

105TH CONGRESS  
1ST SESSION

# H. R. 554

To amend title XVIII of the Social Security Act to provide for equalization of Medicare reimbursement rates to managed care plans to improve the health of residents of rural areas.

---

## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 4, 1997

Mr. RAMSTAD (for himself, Mr. OBERSTAR, Mr. VENTO, Mr. BEREUTER, Mr. PETRI, Mr. STENHOLM, Mr. EVANS, Mr. HOUGHTON, Mr. UPTON, Mr. WALSH, Mr. CONDIT, Mr. KLUG, Mr. NUSSLE, Mr. SANDERS, Mr. CLYBURN, Mr. MCHUGH, Mr. MINGE, Mr. EHLERS, Mr. CAMPBELL, Mr. GRAHAM, Mr. GUTKNECHT, Mr. LUTHER, Mr. NETHERCUTT, and Mr. HILL) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Commerce, 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 amend title XVIII of the Social Security Act to provide for equalization of Medicare reimbursement rates to managed care plans to improve the health of residents of rural areas.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 **SECTION. 1. PAYMENTS TO MEDICARE MANAGED CARE**  
2 **PLANS.**

3 (a) IN GENERAL.—Section 1876(a) of the Social Se-  
4 curity Act (42 U.S.C. 1395mm(a)) is amended to read as  
5 follows:

6 “(a)(1)(A) The Secretary shall annually determine,  
7 and shall announce (in a manner intended to provide no-  
8 tice to interested parties) not later than August 1 before  
9 the calendar year concerned—

10 “(i) a per capita rate of payment for individuals  
11 who are enrolled under this section with an eligible  
12 organization which has entered into a risk-sharing  
13 contract and who are entitled to benefits under part  
14 A and enrolled under part B, and

15 “(ii) a per capita rate of payment for individ-  
16 uals who are so enrolled with such an organization  
17 and who are enrolled under part B only.

18 For purposes of this section, the term “risk-sharing con-  
19 tract” means a contract entered into under subsection (g)  
20 and the term “reasonable cost reimbursement contract”  
21 means a contract entered into under subsection (h).

22 “(B) The annual per capita rate of payment for each  
23 Medicare payment area (as defined in paragraph (5)) shall  
24 be equal to the adjusted capitation rate (as defined in  
25 paragraph (4)), adjusted by the Secretary for—

1           “(i) individuals who are enrolled under this sec-  
2           tion with an eligible organization which has entered  
3           into a risk-sharing contract and who are enrolled  
4           under part B only; and

5           “(ii) such risk factors as age, disability status,  
6           gender, institutional status, and such other factors  
7           as the Secretary determines to be appropriate so as  
8           to ensure actuarial equivalence. The Secretary may  
9           add to, modify, or substitute for such factors, if such  
10          changes will improve the determination of actuarial  
11          equivalence.

12          “(C) In the case of an eligible organization with a  
13          risk-sharing contract, the Secretary shall make monthly  
14          payments in advance and in accordance with the rate de-  
15          termined under subparagraph (B) and except as provided  
16          in subsection (g)(2), to the organization for each individ-  
17          ual enrolled with the organization under this section.

18          “(D) The Secretary shall establish a separate rate of  
19          payment to an eligible organization with respect to any  
20          individual determined to have end-stage renal disease and  
21          enrolled with the organization. Such rate of payment shall  
22          be actuarially equivalent to rates paid to other enrollees  
23          in the payment area (or such other area as specified by  
24          the Secretary).

1       “(E)(i) The amount of payment under this paragraph  
2 may be retroactively adjusted to take into account any dif-  
3 ference between the actual number of individuals enrolled  
4 in the plan under this section and the number of such  
5 individuals estimated to be so enrolled in determining the  
6 amount of the advance payment.

7       “(ii)(I) Subject to subclause (II), the Secretary may  
8 make retroactive adjustments under clause (i) to take into  
9 account individuals enrolled during the period beginning  
10 on the date on which the individual enrolls with an eligible  
11 organization (which has a risk-sharing contract under this  
12 section) under a health benefit plan operated, sponsored,  
13 or contributed to by the individual’s employer or former  
14 employer (or the employer or former employer of the indi-  
15 vidual’s spouse) and ending on the date on which the indi-  
16 vidual is enrolled in the plan under this section, except  
17 that for purposes of making such retroactive adjustments  
18 under this clause, such period may not exceed 90 days.

19       “(II) No adjustment may be made under subclause  
20 (I) with respect to any individual who does not certify that  
21 the organization provided the individual with the expla-  
22 nation described in subsection (c)(3)(E) at the time the  
23 individual enrolled with the organization.

24       “(F)(i) At least 45 days before making the announce-  
25 ment under subparagraph (A) for a year, the Secretary

1 shall provide for notice to eligible organizations of pro-  
2 posed changes to be made in the methodology or benefit  
3 coverage assumptions from the methodology and assump-  
4 tions used in the previous announcement and shall provide  
5 such organizations an opportunity to comment on such  
6 proposed changes.

