

Calendar No. 345

106TH CONGRESS
1ST SESSION

S. 1788

[Report No. 106-199]

A BILL

To amend titles XVIII, XIX, and XXI of the Social Security Act to make corrections and refinements in the medicare, medicaid, and SCHIP programs, as revised and added by the Balanced Budget Act of 1997.

OCTOBER 26, 1999

Read twice and placed on the calendar

Calendar No. 345

106TH CONGRESS
1ST SESSION**S. 1788****[Report No. 106–199]**

To amend titles XVIII, XIX, and XXI of the Social Security Act to make corrections and refinements in the medicare, medicaid, and SCHIP programs, as revised and added by the Balanced Budget Act of 1997.

IN THE SENATE OF THE UNITED STATES

OCTOBER 26, 1999

Mr. ROTH, from the Committee on Finance, reported the following original bill; which was read twice and placed on the calendar

A BILL

To amend titles XVIII, XIX, and XXI of the Social Security Act to make corrections and refinements in the medicare, medicaid, and SCHIP programs, as revised and added by the Balanced Budget Act of 1997.

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. SHORT TITLE; AMENDMENTS TO SOCIAL SECUR-**
 2 **RITY ACT; TABLE OF CONTENTS.**

3 (a) SHORT TITLE.—This Act may be cited as the
 4 “Medicare, Medicaid, and SCHIP Adjustment Act of
 5 1999”.

6 (b) AMENDMENTS TO SOCIAL SECURITY ACT.—Ex-
 7 cept as otherwise specifically provided, whenever in this
 8 Act an amendment is expressed in terms of an amendment
 9 to, or repeal of, a section or other provision, the reference
 10 shall be considered to be made to that section or other
 11 provision of the Social Security Act.

12 (c) TABLE OF CONTENTS.—The table of contents of
 13 this Act is as follows:

Sec. 1. Short title; amendments to Social Security Act; table of contents.

TITLE I—PROVISIONS RELATING TO PART A ONLY

Subtitle A—Skilled Nursing Facility Services

Sec. 101. Increase in payment for certain high cost patients.

Sec. 102. Provision for part B add-ons for facilities participating in the
 NHCMQ demonstration project.

Sec. 103. Exemption of facilities from 3-year transition period under the pro-
 spective payment system for skilled nursing facility services.

Sec. 104. Study and report regarding State licensure and certification stand-
 ards and respiratory therapy competency examinations.

Sec. 105. Study and report on alternative payment methods for skilled nursing
 facilities specializing in care of high cost, chronically ill bene-
 ficiaries.

Subtitle B—Hospice Services

Sec. 121. Payment for hospice care.

Sec. 122. Study and report to Congress regarding modification of the payment
 rates for hospice care.

Subtitle C—Other Provisions

Sec. 141. Study and report regarding prospective payment system for psy-
 chiatric hospitals.

Sec. 142. Revision of prospective payment system for inpatient rehabilitation
 services.

- Sec. 143. Exception to CMI qualifier for one year.
- Sec. 144. Reclassification of certain counties for purposes of reimbursement under the medicare program.
- Sec. 145. Wage index correction.
- Sec. 146. Consideration of an application by a certain entity for medicare certification as an application by a new provider.
- Sec. 147. Study and report on county-wide geographic reclassification.

TITLE II—PROVISIONS RELATING TO PART B ONLY

Subtitle A—Hospital Outpatient Department Services

- Sec. 201. Multiyear transition to prospective payment system for hospital outpatient department services.
- Sec. 202. Study and report to Congress regarding the inclusion of rural and cancer hospitals in prospective payment system for hospital outpatient department services.
- Sec. 203. Outlier adjustment and transitional pass-through for certain medical devices, drugs, and biologicals.

Subtitle B—Physicians' Services

- Sec. 221. Modifications of update adjustment factor provisions to reduce oscillations and allow for estimate revisions.

TITLE III—PROVISIONS RELATING TO PARTS A AND B

Subtitle A—Home Health Services

- Sec. 301. Delay in the 15 percent reduction in payments under the PPS for home health services.
- Sec. 302. Increase in per visit limit.
- Sec. 303. Increase in per beneficiary limits.
- Sec. 304. Elimination of 15-minute billing requirement.
- Sec. 305. Refinement of home health agency consolidated billing.
- Sec. 306. Study and report to Congress regarding the exemption of rural agencies and populations from inclusion in the home health prospective payment system.
- Sec. 307. Extension of periodic interim payments for home health agencies.

Subtitle B—Graduate Medical Education

- Sec. 321. Revision of multiyear reduction of indirect graduate medical education payments.
- Sec. 322. GME payments for certain interns and residents.

TITLE IV—RURAL INITIATIVES

- Sec. 401. Sole community hospitals and medicare dependent hospitals.
- Sec. 402. Revision of criteria for designation as a critical access hospital.
- Sec. 403. Medicare waivers for hospitals in rural areas.
- Sec. 404. 2-year extension of medicare dependent hospital (MDH) program.
- Sec. 405. Assisting rural graduate medical education residency programs.

TITLE V—PROVISIONS RELATING TO PART C (MEDICARE+CHOICE PROGRAM)

Subtitle A—Provisions To Accommodate and Protect Medicare Beneficiaries

- Sec. 501. Permitting enrollment in alternative Medicare+Choice plans and medigap coverage in case of involuntary termination of Medicare+Choice enrollment.
- Sec. 502. Change in effective date of elections and changes of elections of Medicare+Choice plans.
- Sec. 503. Extension of reasonable cost contracts.
- Sec. 504. Revision of notice by hospitals regarding coverage of inpatient hospital services.
- Sec. 505. Extended disenrollment window for certain involuntarily terminated enrollees.

