

105TH CONGRESS  
2D SESSION

# H. R. 3780

To amend title XVIII of the Social Security Act to provide for a prospective payment system for services furnished by psychiatric hospitals under the Medicare Program.

IN THE HOUSE OF REPRESENTATIVES

APRIL 30, 1998

Mr. McCRERY (for himself and Mr. CARDIN) introduced the following bill; which was referred to the Committee on Ways and Means

# A BILL

To amend title XVIII of the Social Security Act to provide for a prospective payment system for services furnished by psychiatric hospitals under the Medicare Program.

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.

4 This Act may be cited as the “Medicare Psychiatric  
5 Hospital Prospective Payment System Act of 1998”.

## 6 SEC. 2. MEDICARE PROSPECTIVE PAYMENT SYSTEM FOR

## PSYCHIATRIC FACILITIES.

8       (a) ESTABLISHMENT OF PROSPECTIVE PAYMENT  
9 SYSTEM.—Section 1886 of the Social Security Act (42

1 U.S.C. 1395ww) is amended by adding at the end the fol-  
2 lowing:

3       “(l) PROSPECTIVE PAYMENT SYSTEM FOR INPA-  
4 TIENT PSYCHIATRIC SERVICES.—

5           “(1) AMOUNT OF PAYMENT.—

6               “(A) DURING TRANSITION PERIOD.—Not-  
7 withstanding section 1814(b), but subject to the  
8 provisions of section 1813, the amount of pay-  
9 ment with respect to the operating and capital-  
10 related costs of inpatient hospital services of a  
11 psychiatric facility (as defined in paragraph  
12 (7)(C)) for each day of services furnished in a  
13 cost reporting period beginning on or after Oc-  
14 tober 1, 2000, and before October 1, 2003, is  
15 equal to the sum of—

16               “(i) the TEFRA percentage (as de-  
17 fined in paragraph (7)(D)) of the facility-  
18 specific per diem rate (determined under  
19 paragraph (2)); and

20               “(ii) the PPS percentage (as defined  
21 in paragraph (7)(B)) of the applicable  
22 Federal per diem rate (determined under  
23 paragraph (3)).

24               “(B) UNDER FULLY IMPLEMENTED SYS-  
25 TEM.—Notwithstanding section 1814(b), but

1 subject to the provisions of section 1813, the  
2 amount of payment with respect to the operat-  
3 ing and capital-related costs of inpatient hos-  
4 pital services of a psychiatric facility for each  
5 day of services furnished in a cost reporting pe-  
6 riod beginning on or after October 1, 2003, is  
7 equal to the applicable Federal per diem rate  
8 determined under paragraph (3) for the facility  
9 for the fiscal year in which the day of services  
10 occurs.

11                             “(C) NEW FACILITIES.—In the case of a  
12                             psychiatric facility that does not have a base  
13                             fiscal year (as defined in paragraph (7)(A)),  
14                             payment for the operating and capital-related  
15                             costs of inpatient hospital services shall be  
16                             made under this subsection using the applicable  
17                             Federal per diem rate.

18           “(2) DETERMINATION OF FACILITY-SPECIFIC  
19           PER DIEM RATES.—

20                             “(A) BASE YEAR.—The Secretary shall de-  
21                             termine, on a per diem basis, the allowable op-  
22                             erating and capital-related costs of inpatient  
23                             hospital services for each psychiatric facility for  
24                             its cost reporting period (if any) beginning in  
25                             the base fiscal year (as defined in paragraph

(7)(A)), such costs determined as if subsection (b)(8) did not apply.

3                             “(B) UPDATING.—The Secretary shall up-  
4                             date the amount determined under subpara-  
5                             graph (A) for each cost reporting period after  
6                             the cost reporting period beginning in the base  
7                             fiscal year and before October 1, 2003, by a  
8                             factor equal to the market basket percentage  
9                             increase.

10               “(3) DETERMINATION OF THE FEDERAL PER  
11               DIEM RATE.—

12                             “(A) BASE YEAR.—The Secretary shall de-  
13 termine, on a per diem basis, the allowable op-  
14 erating and capital-related costs of inpatient  
15 hospital services for each psychiatric facility for  
16 its cost reporting period (if any) beginning in  
17 the base fiscal year (as defined in paragraph  
18 (7)(A)), such costs determined as if subsection  
19 (b)(8) did not apply.

