

105TH CONGRESS
2D SESSION

H. R. 3855

To provide for payments to children's hospitals that operate graduate medical education programs.

IN THE HOUSE OF REPRESENTATIVES

MAY 13, 1998

Mr. BROWN of Ohio (for himself, Mrs. JOHNSON of Connecticut, and Mr. GREENWOOD) introduced the following bill; which was referred to the Committee on 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

A BILL

To provide for payments to children's hospitals that operate graduate medical education programs.

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; FINDINGS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Children’s Hospitals Education and Research Act of
6 1998”.

7 (b) FINDINGS.—Congress finds the following:

1 (1) Freestanding children's teaching hospitals
2 receive almost no Federal graduate medical edu-
3 cation funding.

4 (2) Increasingly, Federal graduate medical edu-
5 cation funding, through the medicare program, has
6 become the major source of support for the academic
7 missions of all teaching hospitals as the medical
8 marketplace has led to a growing inability to gain
9 such support from other payers.

10 (3) With few medicare patients, these children's
11 teaching hospitals receive less than \$400 in Federal
12 funds for each medical resident they train, while
13 other teaching hospitals receive on average more
14 than \$79,000 for each resident they train, creating
15 a very serious inequity in the competitive market for
16 these children's hospitals.

17 (4) Children's teaching hospitals make an es-
18 sential contribution to training our children's doc-
19 tors. Although less than one percent of all hospitals,
20 they train 5 percent of all physicians, 25 percent of
21 all pediatricians, and the majority of most pediatric
22 specialists.

23 (5) They serve as regional and national pedi-
24 atric referral centers and provide research discov-
25 eries and technological advancements which benefit

1 all children, conducting along with their affiliated
 2 departments of pediatrics almost 20 percent of all
 3 pediatric research sponsored by the National Insti-
 4 tutes of Health.

5 (6) Their ability to sustain their academic and
 6 patient care missions is increasingly threatened by
 7 the lack of graduate medical education funding,
 8 which represents the major source of shortfall be-
 9 tween patient costs and patient revenues for many
 10 children's hospitals with significant teaching pro-
 11 grams, even as these hospital strive to reduce their
 12 costs.

13 **SEC. 2. PROGRAM OF PAYMENTS TO CHILDREN'S HOS-**
 14 **PITALS THAT OPERATE GRADUATE MEDICAL**
 15 **EDUCATION PROGRAMS.**

16 (a) PAYMENTS.—The Secretary shall make payment
 17 under this section to each children's hospital for each hos-
 18 pital cost reporting period beginning during fiscal year
 19 1999 or fiscal year 2000 for the direct and indirect ex-
 20 penses associated with operating approved medical resi-
 21 dency training programs.

22 (b) AMOUNT OF PAYMENT.—

23 (1) IN GENERAL.—Subject to paragraph (3),
 24 the amount payable under this section to a chil-
 25 dren's hospital for direct and indirect expenses relat-

ing to approved medical residency training programs
for a cost reporting period is equal to the product
of—

(A) the per resident rate, as determined
under paragraph (2); and

(B) the weighted average number of full-
time equivalent residents in the hospital's ap-
proved medical residency training programs (as
determined under section 1886(h)(4) of the So-
cial Security Act) for the cost reporting period.

(2) PER RESIDENT RATE.—

(A) IN GENERAL.—The per resident rate
under this paragraph for a cost reporting pe-
riod is equal to the sum of the direct medical
education component (computed under subpara-
graph (B)), and the indirect medical education
component (computed under subparagraph
(C)(iii).

(B) DIRECT MEDICAL EDUCATION COMPO-
NENT.—The Secretary shall compute the direct
medical education component described in this
subparagraph for a hospital as follows:

(i) COMPUTATION OF BASE NATIONAL
DME AVERAGE PER RESIDENT RATE.—The
Secretary shall compute a base national

1 DME average per resident rate equal to
2 the simple average of the per resident rates
3 computed under section 1886(h)(2) of the
4 Social Security Act for cost reporting peri-
5 ods ending during fiscal year 1997.

6 (ii) UPDATING RATE.—The Secretary
7 shall update such rate by the estimated
8 percentage increase in the consumer price
9 index for all urban consumers during the
10 period beginning October 1997 and ending
11 with the midpoint of the hospital's cost re-
12 porting period that begins during fiscal
13 year 1999.

14 (iii) ADJUSTMENT FOR VARIATIONS IN
15 LABOR-RELATED COSTS.—For each hos-
16 pital the Secretary shall adjust the portion
17 of such updated rate that is related to
18 labor and labor-related costs to account for
19 variations in wage costs in the geographic
20 area in which the hospital is located using
21 the factor determined under section
22 1886(d)(4)(E) of the Social Security Act
23 for discharges occurring during fiscal year
24 1998.

1 (iv) DIRECT MEDICAL EDUCATION
2 COMPONENT.—The direct medical edu-
3 cation component described in this sub-
4 paragraph for a hospital is the updated
5 rate, computed under clause (ii), as ad-
6 justed under clause (iii) for the hospital.

