

## DEPARTMENT OF HEALTH AND HUMAN SERVICES

### Health Care Financing Administration

[HCFA-1151-N]

#### Medicare Program; Ambulance Services Demonstration

**AGENCY:** Health Care Financing Administration (HCFA), HHS.

**ACTION:** Notice.

**SUMMARY:** This notice announces the Ambulance Services demonstration, which will determine the quality and cost effectiveness of reimbursing ambulance services paid for by Medicare under Part B through a monthly capitated payment arrangement. The Secretary of Health and Human Services is required under the Balanced Budget Act of 1997 to establish up to three demonstration projects by entering into contracts with units of local governments that furnish or arrange for furnishing ambulance services in their jurisdictions. The demonstration will determine whether providing a capitated payment and flexibility to participating units of local governments will enable them to meet local needs more effectively while reducing Medicare expenditures for ambulance services.

**DATES:** Proposals will be considered if we receive them at the appropriate address, as provided below, no later than 5 p.m. on March 21, 2001.

**ADDRESSES:** Mail written proposals (1 unbound original and 10 copies) to the following address: Department of Health and Human Services, Health Care Financing Administration, Attention: Kathy Headen, Room C4-17-27, 7500 Security Boulevard, Baltimore, MD 21244-1850.

Applications must be typed for clarity and should not exceed 40 double-spaced pages, exclusive of the executive summary, resumes, forms, and documentation supporting the cost proposal. Please refer to file code HCFA-1151-N on the proposal.

**FOR FURTHER INFORMATION CONTACT:** Kathy Headen, (410) 786-6865 (kheaden@hcfa.gov.).

#### SUPPLEMENTARY INFORMATION:

##### I. Background and Legislative Authority

The Secretary of Health and Human Services is required under section 4532 of the Balanced Budget Act of 1997 (BBA) to establish up to three demonstration projects by entering into contracts with units of local governments that furnish or arrange for

furnishing ambulance services in their jurisdictions. The contract must cover at least 80 percent of the persons residing within the unit of local governments who are enrolled in Medicare Part B (excluding persons enrolled in a Medicare+Choice plan). Payment under a contract to a local government will replace the amount that would otherwise be paid for ambulance services for individuals residing in the area. The Secretary and the unit of local government may include in the contract those other terms the parties consider appropriate, including: (1) Covering individuals residing in additional units of local government, (under arrangements entered into between these units and the unit of local government involved); (2) permitting the unit of local government to transport individuals to non-hospital providers if the providers are able to furnish quality services at a lower cost than hospital providers; or (3) implementing these other innovations as the unit of local government may propose to improve the quality of ambulance services and control the costs of the services.

The BBA amended the Act to require that we pay the unit of local government a monthly capitation rate for the ambulance services, instead of the amount that (in the absence of the contract) would otherwise be payable under Part B of Title XVIII of the Social Security Act (Act) for the services covered under the contract. Section 4532(e) of the BBA also requires a formal evaluation of the projects, to include recommendations to modify the payment methodology and whether to extend or expand the demonstration projects.

Section 225 of the Balanced Budget Refinement Act (BBRA) of 1999 amended section 4532(b)(2) of the BBA, the demonstration payment formula, by authorizing the Secretary to establish a budget-neutral first-year capitated payment based on the most current available data, with payment in subsequent years adjusted for inflation.

The BBA contemplates that successful applicants have a comprehensive administrative structure and will be able to demonstrate that they have the capability to contract with vendors, if necessary, to furnish the services. They will also be expected to have the capability to process and adjudicate claims, establish a monitoring and performance system to ensure quality of services, and possess data capabilities to exchange information with vendors and us.

