AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

104TH CONGRESS
2d Session
HOUSE OF REPRESENTATIVES
REPT. 104–844,
Part 1

EXTENSION OF MEDICARE ENROLLMENT COMPOSITION WAIVER FOR THE WATTS HEALTH FOUNDATION

SEPTEMBER 25, 1996.—Ordered to be printed

Mr. BLILEY, from the Committee on Commerce, submitted the following

REPORT

[To accompany H.R. 2923]

The Committee on Commerce, to whom was referred the bill (H.R. 2923) to extend for 4 additional years the waiver granted to the Watts Health Foundation from the membership mix requirement for health maintenance organizations participating in the medicare program, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

CONTENTS

	Page
Purpose and Summary	1
Background and Need for Legislation	2
Hearings	3
Committee Consideration	3
Rollcall Votes	3
Committee Oversight Findings	3
Committee on Government Reform and Oversight	4
New Budget Authority and Tax Expenditures	4
Committee Cost Estimate	4
Congressional Budget Office Estimate	4
Inflationary Impact Statement	5
Advisory Committee Statement	5
Section-by-Section Analysis of the Legislation	5
Changes in Existing Law Made by the Bill, as Reported	5

PURPOSE AND SUMMARY

The purpose of H.R. 2923 is to extend a waiver of Section 1876(f) of the Social Security Act (regarding the 50/50 rule) through January 1, 2000, for the Watts Health Foundation. The waiver extended by the Omnibus Budget Reconciliation Act (OBRA) of 1993 expired on January 1, 1996.

BACKGROUND AND NEED FOR LEGISLATION

Under Section 1876(f) of the Social Security Act, Medicare risk-contracting plans (managed care plans) are subject to rules regarding the enrollment of beneficiaries. One of these rules, commonly known as the 50/50 rule, requires that Medicare and Medicaid enrollees may not exceed 50 percent of plan enrollment. One of the main reasons for the establishment of this rule was to serve as a proxy for a plan's quality of care.

The Watts Health Foundation operates as a health maintenance organization (HMO) under the name United Health Plan (United), a non-profit, community-based HMO serving the Watts community and other areas of Los Angeles. United started as a prepaid health care plan in May 1973, and became Federally-qualified as an HMO in 1982. United has nearly 90,000 enrollees, approximately 21 percent of whom are enrolled in commercial accounts. United began serving Medicare beneficiaries under a demonstration in 1984. At the conclusion of the demonstration, United obtained a risk contract to provide HMO services to Medicare beneficiaries. It currently has 13,101 Medicare enrollees. Watts operates in a medically underserved inner city, making it difficult to meet the 50/50 rule.

On March 25, 1985, the Health Care Financing Administration granted Watts a temporary waiver from the 50/50 rule. Congress granted Watts another temporary waiver until January 1, 1990 as part of OBRA 1987. This was extended to January 1, 1994 by OBRA 1989 and to January 1, 1996, by OBRA 1993. Watt's waiver expired at the end of calendar year 1995. To allow Watts to continue to provide care to its Medicare enrollees, its waiver must be extended.

Below is a letter from the Committee on Commerce and the Committee on Ways and Means expressing the intent to extend the waiver for the Watts Health Foundation.

U.S. CONGRESS,
Washington, DC, August 27, 1996.

BRUCE C. VLADECK, Ph.D,
Administrator, Health Care Financing Administration, Hubert Humphrey Building, Washington, DC.

DEAR DR. VLADECK: We understand that the statutory waiver of the Medicare private, public, enrollment mix requirements, the so-called "50/50 rule," has expired for the Watts Health Foundation. This waiver was first enacted by Congress as part of the Omnibus Reconciliation Act (OBRA) of 1987 and was extended in OBRA 1989, and most recently in, OBRA 1993.

We are writing to inform you that we intend to seek legislation that would extend the Watts Health Foundation waiver. Since the waiver has expired, and it is our intention to act on this matter, we request that you consider these factors in oversight of the Watts Health Foundation's arrangements with the Medicare program.

Please contact either Chip Kahn of the Ways and Means Health Subcommittee, or Melody Harned of the Commerce Health and En-

vironment Subcommittee, if you have any questions regarding this matter.

Cordially,

MICHAEL BILIRAKIS,
Chairman, Commerce Subcommittee on Health and Environment.
HENRY WAXMAN,
Ranking Minority Member, Commerce Subcommittee on Health.
BILL THOMAS,
Chairman, Ways and Means Subcommittee on Health.
PETE STARK,
Ranking Minority Member, Ways and Means Subcommittee on Health.