20                             “(B) UPDATING TO FIRST FISCAL YEAR.—  
21                             The Secretary shall update the amount deter-  
22                             mined under subparagraph (A) for each cost re-  
23                             porting period up to the first cost reporting pe-  
24                             riod to which this subsection applies by a factor  
25                             equal to the market basket percentage increase.

1                   “(C) COMPUTATION OF STANDARDIZED  
2                   PER DIEM RATE.—The Secretary shall stand-  
3                   ardize the amount determined under subpara-  
4                   graph (B) for each facility by—

5                   “(i) adjusting for variations among  
6                   facilities by area in the average facility  
7                   wage level per diem; and

8                   “(ii) adjusting for variations in case  
9                   mix per diem among facilities (based on  
10                   the patient classification system estab-  
11                   lished by the Secretary under paragraph  
12                   (4)).

13                   “(D) COMPUTATION OF WEIGHTED AVER-  
14                   AGE PER DIEM RATES.—

15                   “(i) SEPARATE RATES FOR URBAN  
16                   AND RURAL AREAS.—Based on the stand-  
17                   ardized amounts determined under sub-  
18                   paragraph (C) for each facility, the Sec-  
19                   retary shall compute a separate weighted  
20                   average per diem rate—

21                   “(I) for all psychiatric facilities  
22                   located in an urban area (as defined  
23                   in subsection (d)(2)(D)); and

1                             “(II) for all psychiatric facilities  
2                             located in a rural area (as defined in  
3                             subsection (d)(2)(D)).

4                             “(ii) FOR HOSPITALS AND UNITS.—  
5                             Subject to paragraph (7)(C), in the areas  
6                             referred to in clause (i) the Secretary may  
7                             compute a separate weighted average per  
8                             diem rate for—

9                             “(I) psychiatric hospitals; and  
10                            “(II) psychiatric units described  
11                             in the matter following clause (v) of  
12                             subsection (d)(1)(B).

13                            If the Secretary establishes separate aver-  
14                             age weighted per diem rates under this  
15                             clause, the Secretary shall also establish  
16                             separate average per diem rates for facili-  
17                             ties in such categories that are owned and  
18                             operated by an agency or instrumentality  
19                             of Federal, State, or local government and  
20                             for facilities other than such facilities.

21                             “(iii) WEIGHTED AVERAGE.—In com-  
22                             puting the weighted averages under clauses  
23                             (i) and (ii), the standardized per diem  
24                             amount for each facility shall be weighted  
25                             for each facility by the number of days of

1                   inpatient hospital services furnished during  
2                   its cost reporting period beginning in the  
3                   base fiscal year.

4                   “(E) UPDATING.—The weighted average  
5                   per diem rates determined under subparagraph  
6                   (D) shall be updated for each fiscal year after  
7                   the first fiscal year to which this subsection ap-  
8                   plies by a factor equal to the market basket  
9                   percentage increase.

10                  “(F) DETERMINATION OF FEDERAL PER  
11                  DIEM RATE.—

12                  “(i) IN GENERAL.—The Secretary  
13                  shall compute for each psychiatric facility  
14                  for each fiscal year (beginning with fiscal  
15                  year 2001) a Federal per diem rate equal  
16                  to the applicable weighted average per  
17                  diem rate determined under subparagraph  
18                  (E), adjusted for—

19                  “(I) variations among facilities  
20                  by area in the average facility wage  
21                  level per diem;

22                  “(II) variations in case mix per  
23                  diem among facilities (based on the  
24                  patient classification system estab-

3 “(III) variations among facilities  
4 in the proportion of low-income pa-  
5 tients served by the facility.

21                   “(4) ESTABLISHMENT OF PATIENT CLASSIFICA-  
22                   TION SYSTEM.—

23                             “(A) IN GENERAL.—The Secretary shall  
24                             establish—

1                             “(i) classes of patients of psychiatric  
2                             facilities (in this paragraph referred to as  
3                             ‘case mix groups’), based on such factors  
4                             as the Secretary determines to be appro-  
5                             priate; and

6                             “(ii) a method of classifying specific  
7                             patients in psychiatric facilities within  
8                             these groups.

9                             “(B) WEIGHTING FACTORS.—For each  
10                            case mix group, the Secretary shall assign an  
11                            appropriate weighting factor that reflects the  
12                            relative facility resources used with respect to  
13                            patients classified within that group compared  
14                            to patients classified within other such groups.