Subtitle B—Provisions To Facilitate Implementation of the Medicare+Choice Program

- Sec. 521. Moderation of Medicare+Choice risk adjustment implementation.
- Sec. 522. Delay in deadline for submission of adjusted community rates under Medicare+Choice program and related modifications.
- Sec. 523. User fee for Medicare+Choice organizations based on number of enrolled beneficiaries.
- Sec. 524. Change in time period for exclusion of Medicare+Choice organizations that have had a contract terminated.
- Sec. 525. Flexibility to tailor benefits under Medicare+Choice plans.
- Sec. 526. Inapplicability of QISMC to preferred provider organizations.
- Sec. 527. Timing of Medicare+Choice health information fairs.
- Sec. 528. Rules regarding physician referrals for Medicare+Choice program.
- Sec. 529. Clarification regarding the ability of a religious fraternal benefit society to operate a Medicare+Choice private fee-for-service plan.

Subtitle C—Provisions Regarding Special Medicare Populations

- Sec. 541. Extension of social health maintenance organization demonstration project authority.
- Sec. 542. Inapplicability of OASIS to PACE.
- Sec. 543. Medigap protections for PACE program enrollees.
- Sec. 544. Continuation of the frail elderly demonstration project.

Subtitle D—Studies and Reports To Assist in Making Future Improvements in the Medicare Program

- Sec. 561. GAO studies, audits, and reports.
- Sec. 562. Medicare Payment Advisory Commission studies and reports.
- Sec. 563. Computation and report on medicare original fee-for-service expenditures on a county-by-county basis.
- Sec. 564. Study and report on the effects, costs, and feasibility of requiring medicare original fee-for-service entities and Medicare+Choice coordinated care plans to comply with uniform quality standards and related reporting requirements.
- Sec. 565. Study and report to Congress regarding data submission used to establish risk adjustment methodology under the Medicare+Choice program.

TITLE VI—OTHER PROVISIONS

- Sec. 601. 2-year moratorium on therapy caps.
- Sec. 602. Increase in payment amount for renal dialysis services furnished under the medicare program.
- Sec. 603. Increase in payment amount for pap smear laboratory tests.

- Sec. 604. Limitation in reduction of payments to disproportionate share hospitals.
- Sec. 605. Clarification of the inherent reasonableness (IR) authority.
- Sec. 606. Technical amendments relating to BBA provisions.
- Sec. 607. Exclusion from PAYGO scorecard.

TITLE VII—PROVISIONS RELATING TO MEDICAID AND SCHIP

- Sec. 701. Medicaid-related BBA technicals.
- Sec. 702. Increase in disproportionate share hospital allotment for certain States and the District of Columbia.
- Sec. 703. Making medicaid DSH transition rule permanent.
- Sec. 704. Increased allotments for territories under the State children's health insurance program.
- Sec. 705. Removal of fiscal year limitation on certain transitional administrative costs assistance.
- Sec. 706. Stabilizing the SCHIP allotment formula.
- Sec. 707. Improved data collection and evaluations of the SCHIP program.
- Sec. 708. Grants to States for items and services provided by Federally-qualified health centers and rural health clinics.
- Sec. 709. Additional technical corrections.

1 **TITLE I—PROVISIONS RELATING**

2 **TO PART A ONLY**

3 **Subtitle A—Skilled Nursing**

4 **Facility Services**

5 **SEC. 101. INCREASE IN PAYMENT FOR CERTAIN HIGH COST**

6 **PATIENTS.**

7 (a) EXTENSIVE SERVICES AND SPECIAL CARE

8 RUGS.—

9 (1) IN GENERAL.—For purposes of computing

10 payments for covered skilled nursing facility services

11 under paragraph (1) of section 1888(e) of the Social

12 Security Act (42 U.S.C. 1395yy(e)) for such services

13 furnished on or after April 1, 2000, and before Oc-

14 tober 1, 2001, the Secretary of Health and Human

15 Services (in this section referred to as the “Sec-

16 retary”) shall increase by 25 percent the adjusted

1 Federal per diem rate otherwise determined under
 2 paragraph (4) of such section for such services fur-
 3 nished to any individual entitled to benefits under
 4 part A of title XVIII of such Act (42 U.S.C. 1395
 5 et seq.) during the period in which the individual is
 6 classified under an applicable RUG III category (as
 7 defined in paragraph (2)).

8 (2) APPLICABLE RUG III CATEGORY DE-
 9 FINED.—In this subsection, the term “applicable
 10 RUG III category” means the RUG III categories
 11 identified as SE3, SE2, SE1, SSC, SSB, and SSA
 12 in tables 3 and 4 of the final rule published in the
 13 Federal Register by the Health Care Financing Ad-
 14 ministration on July 30, 1999 (64 Fed. Reg.
 15 41684).

16 (b) REHABILITATION THERAPY RUGS.—For pur-
 17 poses of computing payments for covered skilled nursing
 18 facility services under paragraph (1) of section 1888(e)
 19 of the Social Security Act (42 U.S.C. 1395yy(e)) for such
 20 services furnished on or after April 1, 2000, and before
 21 October 1, 2001, the Secretary shall increase the adjusted
 22 Federal per diem rate otherwise determined under para-
 23 graph (4) of such section for such services furnished to
 24 any individual entitled to benefits under part A of title
 25 XVIII of such Act (42 U.S.C. 1395 et seq.) during the

1 period in which the individual is classified under a RUGS
 2 III category (as identified in tables 3 and 4 of the final
 3 rule described in subsection (a)(2)) by the applicable pay-
 4 ment add-on determined in accordance with the following
 5 table:

RUGS III category	Applicable payment add-on
RUC	\$73.57
RVC	\$76.25
RHC	\$54.09
RMC	\$69.98
RMB	\$30.09.