7       “(ii) In each announcement made under subpara-  
8 graph (A) for a year, the Secretary shall include an expla-  
9 nation of the assumptions (including any benefit coverage  
10 assumptions) and changes in methodology used in the an-  
11 nouncement in sufficient detail so that eligible organiza-  
12 tions can compute per capita rates of payment for individ-  
13 uals located in each county (or equivalent medicare pay-  
14 ment area) which is in whole or in part within the service  
15 area of such an organization.

16       “(2) With respect to any eligible organization which  
17 has entered into a reasonable cost reimbursement con-  
18 tract, payments shall be made to such plan in accordance  
19 with subsection (h)(2) rather than paragraph (1).

20       “(3) Subject to subsections (c)(2)(B)(ii) and (c)(7),  
21 payments under a contract to an eligible organization  
22 under paragraph (1) or (2) shall be instead of the amounts  
23 which (in the absence of the contract) would be otherwise  
24 payable, pursuant to sections 1814(b) and 1833(a), for

1 services furnished by or through the organization to indi-  
 2 viduals enrolled with the organization under this section.

3 “(4)(A) For purposes of this section, the ‘adjusted  
 4 capitation rate’ for a medicare payment area (as defined  
 5 in paragraph (5)) is equal to the greatest of the following:

6 “(i) The sum of—

7 “(I) the area-specific percentage for the  
 8 year (as specified under subparagraph (B) for  
 9 the year) of the area-specific adjusted capita-  
 10 tion rate for the year for the medicare payment  
 11 area, as determined under subparagraph (C),  
 12 and

13 “(II) the national percentage (as specified  
 14 under subparagraph (B) for the year) of the  
 15 input-price-adjusted national adjusted capita-  
 16 tion rate for the year, as determined under sub-  
 17 paragraph (D),

18 multiplied by a budget neutrality adjustment factor  
 19 determined under subparagraph (E).

20 “(ii) An amount equal to—

21 “(I) in the case of 1998, 80 percent of the  
 22 input-price-adjusted national adjusted capita-  
 23 tion rate for the year, as determined under sub-  
 24 paragraph (D); and

1           “(II) in the case of a succeeding year, the  
2           amount specified in this clause for the preced-  
3           ing year increased by the national average per  
4           capita growth percentage specified under sub-  
5           paragraph (F) for that succeeding year.

6           “(iii) An amount equal to—

7           “(I) in the case of 1998, 102 percent of  
8           the annual per capita rate of payment for 1997  
9           for the medicare payment area (determined  
10          under this subsection), as in effect on the day  
11          before the date of enactment of this subclause;  
12          and

13          “(II) in the case of a subsequent year, 102  
14          percent of the adjusted capitation rate under  
15          this subsection for the area for the previous  
16          year.

17          “(B) For purposes of subparagraph (A)(i)—

18               “(i) for 1998, the ‘area-specific percentage’ is  
19               90 percent and the ‘national percentage’ is 10 per-  
20               cent,

21               “(ii) for 1999, the ‘area-specific percentage’ is  
22               85 percent and the ‘national percentage’ is 15 per-  
23               cent,

1           “(iii) for 2000, the ‘area-specific percentage’ is  
2       80 percent and the ‘national percentage’ is 20 per-  
3       cent,

4           “(iv) for 2001, the ‘area-specific percentage’ is  
5       75 percent and the ‘national percentage’ is 25 per-  
6       cent, and

7           “(v) for a year after 2001, the ‘area-specific  
8       percentage’ is 70 percent and the ‘national percent-  
9       age’ is 30 percent.

10          “(C) For purposes of subparagraph (A)(i), the area-  
11       specific adjusted capitation rate for a medicare payment  
12       area—

13           “(i) for 1998, is the average of the annual per  
14       capita rates of payment for the area for 1994  
15       through 1997, after adjusting the 1994 and 1995  
16       rates of payment to 1997 dollars, increased by the  
17       national average per capita growth percentage for  
18       1997 (as defined in subparagraph (F)); or

19           “(ii) for a subsequent year, is the area-specific  
20       adjusted capitation rate for the previous year deter-  
21       mined under this subparagraph for the area, in-  
22       creased by the national average per capita growth  
23       percentage for such subsequent year.

24          “(D)(i) For purposes of subparagraph (A)(i) and  
25       subparagraph (A)(ii), the input-price-adjusted national



1 adjusted capitation rate for a medicare payment area for  
2 a year is equal to the sum, for all the types of medicare  
3 services (as classified by the Secretary), of the product  
4 (for each such type of service) of—

5 “(I) the national standardized adjusted capita-  
6 tion rate (determined under clause (ii)) for the year,

7 “(II) the proportion of such rate for the year  
8 which is attributable to such type of services, and

9 “(III) an index that reflects (for that year and  
10 that type of services) the relative input price of such  
11 services in the area compared to the national aver-  
12 age input price of such services.

13 In applying subclause (III), the Secretary shall, subject  
14 to clause (iii), apply those indices under this title that are  
15 used in applying (or updating) national payment rates for  
16 specific areas and localities.