7 (C) INDIRECT MEDICAL EDUCATION COM-
8 PONENT.—The Secretary shall compute the in-
9 direct medical education component described
10 in this subparagraph for a hospital as follows:

11 (i) COMPUTATION OF HOSPITAL AVER-
12 AGE ME PER RESIDENT PAYMENTS.—The
13 Secretary shall determine, for each hospital
14 with a graduate medical education pro-
15 gram which is paid under section 1886(d)
16 of the Social Security Act, the amount
17 paid to that hospital pursuant to section
18 1886(d)(5)(B) of such Act for its cost re-
19 porting period ending during fiscal year
20 1997, and shall divide such amount by the
21 number of FTE residents participating in
22 its approved residency programs and used
23 to calculate the amount of payment under
24 such section in that cost reporting period.

1 (ii) COMPUTING NATIONAL AVER-
2 AGE.—The Secretary shall take the sum of
3 the amounts determined under clause (i)
4 for all the hospitals described in such
5 clause and divide that sum by the number
6 of hospitals so described.

7 (iii) UPDATING.—The Secretary shall
8 update the amount computed under clause
9 (ii) for a hospital by applicable percentage
10 increase (as defined in section
11 1886(b)(3)(B)(i) of the Social Security
12 Act) during the period between October
13 1997 and ending with the midpoint of the
14 hospital's cost reporting period that begins
15 during fiscal year 1999.

16 (iv) INDIRECT MEDICAL EDUCATION
17 COMPONENT.—The indirect medical edu-
18 cation component described in this sub-
19 paragraph for a hospital is the average
20 computed under clause (ii), updated under
21 clause (iii).

22 (3) PRO RATA REDUCTIONS.—If the Sec-
23 retary determines that the amount of funds
24 provided under subsection (d) for cost reporting
25 periods ending in a fiscal year is insufficient to

1 provide the total amount of payments otherwise
2 due for such periods, the Secretary shall reduce
3 the amount payable under this section for such
4 period on a pro rata basis to the extent to as-
5 sure that the aggregate of such payments does
6 not exceed the amount of funds provided under
7 subsection (d) for such cost reporting periods.

8 (c) MAKING OF PAYMENTS.—

9 (1) INTERIM PAYMENTS.—The Secretary shall
10 estimate, before the beginning of each cost reporting
11 period for a hospital for which a payment may be
12 made under this section, the amount of payment to
13 be made under this section to the hospital for such
14 period and shall make payment, in 26 equal interim
15 installments during such period, of the amounts obli-
16 gated to be paid.

17 (2) FINAL PAYMENT.—At the end of each such
18 period, the hospital shall submit to the Secretary
19 such information as the Secretary determines to be
20 necessary to determine the final payment amount
21 due under this section for the hospital for the pe-
22 riod. Based on such determination, the Secretary
23 shall recoup any overpayments made, or payment
24 balances due. The final amount so determined shall
25 be considered a final intermediary determination for

1 purposes of applying section 1878 of the Social Se-
2 curity Act and shall be subject to review under that
3 section in the same manner as the amount of pay-
4 ment under section 1886(d) of such Act is subject
5 to review under such section.

6 (d) LIMITATION ON EXPENDITURES.—

7 (1) IN GENERAL.—Subject to paragraph (2),
8 there are hereby appropriated, out of any money in
9 the Treasury not otherwise appropriated, for pay-
10 ments under this section for cost reporting periods
11 ending in each of fiscal years 1999 and 2000
12 \$285,000,000.

13 (2) CARRYOVER OF EXCESS.—If the amount of
14 payments under this section for cost reporting peri-
15 ods ending in fiscal year 1999 is less than the
16 amount provided under this subsection for such pay-
17 ments for such periods, then the amount available
18 under this subsection for cost reporting periods end-
19 ing in fiscal year 2000 shall be increased by the
20 amount of such difference.

21 (e) RELATION TO MEDICARE AND MEDICAID PAY-
22 MENTS.—Notwithstanding any other provision of law,
23 payments under this section to a hospital for a cost report-
24 ing period—

1 (1) are in lieu of any amounts otherwise pay-
 2 able to the hospital under section 1886(h) or
 3 1886(d)(5)(F) of the Social Security Act to the hos-
 4 pital for such cost reporting period, but

5 (2) shall not affect the amounts otherwise pay-
 6 able to such hospitals under a State medicaid plan
 7 under title XIX of such Act.

8 (f) DEFINITIONS.—In this section:

9 (1) APPROVED MEDICAL RESIDENCY TRAINING
 10 PROGRAM.—The term “approved medical residency
 11 training program” has the meaning given such term
 12 in section 1886(h)(5)(A) of the Social Security Act
 13 (42 U.S.C. 1395ww(h)(5)(A)).

14 (2) CHILDREN’S HOSPITAL.—The term “chil-
 15 dren’s hospital” means a hospital described in sec-
 16 tion 1886(d)(1)(B)(iii) of the Social Security Act
 17 (42 U.S.C. 1395ww(d)(1)(B)(iii)).

18 (3) DIRECT GRADUATE MEDICAL EDUCATION
 19 COSTS.—The term “direct graduate medical edu-
 20 cation costs” has the meaning given such term in
 21 section 1886(h)(5)(C) of the Social Security Act (42
 22 U.S.C. 1395ww(h)(5)(C)).

23 (4) SECRETARY.—The term “Secretary” means
 24 the Secretary of Health and Human Services.

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