##### II. Current and Proposed Regulations

We published a final rule on January 25, 1999 (64 FR 3637) establishing new regulation requirements for Medicare Part B ambulance services that were effective February 24, 1999. These regulations revised the vehicle, staffing, level of service, and billing requirements for ambulance services. The regulations also revised the medical necessity requirements to include a national definition of the term bed-confined, established a new requirement that the beneficiary's attending physician furnish a written order certifying the medical necessity of non-emergency ambulance transports, and implemented section 4531(c) of the BBA concerning Medicare coverage for paramedic intercept services in rural communities.

Section 4531 of the BBA requires the Secretary to set interim payment reductions for ambulance services for fiscal years 1998 and 1999, as well as the portion of fiscal year 2000 that precedes January 1, 2000. The BBA also requires the Secretary to establish a fee schedule for ambulance services through negotiated rulemaking. We published a proposed rule for the new fee schedule in the **Federal Register** on September 12, 2000 (65 FR 55100). Applicants should be familiar with the proposed changes as they formulate their proposal.

##### III. Purpose of Demonstration

We want to determine whether providing a capitated payment and flexibility to participating units of local government will enable them to meet local needs more effectively while reducing Medicare expenditures for ambulance services. In particular, this demonstration will test whether freedom to select and monitor suppliers and establish prices will help control Medicare costs. Section 4532 of the BBA authorizes demonstrations to change the way in which the Medicare program purchases ambulance services in a geographic area. Instead of paying individual suppliers directly on a fee-for-service basis, the statute permits a local government entity to receive capitated payments from us and to establish an ambulance system designed for the local area. Under the demonstration, the applicant could operate the entire system itself, contract with suppliers to furnish services, or use a combination of the two means to deliver care. The local unit of government could establish its own fee schedule rather than using the Medicare fee schedule, request that potential suppliers bid on the service, or pay

suppliers on a capitated basis. The local unit of government could select all willing suppliers or use a limited number of suppliers and use savings from efficiencies to provide added services.

The demonstration offers the selected units of government a great deal of flexibility, as long as the government entity establishes a delivery system that ensures access to care and quality services under a budget neutral capitated payment rate.

We will select up to three units of local government, using a competitive application process. A qualifying unit of local government is defined as a city, county, or incorporated town. A demonstration project can only exclude beneficiaries enrolled in Medicare Part B who reside within the unit if geographic features make coverage impractical for a specified area. In such case, up to 20 percent of the unit's Part B enrollees may be excluded.

An independent panel will review proposals. Areas that will be examined include: Statement of the Problem; Organizational Capability; Service Delivery, Operations, and Quality Assurance; Payment Methodology and Implementation.

#### IV. Final Selection

The final selection of up to three demonstration projects will be made by our Administrator from among the most highly qualified applicants. The Administrator will make the selection giving greater emphasis to proposals that have strong evidence of service delivery, operations, and quality assurance; the implementation plan; organizational capability; and payment methodology. The operational protocols for the payment system, coverage process, eligibility determination, and claims payment must be approved by us prior to implementation. We reserve the right to conduct site visits to the awardees' location prior to making awards. An independent contractor, selected and funded by us, will design and conduct an evaluation of the demonstration after its conclusion. The awardee will be required to cooperate with the contractor conducting the evaluation.

**Authority:** Section 4532 of the Balanced Budget Act of 1997, (Pub. L. 105-33); and Section 225 of the Balanced Budget Refinement Act of 1999, (Pub. L. 106-113). (Catalog of Federal Domestic Assistance Program No. 93.779, Health Care Financing Research, Demonstrations and Evaluations)

Dated: October 17, 2000.