15                             “(5) DATA COLLECTION; UTILIZATION MON-  
16                             ITORING.—

17                             “(A) DATA COLLECTION.—The Secretary  
18                             may require psychiatric facilities to submit such  
19                             data as is necessary to implement the system  
20                             established under this subsection.

21                             “(B) UTILIZATION MONITORING.—The  
22                             Secretary shall monitor changes in the utiliza-  
23                             tion of inpatient hospital services furnished by  
24                             psychiatric facilities under the system estab-  
25                             lished under this subsection and report to the

1           appropriate committees of Congress on such  
2           changes, together with recommendations for  
3           legislation (if any) that is needed to address un-  
4           warranted changes in such utilization.

5           “(6) SPECIAL ADJUSTMENTS.—Notwithstanding  
6           the preceding provisions of this subsection, the  
7           Secretary shall reduce aggregate payment amounts  
8           that would otherwise be payable under this sub-  
9           section for inpatient hospital services furnished by a  
10           psychiatric facility during cost reporting periods be-  
11           ginning in fiscal years 2001 and 2002 by such uni-  
12           form percentage as is necessary to assure that pay-  
13           ments under this subsection for such cost reporting  
14           periods are reduced by an amount that is equal to  
15           the sum of—

16           “(A) the aggregate increase in payments  
17           under this title during fiscal years 1998, 1999,  
18           and 2000, that is attributable to the operation  
19           of subsection (b)(8); and

20           “(B) the aggregate increase in payments  
21           under this title during fiscal years 2001 and  
22           2002 that is attributable to the application of  
23           the market basket percentage increase under  
24           paragraphs (2)(B) and (3)(E) of this subsection

1           in lieu of the provisions of subclauses (VI) and  
2           (VII) of subsection (b)(3)(B)(ii).

3           Reductions under this paragraph shall not affect  
4           computation of the amounts payable under this sub-  
5           section for cost reporting periods beginning in fiscal  
6           years after fiscal year 2002.

7           “(7) DEFINITIONS.—For purposes of this sub-  
8           section:

9               “(A) The term ‘base fiscal year’ means,  
10              with respect to a hospital, the most recent fiscal  
11              year ending before the date of the enactment of  
12              this subsection for which audited cost report  
13              data are available.

14               “(B) The term ‘PPS percentage’ means—  
15                  “(i) with respect to cost reporting pe-  
16                  riods beginning on or after October 1,  
17                  2000, and before October 1, 2001, 25 per-  
18                  cent;

19                  “(ii) with respect to cost reporting pe-  
20                  riods beginning on or after October 1,  
21                  2001, and before October 1, 2002, 50 per-  
22                  cent; and

23                  “(iii) with respect to cost reporting  
24                  periods beginning on or after October 1,

10 means—

23 (b) LIMIT ON REDUCTIONS UNDER BALANCED  
24 BUDGET ACT.—Section 1886(b) of the Social Security Act

1 (42 U.S.C. 1395ww(b)) is amended by adding at the end  
2 the following:

3       “(8)(A) Notwithstanding the amendments made by  
4 sections 4411, 4414, 4415, and 4416 of the Balanced  
5 Budget Act of 1997, in the case of a psychiatric facility  
6 (as defined in subparagraph (B)(ii)), the amount of pay-  
7 ment for the operating costs of inpatient hospital services  
8 for cost reporting periods beginning on or after October  
9 1, 1997, and before October 1, 2000, shall not be less than  
10 the applicable percentage (as defined in subparagraph  
11 (B)(i)) of the amount that would have been paid for such  
12 costs if such amendments did not apply.

13       “(B) For purposes of this paragraph:

14           “(i) The term ‘applicable percentage’ means—  
15               “(I) 95 percent for cost reporting periods  
16               beginning on or after October 1, 1997, and be-  
17               fore October 1, 1998;

18               “(II) 92.5 percent for cost reporting peri-  
19               ods beginning on or after October 1, 1998, and  
20               before October 1, 1999; and

21               “(III) 90 percent for cost reporting periods  
22               beginning on or after October 1, 1999, and be-  
23               fore October 1, 2000.

24           “(ii) The term ‘psychiatric facility’ means—  
25               “(I) a psychiatric hospital; and

1                   “(II) a psychiatric unit described in the  
2                   matter following clause (v) of subsection  
3                   (d)(1)(B).”.

4                   (c) EFFECTIVE DATE.—The amendments made by  
5                   subsections (a) and (b) shall apply as if included in the  
6                   enactment of the Balanced Budget Act of 1997.

○