

106TH CONGRESS
2D SESSION

H. R. 3682

To amend title XVIII of the Social Security Act to prohibit the use of Medicare risk-based managed care payments for administrative costs not permitted under the Federal Acquisition Regulation.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 16, 2000

Mr. GEJDENSON 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 prohibit the use of Medicare risk-based managed care payments for administrative costs not permitted under the Federal Acquisition Regulation.

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 HMO Ad-
5 ministrative Payment Integrity Act of 2000”.

6 **SEC. 2. FINDINGS.**

7 Congress finds the following:

1 (1) There are 6.5 million Americans enrolled in
2 medicare risk-based managed care organizations,
3 primarily through the Medicare+Choice program.

4 (2) Congress established the Medicare+Choice
5 program in part to reduce dramatic increases in
6 Federal expenditures for medicare and to give sen-
7 iors additional choices for health care services.

8 (3) Over the past two years, Medicare+Choice
9 organizations have terminated coverage for 734,000
10 medicare beneficiaries nationwide.

11 (4) Medicare+Choice organizations maintain
12 that reimbursement rates in many regions of the
13 country are too low to meet expenses.

14 (5) The Health Care Financing Administration
15 has repeatedly concluded that reimbursement rates
16 are adequate to cover reasonable expenses of
17 Medicare+Choice organizations.

18 (6) The Inspector General of the Department of
19 Health and Human Services has also estimated that
20 risk-based managed care organizations received ap-
21 proximately \$1,000,000,000 in excess administrative
22 payments under the medicare program annually be-
23 tween 1994 and 1998.

24 (7) Excessive administrative payments received
25 by risk-based managed care organizations further

1 undermine the contention that such organizations
2 have not received adequate compensation from the
3 American taxpayer.

4 (8) The Inspector General of the Department of
5 Health and Human Services has also concluded that
6 some risk-based managed care organizations have
7 used administrative payments received through
8 medicare for purposes other than paying expenses
9 directly related to the provision of medical care.

10 (9) The Inspector General found that taxpayer
11 dollars were used to pay for trips, tickets to sporting
12 events, parties, gifts, and other expenses unrelated
13 to the direct provision of medical care.

14 (10) The use of taxpayer dollars for such non-
15 medical purposes is unacceptable and should be pro-
16 hibited by law.

17 **SEC. 3. PURPOSE.**

18 It is the purpose of this Act to ensure that medicare
19 payments to risk-based managed care organizations for
20 administrative costs are made in a manner consistent with
21 Federal Acquisition Regulation.

1 **SEC. 4. PROHIBITION ON USE OF MEDICARE RISK-BASED**
2 **MANAGED CARE PAYMENTS FOR ADMINIS-**
3 **TRATIVE COSTS NOT PERMITTED UNDER THE**
4 **FEDERAL ACQUISITION REGULATION.**

5 (a) PROHIBITION OF USE OF MEDICARE PAYMENTS
6 FOR COSTS NOT RECOGNIZED AS REASONABLE UNDER
7 THE FEDERAL ACQUISITION REGULATION.—Section
8 1857(e) of the Social Security Act (42 U.S.C. 1395w–
9 27(e)) is amended by adding at the end the following new
10 paragraph:

11 “(3) PROHIBITION OF USE OF MEDICARE PAY-
12 MENTS FOR COSTS NOT RECOGNIZED AS REASON-
13 ABLE UNDER THE FEDERAL ACQUISITION REGULA-
14 TION.—The contract shall provide that none of the
15 funds paid to the organization under this title may
16 be used for expenditures that would not be recog-
17 nized as reasonable under the Federal Acquisition
18 Regulation.”

19 (b) DISALLOWANCE OF UNREASONABLE ADMINIS-
20 TRATIVE COSTS IN DETERMINING THE ADJUSTED COM-
21 MUNITY RATE IN COMPUTING ADDITIONAL BENEFITS
22 FOR MEDICARE BENEFICIARIES.—Section 1854(f) of such
23 Act (42 U.S.C. 1395w–24(f)) is amended—

24 (1) in paragraph (3), by striking “paragraph
25 (4)” and inserting “paragraphs (4) and (5)”; and

1 (2) by adding at the end the following new
2 paragraph:

3 “(5) DISALLOWANCE OF UNREASONABLE AD-
4 MINISTRATIVE EXPENDITURES.—In determining the
5 adjusted community rate, administrative expendi-
6 tures shall not be taken into account if they would
7 not be recognized as reasonable under the Federal
8 Acquisition Regulation.”.

9 (c) EFFECTIVE DATE.—The amendments made by
10 this section apply to contracts entered into or renewed for
11 plans years beginning on or after January 1, 2001.

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