**Michael M. Hash,**

*Acting Administrator, Health Care Financing Administration.*

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## DEPARTMENT OF HEALTH AND HUMAN SERVICES

### Health Care Financing Administration [HCFA-1157-N]

#### Medicare Program; December 12, 2000, Meeting of the Competitive Pricing Advisory Committee

**AGENCY:** Health Care Financing Administration (HCFA), HHS.

**ACTION:** Notice of meeting.

**SUMMARY:** In accordance with section 10(a) of the Federal Advisory Committee Act, this notice announces a meeting of the Competitive Pricing Advisory Committee (the CPAC) on December 12, 2000. The Balanced Budget Act of 1997 (BBA) requires the Secretary of the Department of Health and Human Services (the Secretary) to establish a demonstration project under which payments to Medicare+Choice organizations in designated areas are determined in accordance with a competitive pricing methodology. The BBA requires the Secretary to create the CPAC to make recommendations on demonstration area designation and appropriate research designs for the project. The CPAC meetings are open to the public.

**DATES:** The meeting is scheduled for December 12, 2000, from 9 a.m. until 12 noon, e.s.t.

**ADDRESSES:** The meeting will be held at the Marriott Wardman Park Hotel, 2660 Woodley Road N.W., Washington, D.C. 20008.

**FOR FURTHER INFORMATION CONTACT:** Sharon Arnold, Ph.D., Executive Director, Competitive Pricing Advisory Committee, Health Care Financing Administration, 7500 Security Boulevard C4-14-17, Baltimore, Maryland 21244-1850, (410) 786-6451. Please refer to the HCFA Advisory Committees Information Line (1-877-449-5659 toll free) / (410-786-9379 local) or the Internet (<http://www/hcfa.gov/fac>) for additional information and updates on committee activities.

**SUPPLEMENTARY INFORMATION:** Section 4011 of the Balanced Budget Act of 1997 (BBA), Public Law 105-33, requires the Secretary of the Department of Health and Human Services (the Secretary) to establish a demonstration project under

which payments to Medicare+Choice organizations in designated areas are determined in accordance with a competitive pricing methodology. Section 4012(a) of the BBA requires the Secretary to appoint a Competitive Pricing Advisory Committee (the CPAC) to meet periodically and make recommendations to the Secretary concerning the designation of areas for inclusion in the project and appropriate research design for implementing the project. The CPAC has previously met on May 7, 1998, June 24 and 25, 1998, September 23 and 24, 1998, October 28, 1998, January 6, 1999, May 13, 1999, July 22, 1999, September 16, 1999, October 29, 1999, January 12, 2000, and May 23, 2000.

The CPAC consists of 15 individuals who are independent actuaries; experts in competitive pricing and the administration of the Federal Employees Health Benefit Program; and representatives of health plans, insurers, employers, unions, and beneficiaries. The CPAC members are: James Cubbin, Executive Director, General Motors Health Care Initiative; Robert Berenson, M.D., Director, Center for Health Plans and Providers, HCFA; John Bertko, Actuary Principal, Humana Inc.; David Durenberger, Vice President, Public Policy Partners; Gary Goldstein, M.D., Chief Medical Officer-Health Plans, Humana Inc.; Samuel Havens, Healthcare Consultant; Margaret Jordan, Executive Vice President, Texas Health Resources; Chip Kahn, President, The Health Insurance Association of America; Cleve Killingsworth, President and CEO, Health Alliance Plan; Nancy Kichak, Director, Office of Actuaries, Office of Personnel Management; Len Nichols, Principal Research Associate, The Urban Institute; Robert Reischauer, President, The Urban Institute; John Rother, Director, Legislation and Public Policy, American Association of Retired Persons; Andrew Stern, President, Service Employees International Union, AFL-CIO; and Jay Wolfson, Director, The Florida Information Center, University of South Florida. The Chairperson is James Cubbin and the Co-Chairperson is Robert Berenson, M.D. In accordance with section 4012(a)(5) of the BBA, the CPAC will terminate on December 31, 2004.

The agenda for the December 12, 2000, meeting will include a continuing discussion on the components of a Report to Congress being prepared by the CPAC. Section 533 of the Medicare, Medicaid, and State Child Health Insurance Program (SCHIP) Balanced Budget Refinement Act of 1999, Public Law 106-113, revised section 4011 of