6 (c) RULE OF CONSTRUCTION.—Nothing in this sec-
 7 tion shall be construed as permitting the Secretary of
 8 Health and Human Services to include the amount of the
 9 increase in the payment under subsection (a) or the
 10 amount of the add-on under subsection (b) in updating
 11 the Federal per diem rate under section 1888(e)(4) of the
 12 Social Security Act (42 U.S.C. 1395yy(e)(4)).

13 **SEC. 102. PROVISION FOR PART B ADD-ONS FOR FACILI-**
 14 **TIES PARTICIPATING IN THE NHCMQ DEM-**
 15 **ONSTRATION PROJECT.**

16 (a) IN GENERAL.—Section 1888(e)(3) (42 U.S.C.
 17 1395yy(e)(3)) is amended—

18 (1) in subparagraph (A)—

19 (A) in clause (i), by inserting “or, in the
 20 case of a facility participating in the Nursing
 21 Home Case-Mix and Quality Demonstration
 22 (RUGS–III), the RUGS–III rate received by

1 the facility during the cost reporting period be-
 2 ginning in calendar year 1997” after “to non-
 3 settled cost reports”;

4 (B) in clause (ii), by striking “furnished
 5 during such period” and inserting “furnished
 6 during the applicable cost reporting period de-
 7 scribed in clause (i)”;

8 (C) in the second sentence, by striking
 9 “with respect to exemptions,” and inserting
 10 “with respect to exemptions for facilities (other
 11 than for a facility participating in the Nursing
 12 Home Case-Mix and Quality Demonstration
 13 (RUGS–III)),”;

14 (2) in subparagraph (B), to read as follows:

15 “(B) UPDATE TO FIRST COST REPORTING
 16 PERIOD.—The Secretary shall update the
 17 amount determined under subparagraph (A),
 18 for each cost reporting period after the applica-
 19 ble cost reporting period described in subpara-
 20 graph (A)(i) and up to the first cost reporting
 21 period by a factor equal to the skilled nursing
 22 facility market basket percentage increase
 23 minus 1 percentage point.”.

24 (b) EFFECTIVE DATE.—The amendments made by
 25 this section shall take effect as if included in the amend-

1 ments made by section 4432 of the Balanced Budget Act
 2 of 1997 (Public Law 105–33; 111 Stat. 414).

3 **SEC. 103. EXEMPTION OF FACILITIES FROM 3-YEAR TRANSI-**
 4 **TION PERIOD UNDER THE PROSPECTIVE PAY-**
 5 **MENT SYSTEM FOR SKILLED NURSING FACIL-**
 6 **ITY SERVICES.**

7 (a) IN GENERAL.—Section 1888(e) (42 U.S.C.
 8 1395yy(e)) is amended—

9 (1) in paragraph (1), in the matter preceding
 10 subparagraph (A), by striking “paragraph (7)” and
 11 inserting “paragraphs (7) and (11)”; and

12 (2) by adding at the end the following:

13 “(11) EXEMPTION OF FACILITIES FROM 3-YEAR
 14 TRANSITION.—A facility may elect to have para-
 15 graph (1)(B) apply in determining the amount of
 16 the payment for all costs of covered skilled nursing
 17 facility services for each day of such services fur-
 18 nished in cost reporting periods beginning after the
 19 date of such election.”.

20 (b) EFFECTIVE DATE.—The amendments made by
 21 this section shall apply to elections made on or after the
 22 date of enactment of this Act.

1 **SEC. 104. STUDY AND REPORT REGARDING STATE LICEN-**
2 **SURE AND CERTIFICATION STANDARDS AND**
3 **RESPIRATORY THERAPY COMPETENCY EX-**
4 **AMINATIONS.**

5 (a) STUDY.—The Secretary of Health and Human
6 Services shall conduct a study that—

7 (1) identifies variations in State licensure and
8 certification standards for health care providers (in-
9 cluding nursing and allied health professionals) and
10 other individuals providing respiratory therapy in
11 skilled nursing facilities;

12 (2) examines State requirements relating to res-
13 piratory therapy competency examinations for such
14 providers and individuals; and

15 (3) determines whether regular respiratory
16 therapy competency examinations or certifications
17 should be required under the medicare program
18 under title XVIII of the Social Security Act (42
19 U.S.C. 1395 et seq.) for such providers and individ-
20 uals.

21 (b) REPORT.—Not later than 1 year after the date
22 of enactment of this Act, the Secretary of Health and
23 Human Services shall submit a report to Congress on the
24 results of the study conducted under this section, together
25 with any recommendations for legislation that the Sec-

1 retary determines to be appropriate as a result of such
2 study.

3 **SEC. 105. STUDY AND REPORT ON ALTERNATIVE PAYMENT**
4 **METHODS FOR SKILLED NURSING FACILI-**
5 **TIES SPECIALIZING IN CARE OF HIGH COST,**
6 **CHRONICALLY ILL BENEFICIARIES.**

7 (a) STUDY.—The Secretary of Health and Human
8 Services shall conduct a study on the feasibility and advis-
9 ability of—

10 (1) modifying the prospective payment system
11 established under section 1888(e) of the Social Secu-
12 rity Act (42 U.S.C. 1395yy(e)) for skilled nursing
13 facilities that specialize in providing care to high
14 cost, chronically ill medicare beneficiaries; or

15 (2) exempting such facilities from such system
16 and developing and implementing alternative pay-
17 ment methods for such facilities.

