medicare, Medicaid, and SCHIP Benefits Improve-

1 ment and Protection Act of 2000 (114 Stat. 2763A–553),  
 2 as enacted into law by section 1(a)(6) of Public Law 106–  
 3 554, is amended by striking “September 30, 2002” and  
 4 inserting “April 1, 2005”.

5 **SEC. 304. FIVE-YEAR EXTENSION OF AVAILABILITY OF**  
 6 **MEDICARE COST CONTRACTS FOR MEDICARE**  
 7 **BENEFICIARIES.**

8 Section 1876(h)(5)(C) of the Social Security Act (42  
 9 U.S.C. 1395mm(h)(5)(C)) is amended by striking “2004”  
 10 and inserting “2009”.

11 **TITLE IV—PEDIATRIC DENTAL**  
 12 **PROVISIONS**

13 **Subtitle A—Medicaid and SCHIP**

14 **SEC. 401. GRANTS TO IMPROVE THE PROVISION OF DENTAL**  
 15 **SERVICES UNDER MEDICAID AND SCHIP.**

16 Title V of the Social Security Act (42 U.S.C. 701  
 17 et seq.) is amended by adding at the end the following  
 18 new section:

19 **“SEC. 511. GRANTS TO IMPROVE THE PROVISION OF DEN-**  
 20 **TAL SERVICES UNDER MEDICAID AND SCHIP.**

21 “(a) **AUTHORITY TO MAKE GRANTS.**—In addition to  
 22 any other payments made under this title to a State, the  
 23 Secretary shall award grants to States that satisfy the re-  
 24 quirements of subsection (b) to improve the provision of  
 25 dental services to children who are enrolled in a State plan

1 under title XIX or a State child health plan under title  
2 XXI (in this section, collectively referred to as the ‘State  
3 plans’).

4 “(b) REQUIREMENTS.—In order to be eligible for a  
5 grant under this section, a State shall provide the Sec-  
6 retary with the following assurances:

7 “(1) IMPROVED SERVICE DELIVERY.—The  
8 State shall have a plan to improve the delivery of  
9 dental services to children who are enrolled in the  
10 State plans, including providing outreach and ad-  
11 ministrative case management, improving collection  
12 and reporting of claims data, and providing incen-  
13 tives, in addition to raising reimbursement rates, to  
14 increase provider participation.

15 “(2) ADEQUATE PAYMENT RATES.—The State  
16 has provided for payment under the State plans for  
17 dental services for children at levels consistent with  
18 the market-based rates and sufficient enough to en-  
19 list providers to treat children in need of dental serv-  
20 ices.

21 “(3) ENSURED ACCESS.—The State shall en-  
22 sure it will make dental services available to children  
23 enrolled in the State plans to the same extent as  
24 such services are available to the general population  
25 of the State.

1       “(c) APPLICATION.—A State shall submit an applica-  
2 tion to the Secretary for a grant under this section in such  
3 form and manner and containing such information as the  
4 Secretary may require.

5       “(d) AUTHORIZATION OF APPROPRIATIONS.—There  
6 are authorized to be appropriated to make grants under  
7 this section \$50,000,000 for fiscal year 2003 and each fis-  
8 cal year thereafter.

9       “(e) APPLICATION OF OTHER PROVISIONS OF  
10 TITLE.—

11           “(1) IN GENERAL.—Except as provided in para-  
12 graph (2), the other provisions of this title shall not  
13 apply to a grant made under this section.

14           “(2) EXCEPTIONS.—The following provisions of  
15 this title shall apply to a grant made under sub-  
16 section (a) to the same extent and in the same man-  
17 ner as such provisions apply to allotments made  
18 under section 502(c):

19           “(A) Section 504(b)(6) (relating to prohi-  
20 bition on payments to excluded individuals and  
21 entities).

22           “(B) Section 504(c) (relating to the use of  
23 funds for the purchase of technical assistance).

24           “(C) Section 504(d) (relating to a limita-  
25 tion on administrative expenditures).

1           “(D) Section 506 (relating to reports and  
2           audits), but only to the extent determined by  
3           the Secretary to be appropriate for grants made  
4           under this section.

5           “(E) Section 507 (relating to penalties for  
6           false statements).

7           “(F) Section 508 (relating to non-  
8           discrimination).

9           “(G) Section 509 (relating to the adminis-  
10          tration of the grant program).”.