HEARINGS

The Committee on Commerce has not held hearings on the legislation.

COMMITTEE CONSIDERATION

On September 18, 1996, the Committee on Commerce met in open markup session to consider H.R. 2923, a bill to extend for four additional years the waiver granted to the Watts Health Foundation from the membership mix requirement for health maintenance organizations participating in the Medicare Program. A unanimous consent request by Mr. Bliley to discharge the Subcommittee on Health and Environment from further consideration of H.R. 2923, and to proceed to its immediate consideration by the Full Committee was agreed to without objection. The Full Committee then ordered H.R. 2923 reported to the House, without amendment, by a voice vote, a quorum being present.

ROLLCALL VOTES

Clause 2(l)(2)(B) of rule XI of the Rules of the House requires the Committee to list the recorded votes on the motion to report legislation and on amendments thereto. There were no recorded votes taken in connection with ordering H.R. 2923 reported. A motion by Mr. Bliley to order H.R. 2923 reported to the House, without amendment, was agreed to by a voice vote, a quorum being present.

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 2(l)(3)(A) of rule XI of the Rules of the House of Representatives, the Committee has not held oversight or legislative hearings on this legislation.

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

Pursuant to clause 2(l)(3)(D) of rule XI of the Rules of the House of Representatives, no oversight findings have been submitted to the Committee by the Committee on Government Reform and Oversight.

NEW BUDGET AUTHORITY AND TAX EXPENDITURES

In compliance with clause 2(l)(3)(B) of rule XI of the Rules of the House of Representatives, the Committee states that H.R 2923 would result in no new or increased budget authority or tax expenditures or revenues.

COMMITTEE COST ESTIMATE

The Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 403 of the Congressional Budget Act of 1974.

CONGRESSIONAL BUDGET OFFICE ESTIMATE

Pursuant to clause 2(l)(3)(C) of rule XI of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 403 of the Congressional Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, September 25, 1996.

Hon. THOMAS J. BLILEY, Jr.,
Chairman, Committee on Commerce,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has reviewed H.R. 2923, a bill to extend for four additional years the waiver granted to the Watts Health Foundation, a health maintenance organization (HMO) in the Los Angeles area, from the Medicare enrollment composition rule, as ordered reported by the Committee on Commerce on September 18, 1996. This bill would permit the Watts Health Foundation to contract with Medicare on a risk basis during contract periods through calendar year 2000, without being subject to the requirement that persons covered by Medicare or Medicaid constitute no more than 50 percent of the plan's enrollment.

CBO estimates that waiver of the enrollment composition rule would increase Medicare outlays by less than $0.5 million per year in fiscal years 1997 through 2002, and by a cumulative total of about $1 million through fiscal year 2002. Pay-as-you-go procedures would apply because the bill would affect direct spending.

This bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act of 1995 (Public Law 104–4) and would impose no costs on state, local, or tribal governments.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Tom Bradley.

Sincerely,

JUNE E. O'NEILL, *Director.*

INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the Committee finds that H.R. 2923 would have no inflationary impact.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act are created by this legislation.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

SECTION 1. EXTENSION OF WAIVER OF "50/50 RULE" FOR WATTS HEALTH FOUNDATION

Section 1 extends the waiver of the Medicare 50/50 rule for the Watts Health Foundation through January 1, 2000.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECTION 9312 OF THE OMNIBUS BUDGET RECONCILIATION ACT OF 1986

SEC. 9312. HEALTH MAINTENANCE ORGANIZATIONS AND COMPETITIVE MEDICAL PLANS.

(a) * * *

* * * * * * *

(c) RESTRICTING WAIVER OF REQUIREMENT OF 50 PERCENT NON-MEDICARE ENROLLMENT.—

(1) * * *

* * * * * * *

(3) EFFECTIVE DATES.—

(A) * * *

* * * * * * *

(D) TREATMENT OF CERTAIN WAIVERS.—In the case of an eligible organization (or successor organization) that is described in clauses (i) and (ii) of subparagraph (C) and that received a grant or grants totaling at least $3,000,000 in fiscal year 1987 under section 329(d)(1)(A) or 330(d)(1) Public Health Service Act—

(i) before January 1, [1996] *2000*, section 1876(f) of the Social Security Act shall not apply to the organization;

* * * * * * *

○