18 (b) REPORT.—Not later than 1 year after the date
19 of enactment of this Act, the Secretary of Health and
20 Human Services shall submit a report to Congress on the
21 study conducted under subsection (a), together with any
22 recommendations for legislation that the Secretary deter-
23 mines to be appropriate as a result of such study.

1 **Subtitle B—Hospice Services**

2 **SEC. 121. PAYMENT FOR HOSPICE CARE.**

3 (a) IN GENERAL.—Section 1814(i)(1)(C)(ii) (42
4 U.S.C. 1395f(i)(1)(C)(ii)) is amended—

5 (1) in subclause (VI)—

6 (A) by striking “through 2002” and insert-
7 ing “and 1999”; and

8 (B) by striking “and” at the end;

9 (2) by redesignating subclause (VII) as sub-
10 clause (VIII); and

11 (3) by inserting after subclause (VI), the fol-
12 lowing:

13 “(VII) for each of fiscal years 2000 through
14 2002, the market basket percentage increase for the
15 fiscal year involved minus 0.5 percentage point;
16 and”.

17 (b) EFFECTIVE DATE.—The amendments made by
18 this section shall take effect on October 1, 1999.

19 **SEC. 122. STUDY AND REPORT TO CONGRESS REGARDING** 20 **MODIFICATION OF THE PAYMENT RATES FOR** 21 **HOSPICE CARE.**

22 (a) STUDY.—The Comptroller General of the United
23 States shall conduct a study to determine the feasibility
24 and advisability of updating the payment rates and the
25 cap amount determined with respect to a fiscal year under

1 section 1814(i) of the Social Security Act (42 U.S.C.
 2 1395f(i)) for routine home care and other services in-
 3 cluded in hospice care. Such study shall examine the cost
 4 factors used to determine such rates and such amount and
 5 shall evaluate whether such factors should be modified,
 6 eliminated, or supplemented with additional cost factors.

7 (b) REPORT.—Not later than 1 year after the date
 8 of enactment of this Act, the Comptroller General of the
 9 United States shall submit a report to Congress on the
 10 study conducted under subsection (a), together with any
 11 recommendations for legislation that the Comptroller Gen-
 12 eral determines to be appropriate as a result of such
 13 study.

14 **Subtitle C—Other Provisions**

15 **SEC. 141. STUDY AND REPORT REGARDING PROSPECTIVE** 16 **PAYMENT SYSTEM FOR PSYCHIATRIC HOS-** 17 **PITALS.**

18 (a) STUDY.—The Secretary of Health and Human
 19 Services shall conduct a study on the feasibility and advis-
 20 ability of developing and implementing a prospective pay-
 21 ment system for items and services provided by psychiatric
 22 hospitals (as defined in section 1861(f) of the Social Secu-
 23 rity Act (42 U.S.C. 1395x(f))) to beneficiaries under the
 24 medicare program under title XVIII of such Act (42
 25 U.S.C. 1395 et seq.). In conducting such study, the Sec-

1 retary should take into consideration the unique cir-
 2 cumstances affecting psychiatric hospitals that are located
 3 in rural areas (as defined in section 1886(d)(2)(D) of such
 4 Act (42 U.S.C. 1395ww(d)(2)(D))).

5 (b) REPORT.—Not later than 2 years after the date
 6 of enactment of this Act, the Secretary of Health and
 7 Human Services shall submit a report to Congress on the
 8 study conducted under subsection (a), together with any
 9 recommendations for legislation that the Secretary deter-
 10 mines to be appropriate as a result of such study.

11 **SEC. 142. REVISION OF PROSPECTIVE PAYMENT SYSTEM**
 12 **FOR INPATIENT REHABILITATION SERVICES.**

13 (a) PAYMENT UNIT.—Section 1886(j)(1)(D) of the
 14 Social Security Act (42 U.S.C. 1395ww(j)(1)(D)) is
 15 amended to read as follows:

16 “(D) For purposes of this subsection, the
 17 term ‘payment unit’ means a discharge.”.

18 (b) PATIENT CASE MIX GROUPS.—Section
 19 1886(j)(2)(A)(i) of the Social Security Act (42 U.S.C.
 20 1395ww(j)(2)(A)(i)) is amended to read as follows:

21 “(i) classes of patient discharges of
 22 rehabilitation facilities by functional-re-
 23 lated groups (each in this subsection re-
 24 ferred to as a ‘case mix group’), based on
 25 impairment, age, comorbidities, and func-

1 tional capability of the patient and such
2 other factors as the Secretary deems ap-
3 propriate to improve the explanatory power
4 of functional independence measure-func-
5 tion related groups; and”.

6 (c) STUDY AND REPORT.—

7 (1) STUDY.—The Secretary of Health and
8 Human Services shall conduct a study on the impact
9 that the prospective payment system for inpatient
10 rehabilitation services under section 1886(j) of the
11 Social Security Act (42 U.S.C. 1395ww(j)) has on
12 utilization of services, beneficiary access to services,
13 non-therapy ancillary services, and other factors that
14 the Secretary determines are appropriate.

15 (2) REPORT.—Not later than 2 years after im-
16 plementation of the prospective payment system de-
17 scribed in paragraph (1), the Secretary of Health
18 and Human Services shall submit a report to the ap-
19 propriate committees of Congress on the study con-
20 ducted under such paragraph, together with any rec-
21 ommendations for legislation regarding adjustments
22 to the payment amounts under such system that the
23 Secretary determines are appropriate as a result of
24 such study.