11 **SEC. 402. AUTHORITY TO PROVIDE DENTAL COVERAGE**  
12                           **UNDER SCHIP AS A SUPPLEMENT TO OTHER**  
13                           **HEALTH COVERAGE.**

14       (a) **AUTHORITY TO PROVIDE COVERAGE.—**

15           (1) **SCHIP.—**

16                   (A) **IN GENERAL.—**Section 2105(a)(1)(C)  
17                   of the Social Security Act (42 U.S.C.  
18                   1397ee(a)(1)(C)) is amended—

19                           (i) by inserting “(i)” after “(C)”; and

20                           (ii) by adding at the end the following  
21                   new clause:

22                           “(ii) notwithstanding clause (i), in the case  
23                   of a State that satisfies the conditions described  
24                   in subsection (c)(8), for child health assistance  
25                   that consists only of coverage of dental services

1 for a child who would be considered a targeted  
2 low-income child if that portion of subpara-  
3 graph (C) of section 2110(b)(1) relating to cov-  
4 erage of the child under a group health plan or  
5 under health insurance coverage did not apply,  
6 and such child has such coverage that does not  
7 include dental services; and”.

8 (B) CONDITIONS DESCRIBED.—Section  
9 2105(c) of the Social Security Act (42 U.S.C.  
10 1397ee(c)) is amended by adding at the end the  
11 following new paragraph:

12 “(8) CONDITIONS FOR PROVISION OF DENTAL  
13 SERVICES ONLY COVERAGE.—For purposes of sub-  
14 section (a)(1)(C)(ii), the conditions described in this  
15 paragraph are the following:

16 “(A) INCOME ELIGIBILITY.—The State  
17 child health plan (whether implemented under  
18 title XIX or this title)—

19 “(i) has the highest income eligibility  
20 standard permitted under this title as of  
21 January 1, 2002;

22 “(ii) subject to subparagraph (B),  
23 does not limit the acceptance of applica-  
24 tions for children; and

1           “(iii) provides benefits to all children  
2           in the State who apply for and meet eligi-  
3           bility standards.

4           “(B) NO WAITING LIST IMPOSED.—With  
5           respect to children whose family income is at or  
6           below 200 percent of the poverty line, the State  
7           does not impose any numerical limitation, wait-  
8           ing list, or similar limitation on the eligibility of  
9           such children for child health assistance under  
10          such State plan.”.

11          (C) STATE OPTION TO WAIVE WAITING PE-  
12          RIOD.—Section 2102(b)(1)(B) of the Social Se-  
13          curity Act (42 U.S.C. 1397bb(b)(1)(B)) is  
14          amended—

15                 (i) in clause (i), by striking “and” at  
16                 the end;

17                 (ii) in clause (ii), by striking the pe-  
18                 riod and inserting “; and”; and

19                 (iii) by adding at the end the fol-  
20                 lowing new clause:

21                         “(iii) at State option, may not apply  
22                         a waiting period in the case of a child de-  
23                         scribed in section 2105(a)(1)(C)(ii), if the  
24                         State satisfies the requirements of section  
25                         2105(c)(8) and provides such child with



1 child health assistance that consists only of  
2 coverage of dental services.”.

3 (2) APPLICATION OF ENHANCED MATCH UNDER  
4 MEDICAID.—Section 1905 of the Social Security Act  
5 (42 U.S.C. 1396d) is amended—

6 (A) in subsection (b), in the fourth sen-  
7 tence, by striking “or subsection (u)(3)” and  
8 inserting “(u)(3), or (u)(4)”; and

9 (B) in subsection (u)—

10 (i) by redesignating paragraph (4) as  
11 paragraph (5); and

12 (ii) by inserting after paragraph (3)  
13 the following new paragraph:

14 “(4) For purposes of subsection (b), the expenditures  
15 described in this paragraph are expenditures for dental  
16 services for children described in section  
17 2105(a)(1)(C)(ii), but only in the case of a State that sat-  
18 isfies the requirements of section 2105(c)(8).”.

19 (b) EFFECTIVE DATE.—The amendments made by  
20 subsection (a) take effect on October 1, 2002, and apply  
21 to child health assistance and medical assistance provided  
22 on or after that date.

1 **Subtitle B—Community Health**  
 2 **Centers, Public Health Depart-**  
 3 **ments, and the Indian Health**  
 4 **Service**

5 **SEC. 411. GRANTS TO IMPROVE THE PROVISION OF DENTAL**  
 6 **HEALTH SERVICES.**

7 Part D of title III of the Public Health Service Act  
 8 (42 U.S.C. 254b et seq.) is amended by inserting before  
 9 section 330, the following:

10 **“SEC. 329. GRANT PROGRAM TO EXPAND THE AVAIL-**  
 11 **ABILITY OF SERVICES.**

12 “(a) IN GENERAL.—The Secretary, acting through  
 13 the Health Resources and Services Administration, shall  
 14 establish a program under which the Secretary may award  
 15 grants to eligible entities and eligible individuals to expand  
 16 the availability of primary dental care services in dental  
 17 health professional shortage areas or medically under-  
 18 served areas.