17 “(ii) In clause (i)(I), the ‘national standardized ad-  
18 justed capitation rate’ for a year is equal to—

19 “(I) the sum (for all medicare payment areas)  
20 of the product of (aa) the area-specific adjusted  
21 capitation rate for that year for the area under sub-  
22 paragraph (C), and (bb) the average number of  
23 standardized medicare beneficiaries residing in that  
24 area in the year; divided by

1           “(II) the total average number of standardized  
2       medicare beneficiaries residing in all the medicare  
3       payment areas for that year.

4       “(iii) In applying this subparagraph for 1998—

5           “(I) medicare services shall be divided into 2  
6       types of services: part A services and part B serv-  
7       ices;

8           “(II) the proportions described in clause (i)(II)  
9       for such types of services shall be—

10           “(aa) for part A services, the ratio (ex-  
11       pressed as a percentage) of the national average  
12       annual per capita rate of payment for part A  
13       for 1997 to the total average annual per capita  
14       rate of payment for parts A and B for 1997,  
15       and

16           “(bb) for part B services, 100 percent  
17       minus the ratio described in item (aa);

18           “(III) for part A services, 70 percent of pay-  
19       ments attributable to such services shall be adjusted  
20       by the index used under section 1886(d)(3)(E) to  
21       adjust payment rates for relative hospital wage levels  
22       for hospitals located in the payment area involved;  
23       and

24           “(IV) for part B services—

1           “(aa) 66 percent of payments attributable  
2           to such services shall be adjusted by the index  
3           of the geographic area factors under section  
4           1848(e) used to adjust payment rates for physi-  
5           cians’ services furnished in the payment area,  
6           and

7           “(bb) of the remaining 34 percent of the  
8           amount of such payments, 70 percent shall be  
9           adjusted by the index described in subclause  
10          (III).

11   The Secretary may continue to apply the rules described  
12   in this clause (or similar rules) for 1999.

13          “(E) For each year, the Secretary shall compute a  
14   budget neutrality adjustment factor so that the aggregate  
15   of the payments under this section shall be equal to the  
16   aggregate payments that would have been made under this  
17   section if the area-specific percentage for the year had  
18   been 100 percent and the national percentage had been  
19   0 percent.

20          “(F) In this section, the ‘national average per capita  
21   growth percentage’ is equal to the percentage growth in  
22   medicare fee-for-service per capita expenditures, which the  
23   Secretary shall project for each year.

1       “(5)(A) In this section, except as provided in sub-  
2 paragraph (C), the term ‘medicare payment area’ means  
3 a county, or equivalent area specified by the Secretary.

4       “(B) In the case of individuals who are determined  
5 to have end stage renal disease, the medicare payment  
6 area shall be specified by the Secretary.

7       “(C)(i) Upon written request of the Chief Executive  
8 Officer of a State for a contract year (beginning after  
9 1997) made at least 7 months before the beginning of the  
10 year, the Secretary shall adjust the system under which  
11 medicare payment areas in the State are otherwise deter-  
12 mined under subparagraph (A) to a system which—

13               “(I) has a single statewide medicare payment  
14 area,

15               “(II) is a metropolitan based system described  
16 in clause (iii), or

17               “(III) which consolidates into a single medicare  
18 payment area noncontiguous counties (or equivalent  
19 areas described in subparagraph (A)) within a State.

20 Such adjustment shall be effective for payments for  
21 months beginning with January of the year following the  
22 year in which the request is received.

23       “(ii) In the case of a State requesting an adjustment  
24 under this subparagraph, the Secretary shall adjust the  
25 payment rates otherwise established under this section for

1 medicare payment areas in the State in a manner so that  
2 the aggregate of the payments under this section in the  
3 State shall be equal to the aggregate payments that would  
4 have been made under this section for medicare payment  
5 areas in the State in the absence of the adjustment under  
6 this subparagraph.

7 “(iii) The metropolitan based system described in this  
8 clause is one in which—

9 “(I) all the portions of each metropolitan statis-  
10 tical area in the State or in the case of a consoli-  
11 dated metropolitan statistical area, all of the por-  
12 tions of each primary metropolitan statistical area  
13 within the consolidated area within the State, are  
14 treated as a single medicare payment area, and

15 “(II) all areas in the State that do not fall  
16 within a metropolitan statistical area are treated as  
17 a single medicare payment area.

18 “(iv) In clause (iii), the terms ‘metropolitan statis-  
19 tical area’, ‘consolidated metropolitan statistical area’, and  
20 ‘primary metropolitan statistical area’ mean any area des-  
21 ignated as such by the Secretary of Commerce.

22 “(6) Subject to subsections (c)(2)(B)(ii) and (c)(7),  
23 if an individual is enrolled under this section with an eligi-  
24 ble organization having a risk-sharing contract, only the  
25 eligible organization shall be entitled to receive payments

1 from the Secretary under this title for services furnished  
2 to the individual.”.

3 (b) EFFECTIVE DATE.—The amendment made by  
4 subsection (a) shall take effect on October 1, 1997.

○