1 **SEC. 143. EXCEPTION TO CMI QUALIFIER FOR ONE YEAR.**

2 Notwithstanding any other provision of law, for pur-
 3 poses of fiscal year 2000, the Northwest Mississippi Re-
 4 gional Medical Center located in Clarksdale, Mississippi
 5 shall be deemed to have satisfied the case mix index cri-
 6 teria under section 1886(d)(5)(C)(ii) of the Social Secu-
 7 rity Act (42 U.S.C. 1395ww(d)(5)(C)(ii)) for classification
 8 as a rural referral center.

9 **SEC. 144. RECLASSIFICATION OF CERTAIN COUNTIES FOR**
 10 **PURPOSES OF REIMBURSEMENT UNDER THE**
 11 **MEDICARE PROGRAM.**

12 (a) IN GENERAL.—For purposes of receiving reim-
 13 bursement under the medicare program under title XVIII
 14 of the Social Security Act (42 U.S.C. 1395 et seq.)—

15 (1) Iredell County, North Carolina is deemed to
 16 be located in the Charlotte-Gastonia-Rock Hill-N.C.-
 17 S.C. Metropolitan Statistical Area; and

18 (2) the large urban area of New York, New
 19 York is deemed to include Orange County, New
 20 York.

21 (b) EFFECTIVE DATE.—This section shall apply with
 22 respect to discharges occurring on or after October 1,
 23 1999.

24 **SEC. 145. WAGE INDEX CORRECTION.**

25 Notwithstanding any other provision of law, the Sec-
 26 retary of Health and Human Services shall—

1 (1) recalculate the Hattiesburg Mississippi Met-
 2 ropolitan Statistical Area (MSA) wage index for fis-
 3 cal year 2000 using fiscal year 1996 wage and hour
 4 data for Wesley Medical Center;

5 (2) issue a wage index correction for fiscal year
 6 2000; and

7 (3) make such adjustments to the prospective
 8 payment system determined under section 1886(d)
 9 of the Social Security Act (42 U.S.C. 1395ww(d)) as
 10 may be necessary to take into account such cor-
 11 rected wage index.

12 **SEC. 146. CONSIDERATION OF AN APPLICATION BY A CER-**
 13 **TAIN ENTITY FOR MEDICARE CERTIFICATION**
 14 **AS AN APPLICATION BY A NEW PROVIDER.**

15 Notwithstanding any other provision of law, the Sec-
 16 retary of Health and Human Services shall consider an
 17 application (or a reapplication) for certification of a long-
 18 term care facility under the medicare program under title
 19 XVIII of the Social Security Act (42 U.S.C. 1395 et seq.)
 20 that is, or was, submitted after January 1, 1994, by a
 21 subsidiary of a not-for-profit, municipally-owned, and
 22 medicare-certified hospital, where such long-term care fa-
 23 cility has had a change of management from the previous
 24 owner prior to acquisition by such subsidiary, as an appli-
 25 cation by a prospective provider.

1 **SEC. 147. STUDY AND REPORT ON COUNTY-WIDE GEO-**
2 **GRAPHIC RECLASSIFICATION.**

3 (a) STUDY.—The Secretary of Health and Human
4 Services, in consultation with the Medicare Geographic
5 Classification Review Board, shall conduct a study to
6 determine—

7 (1) whether the prospective payment rates es-
8 tablished under section 1886(d) of the Social Secu-
9 rity Act (42 U.S.C. 1395ww(d)) are an adequate
10 proxy for the costs of inpatient hospital services; and

11 (2) whether the standard for county-wide geo-
12 graphic reclassification needs to be updated or re-
13 vised.

14 (b) REPORT.—Not later than 1 year after the date
15 of enactment of this Act, the Secretary of Health and
16 Human Services shall submit a report to Congress on the
17 study conducted under subsection (a), together with any
18 recommendations for legislation that the Secretary deter-
19 mines to be appropriate as a result of such study.

TITLE II—PROVISIONS
RELATING TO PART B ONLY
Subtitle A—Hospital Outpatient
Department Services

SEC. 201. MULTIYEAR TRANSITION TO PROSPECTIVE PAY-
MENT SYSTEM FOR HOSPITAL OUTPATIENT
DEPARTMENT SERVICES.

(a) IN GENERAL.—Section 1833(t) (42 U.S.C. 1395(t)) is amended by adding at the end the following:

“(10) MULTIYEAR TRANSITION.—

“(A) IN GENERAL.—In the case of covered OPD services furnished by a hospital during a transition year, the Secretary shall increase the payments for such services under the prospective payment system established under this subsection by the amount (if any) that the Secretary determines is necessary to ensure that the payment to cost ratio of the hospital for the transition year (as defined in subparagraph (D)(iii)) equals the applicable percentage (as defined in subparagraph (D)(i)) of the payment to cost ratio of the hospital for 1996.

“(B) PAYMENT TO COST RATIO.—

1 “(i) IN GENERAL.—The payment to
 2 cost ratio of a hospital for any year is the
 3 ratio which—

4 “(I) the hospital’s reimbursement
 5 under this part for covered OPD serv-
 6 ices furnished during the year, includ-
 7 ing any reimbursement for such serv-
 8 ices through cost-sharing described in
 9 subparagraph (D)(ii); bears to

10 “(II) the cost of such services.

11 “(ii) CALCULATION OF 1996 PAYMENT
 12 TO COST RATIO.—The Secretary shall de-
 13 termine each hospital’s payment to cost
 14 ratio for 1996 as if the amendments made
 15 by section 4521 of the Balanced Budget
 16 Act of 1997 were in effect in 1996.