19 “(b) ELIGIBILITY.—

20 “(1) ENTITIES.—To be eligible to receive a  
 21 grant under this section an entity—

22 “(A) shall be—

23 “(i) a health center receiving funds  
 24 under section 330 or designated as a Fed-  
 25 erally qualified health center;

1           “(ii) a county or local public health  
2           department, if located in a federally-des-  
3           ignated dental health professional shortage  
4           area;

5           “(iii) an Indian tribe or tribal organi-  
6           zation (as defined in section 4 of the In-  
7           dian Self-Determination and Education  
8           Assistance Act (25 U.S.C. 450b)); or

9           “(iv) a dental education program ac-  
10          credited by the Commission on Dental Ac-  
11          creditation; and

12          “(B) shall prepare and submit to the Sec-  
13          retary an application at such time, in such  
14          manner, and containing such information as the  
15          Secretary may require.

16          “(2) INDIVIDUALS.—To be eligible to receive a  
17          grant under this section an individual shall—

18               “(A) be a dental health professional li-  
19               censed or certified in accordance with the laws  
20               of the State in which such individual provides  
21               dental services;

22               “(B) prepare and submit to the Secretary  
23               an application at such time, in such manner,  
24               and containing such information as the Sec-  
25               retary may require; and

1 “(C) provide assurances that—

2 “(i) the individual will practice in a  
3 federally-designated dental health profes-  
4 sional shortage area; and

5 “(ii) not less than 33 percent of the  
6 patients of such individual are—

7 “(I) receiving assistance under a  
8 State plan under title XIX of the So-  
9 cial Security Act (42 U.S.C. 1396 et  
10 seq.);

11 “(II) receiving assistance under a  
12 State plan under title XXI of the So-  
13 cial Security Act (42 U.S.C. 1397aa  
14 et seq.); or

15 “(III) uninsured.

16 “(c) USE OF FUNDS.—

17 “(1) ENTITIES.—An entity shall use amounts  
18 received under a grant under this section to provide  
19 for the increased availability of primary dental serv-  
20 ices in the areas described in subsection (a). Such  
21 amounts may be used to supplement the salaries of-  
22 fered for individuals accepting employment as den-  
23 tists in such areas.

24 “(2) INDIVIDUALS.—A grant to an individual  
25 under subsection (a) shall be in the form of a

1 \$1,000 bonus payment for each month in which such  
 2 individual is in compliance with the eligibility re-  
 3 quirements of subsection (b)(2)(C).

4 “(d) AUTHORIZATION OF APPROPRIATIONS.—

5 “(1) IN GENERAL.—Notwithstanding any other  
 6 amounts appropriated under section 330 for health  
 7 centers, there is authorized to be appropriated  
 8 \$40,000,000 for each of fiscal years 2003 through  
 9 2007 to hire and retain dental health care providers  
 10 under this section.

11 “(2) USE OF FUNDS.—Of the amount appro-  
 12 priated for a fiscal year under paragraph (1), the  
 13 Secretary shall use—

14 “(A) not less than 75 percent of such  
 15 amount to make grants to eligible entities; and

16 “(B) not more than 25 percent of such  
 17 amount to make grants to eligible individuals.”.

18 **SEC. 412. STREAMLINE PROCESS FOR DESIGNATING DEN-**  
 19 **TAL HEALTH PROFESSIONAL SHORTAGE**  
 20 **AREAS.**

21 Section 332(a) of the Public Health Service Act (42  
 22 U.S.C. 254e(a)) is amended by adding at the end the fol-  
 23 lowing:

24 “(4) In designating health professional shortage  
 25 areas under this section, the Secretary may designate cer-

tain areas as dental health professional shortage areas if the Secretary determines that such areas have a severe shortage of dental health professionals. The Secretary shall, in consultation with State and local dental societies and tribal health organizations, streamline the process to develop, publish, and periodically update criteria to be used in designating dental health professional shortage areas.”.

**SEC. 413. DEMONSTRATION PROJECTS TO INCREASE ACCESS TO PEDIATRIC DENTAL SERVICES IN UNDERSERVED AREAS.**

(a) **AUTHORITY TO CONDUCT PROJECTS.**—The Secretary of Health and Human Services, through the Administrator of the Health Resources and Services Administration and the Director of the Indian Health Service, shall establish demonstration projects that are designed to increase access to dental services for children in underserved areas, as determined by the Secretary.

(b) **AUTHORIZATION OF APPROPRIATIONS.**—There is authorized to be appropriated such sums as may be necessary to carry out this section.

○