17 “(iii) TRANSITION YEARS.—The Sec-
 18 retary shall estimate the payment to cost
 19 ratio of each hospital for each transition
 20 year before the beginning of such year.

21 “(C) INTERIM PAYMENTS.—

22 “(i) IN GENERAL.—The Secretary
 23 shall make interim payments to a hospital
 24 during any transition year for which the

1 Secretary estimates a payment is required
2 under subparagraph (A).

3 “(ii) ADJUSTMENTS.—If the Secretary
4 makes payments under clause (i) for any
5 transition year, the Secretary shall make
6 retrospective adjustments to each hospital
7 based on its settled cost report so that the
8 amount of any additional payment to a
9 hospital for such year equals the amount
10 described in subparagraph (A).

11 “(D) DEFINITIONS.—In this paragraph:

12 “(i) APPLICABLE PERCENTAGE.—The
13 term ‘applicable percentage’ means, with
14 respect to covered OPD services furnished
15 during—

16 “(I) the first full calendar year
17 (and any portion of the immediately
18 preceding calendar year) for which the
19 prospective payment system under
20 this subsection is in effect, 90 percent;

21 “(II) the second full calendar
22 year for which such system is in ef-
23 fect, 85 percent; and

1 “(III) the third full calendar year
2 for which such system is in effect, 80
3 percent.

4 “(ii) COST-SHARING.—The term ‘cost-
5 sharing’ includes—

6 “(I) copayment amounts de-
7 scribed in paragraph (5);

8 “(II) coinsurance described in
9 section 1866(a)(2)(A)(ii); and

10 “(III) the deductible described
11 under section 1833(b).

12 “(iii) TRANSITION YEAR.—The term
13 ‘transition year’ means any year (or por-
14 tion thereof) described in clause (i).

15 “(E) EFFECT ON COPAYMENTS.—Nothing
16 in this paragraph shall be construed as affect-
17 ing the unadjusted copayment amount de-
18 scribed in paragraph (3)(B).

19 “(F) APPLICATION WITHOUT REGARD TO
20 BUDGET NEUTRALITY.—The transitional pay-
21 ments made under this paragraph—

22 “(i) shall not be considered an adjust-
23 ment under paragraph (2)(E); and

24 “(ii) shall not be implemented in a
25 budget neutral manner.”.

1 (b) SPECIAL RULE FOR RURAL AND CANCER HOS-
 2 PITALS.—Section 1833(t) (42 U.S.C. 1395(t)), as amend-
 3 ed by subsection (a), is amended by adding at the end
 4 the following:

5 “(11) SPECIAL RULE FOR RURAL AND CANCER
 6 HOSPITALS.—

7 “(A) IN GENERAL.—For each calendar
 8 year or portion thereof (beginning with 2000),
 9 in the case of covered OPD services furnished
 10 by a medicare-dependent, small rural hospital
 11 (as defined in section 1886(d)(5)(G)(iv)), a sole
 12 community hospital (as defined in section
 13 1886(d)(5)(D)(iii)), or in a hospital described
 14 in section 1886(d)(1)(B)(v), the Secretary shall
 15 increase the payments for such services under
 16 the prospective payment system established
 17 under this subsection by the amount (if any)
 18 that the Secretary determines is necessary to
 19 ensure that the payment to cost ratio of the
 20 hospital (as determined pursuant to paragraph
 21 (10)(B)) for the year equals the payment to
 22 cost ratio of the hospital for 1996 (as cal-
 23 culated under clause (ii) of such paragraph).

24 “(B) INTERIM PAYMENTS.—

1 “(i) IN GENERAL.—The Secretary
 2 shall make interim payments to a hospital
 3 during any year for which the Secretary
 4 estimates a payment is required under sub-
 5 paragraph (A).

6 “(ii) ADJUSTMENTS.—If the Secretary
 7 makes payments under clause (i) for any
 8 year, the Secretary shall make retrospec-
 9 tive adjustments to each hospital based on
 10 its settled cost report so that the amount
 11 of any additional payment to a hospital for
 12 such year equals the amount described in
 13 subparagraph (A).

14 “(C) EFFECT ON COPAYMENTS.—Nothing
 15 in this paragraph shall be construed as affect-
 16 ing the unadjusted copayment amount de-
 17 scribed in paragraph (3)(B).

18 “(D) APPLICATION WITHOUT REGARD TO
 19 BUDGET NEUTRALITY.—The payments made
 20 under this paragraph—

21 “(i) shall not be considered an adjust-
 22 ment under paragraph (2)(E); and

23 “(ii) shall not be implemented in a
 24 budget neutral manner.”.

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall take effect on the date of enactment of
 3 this Act.

4 **SEC. 202. STUDY AND REPORT TO CONGRESS REGARDING**
 5 **THE INCLUSION OF RURAL AND CANCER**
 6 **HOSPITALS IN PROSPECTIVE PAYMENT SYS-**
 7 **TEM FOR HOSPITAL OUTPATIENT DEPART-**
 8 **MENT SERVICES.**

9 (a) STUDY.—

10 (1) IN GENERAL.—The Medicare Payment Ad-
 11 visory Commission (referred to in this section as
 12 “MedPAC”) shall conduct a study to determine the
 13 feasibility and advisability of providing payments to
 14 hospitals described in paragraph (2) for covered
 15 OPD services (as defined in paragraph (1)(B) of
 16 section 1833(t) of the Social Security Act (42
 17 U.S.C. 1395l(t))) based on the prospective payment
 18 system established by the Secretary in accordance
 19 with such section.

20 (2) HOSPITALS DESCRIBED.—The hospitals de-
 21 scribed in this paragraph are the following:

22 (A) A medicare-dependent, small rural hos-
 23 pital (as defined in section 1886(d)(5)(G)(iv) of
 24 the Social Security Act (42 U.S.C.
 25 1395ww(d)(5)(G)(iv))).

1 (B) A sole community hospital (as defined
 2 in section 1886(d)(5)(D)(iii) of such Act (42
 3 U.S.C. 1395ww(d)(5)(D)(iii))).

4 (C) A hospital described in section
 5 1886(d)(1)(B)(v) of such Act (42 U.S.C.
 6 1395ww(d)(1)(B)(v)).

7 (b) REPORT.—Not later than 2 years after the date
 8 of enactment of this Act, MedPAC shall submit a report
 9 to the Secretary of Health and Human Services and Con-
 10 gress on the study conducted under subsection (a), to-
 11 gether with any recommendations for legislation that
 12 MedPAC determines to be appropriate as a result of such
 13 study.

14 (c) COMMENTS.—Not later than 60 days after the
 15 date on which MedPAC submits the report under sub-
 16 section (b) to the Secretary of Health and Human Serv-
 17 ices, the Secretary shall submit comments on such report
 18 to Congress.

19 **SEC. 203. OUTLIER ADJUSTMENT AND TRANSITIONAL PASS-**
 20 **THROUGH FOR CERTAIN MEDICAL DEVICES,**
 21 **DRUGS, AND BIOLOGICALS.**

22 (a) OUTLIER ADJUSTMENT.—Section 1833(t) (42
 23 U.S.C. 1395l(t)), as amended by section 201, is
 24 amended—

1 (1) by redesignating paragraphs (5) through
 2 (11) as paragraphs (7) through (13), respectively;
 3 and

4 (2) by inserting after paragraph (4) the fol-
 5 lowing:

6 “(5) OUTLIER ADJUSTMENT.—

7 “(A) IN GENERAL.—The Secretary shall
 8 provide for an additional payment for each cov-
 9 ered OPD service (or group of services) for
 10 which a hospital’s charges, adjusted to cost,
 11 exceed—

12 “(i) a fixed multiple of the sum of—

13 “(I) the applicable medicare
 14 OPD fee schedule amount determined
 15 under paragraph (3)(D), as adjusted
 16 under paragraph (4)(A) (other than
 17 for adjustments under this paragraph
 18 or paragraph (6)); and

19 “(II) any transitional pass-
 20 through payment under paragraph
 21 (6); and

22 “(ii) at the option of the Secretary,
 23 such fixed dollar amount as the Secretary
 24 may establish.

1 “(B) AMOUNT OF ADJUSTMENT.—The
2 amount of the additional payment under sub-
3 paragraph (A) shall be determined by the Sec-
4 retary and shall approximate the marginal cost
5 of care beyond the applicable cutoff point under
6 such subparagraph.

7 “(C) LIMIT ON AGGREGATE OUTLIER AD-
8 JUSTMENTS.—

9 “(i) IN GENERAL.—The total of the
10 additional payments made under this para-
11 graph for covered OPD services furnished
12 in a year (as estimated by the Secretary
13 before the beginning of the year) may not
14 exceed the applicable percentage (specified
15 in clause (ii)) of the total program pay-
16 ments estimated to be made under this
17 subsection for all covered OPD services
18 furnished in that year. If this paragraph is
19 first applied to less than a full year, the
20 previous sentence shall apply only to the
21 portion of such year.

22 “(ii) APPLICABLE PERCENTAGE.—For
23 purposes of clause (i), the term ‘applicable
24 percentage’ means a percentage specified

1 by the Secretary up to (but not to ex-
2 ceed)—

3 “(I) for a year (or portion of a
4 year) before 2004, 2.5 percent; and

5 “(II) for 2004 and thereafter,
6 3.0 percent.”.

7 (b) TRANSITIONAL PASS-THROUGH FOR ADDITIONAL
8 COSTS OF INNOVATIVE MEDICAL DEVICES, DRUGS, AND
9 BIOLOGICALS.—Such section is further amended by in-
10 serting after paragraph (5) the following:

11 “(6) TRANSITIONAL PASS-THROUGH FOR ADDI-
12 TIONAL COSTS OF INNOVATIVE MEDICAL DEVICES,
13 DRUGS, AND BIOLOGICALS.—

14 “(A) IN GENERAL.—The Secretary shall
15 provide for an additional payment under this
16 paragraph for a covered OPD service (or group
17 of services) that includes the provision of any of
18 the following:

19 “(i) CURRENT ORPHAN DRUGS.—A
20 drug or biological that is used for a rare
21 disease or condition with respect to which
22 the drug or biological has been designated
23 as an orphan drug under section 526 of
24 the Federal Food, Drug and Cosmetic Act
25 if payment for the drug or biological as an

1 outpatient hospital service under this part
2 was being made on the first date that the
3 system under this subsection is imple-
4 mented.

5 “(ii) CURRENT CANCER THERAPY
6 DRUGS AND BIOLOGICALS.—A drug or bio-
7 logical that is used in cancer therapy, in-
8 cluding a chemotherapeutic agent,
9 antiemetic, hematopoietic growth factor,
10 colony stimulating factor, and a biological
11 response modifier, if payment for the drug
12 or biological as an outpatient hospital serv-
13 ice under this part was being made on
14 such first date.

15 “(iii) RADIOPHARMACEUTICAL DRUGS
16 AND BIOLOGICAL PRODUCTS.—Radio-
17 pharmaceutical drugs or biological prod-
18 ucts used in diagnostic, monitoring, and
19 therapeutic nuclear medicine procedures.

20 “(iv) NEW MEDICAL DEVICES, DRUGS,
21 AND BIOLOGICALS.—A medical device,
22 drug, or biological not described in clause
23 (i), (ii), or (iii) if—

24 “(I) payment for the device,
25 drug, or biological as an outpatient

1 hospital services under this part was
2 not being made as of December 31,
3 1996; and

4 “(II) the cost of the device, drug,
5 or biological is not insignificant in re-
6 lation to the OPD fee schedule
7 amount (as calculated under para-
8 graph (3)(D)) payable for the service
9 (or group of services) involved.

10 “(B) LIMITED PERIOD OF PAYMENT.—The
11 payment under this paragraph with respect to
12 a medical device, drug, or biological shall only
13 apply during a period of at least 2 years, but
14 not more than 3 years, that begins—

15 “(i) on the first date this subsection is
16 implemented in the case of a drug or bio-
17 logical described in clause (i), (ii), (iii) of
18 subparagraph (A) and in the case of a de-
19 vice, drug, or biological described in clause
20 (iv) of such subparagraph for which pay-
21 ment under this part is made as an out-
22 patient hospital service before such first
23 date; or

24 “(ii) in the case of a device, drug, or
25 biological described in subparagraph

1 (A)(iv) not described in clause (i), on the
 2 first date on which payment is made under
 3 this part for the device, drug, or biological
 4 as an outpatient hospital service.

5 “(C) AMOUNT OF ADDITIONAL PAY-
 6 MENT.—Subject to subparagraph (D)(iii), the
 7 amount of the payment under this paragraph
 8 with respect to a device, drug, or biological pro-
 9 vided as part of a covered OPD service is—

10 “(i) in the case of a drug or biological,
 11 the amount by which the amount deter-
 12 mined under section 1842(o) for the drug
 13 or biological exceeds the portion of the oth-
 14 erwise applicable medicare OPD fee sched-
 15 ule that the Secretary determines is associ-
 16 ated with the drug or biological; or

17 “(ii) in the case of a medical device,
 18 the amount by which the hospital’s charges
 19 for the device, adjusted to cost, exceeds the
 20 portion (described in clause (i)) associated
 21 with the device.

22 “(D) LIMIT ON AGGREGATE ANNUAL AD-
 23 JUSTMENT.—

24 “(i) IN GENERAL.—The total of the
 25 additional payments made under this para-

graph for covered OPD services furnished in a year (as estimated by the Secretary before the beginning of the year) may not exceed the applicable percentage (specified in clause (ii)) of the total program payments estimated to be made under this subsection for all covered OPD services furnished in that year. If this paragraph is first applied to less than a full year, the previous sentence shall apply only to the portion of such year.

“(ii) APPLICABLE PERCENTAGE.—For purposes of clause (i), the term ‘applicable percentage’ means—

“(I) for a year (or portion of a year) before 2004, 2.5 percent; and

“(II) for 2004 and thereafter, a percentage specified by the Secretary up to (but not to exceed) 2.0 percent.

“(iii) UNIFORM PROSPECTIVE REDUCTION IF AGGREGATE LIMIT PROJECTED TO BE EXCEEDED.—If the Secretary projects or estimates before the beginning of a year that the amount of the additional payments under this paragraph for the year

1 (or portion thereof) (as determined under
 2 clause (i) without regard to this clause)
 3 will exceed the limit established under such
 4 clause, the Secretary shall reduce pro rata
 5 the amount of each of the additional pay-
 6 ments under this paragraph for that year
 7 (or portion thereof) in order to ensure that
 8 the aggregate additional payments under
 9 this paragraph (as so estimated) do not ex-
 10 ceed such limit.”.

11 (c) APPLICATION OF NEW ADJUSTMENTS ON A
 12 BUDGET NEUTRAL BASIS.—Section 1833(t)(2)(E) (42
 13 U.S.C. 1395l(t)(2)(E)) is amended by striking “other ad-
 14 justments, in a budget neutral manner, as determined to
 15 be necessary to ensure equitable payments, such outlier
 16 adjustments or” and inserting “, in a budget neutral man-
 17 ner, outlier adjustments under paragraph (5) and transi-
 18 tional pass-through payments under paragraph (6) and
 19 other adjustments as determined to be necessary to ensure
 20 equitable payments, such as”.

21 (d) LIMITATION ON JUDICIAL REVIEW FOR NEW AD-
 22 JUSTMENTS.—Section 1833(t)(11) (42 U.S.C.
 23 1395l(t)(11)), as redesignated by subsection (a)(1), is
 24 amended—

1 (1) by striking “and” at the end of subpara-
2 graph (C);

3 (2) by striking the period at the end of sub-
4 paragraph (D) and inserting “; and”; and

5 (3) by adding at the end the following:

6 “(E) the determination of the fixed mul-
7 tiple or a fixed dollar cutoff amount, the mar-
8 ginal cost of care, or applicable percentage
9 under paragraph (5), or the determination of
10 insignificance of cost, the period and amount of
11 the additional payments, the portion of the
12 medicare OPD fee schedule amount associated
13 with particular devices, drugs, or biologicals,
14 and the application of any pro rata reduction
15 under paragraph (6).”.

16 (e) INCLUSION OF MEDICAL DEVICES UNDER SYS-
17 TEM.—Section 1833(t)(1)(B) (42 U.S.C. 1395l(t)(1)(B))
18 is amended—

19 (1) in clause (ii), by striking “clause (iii)” and
20 inserting “clause (iv)” and by striking “but”; and

21 (2) by redesignating clause (iii) as clause (iv)
22 and inserting after clause (ii) the following:

23 “(iii) includes medical devices (such
24 as implantable medical devices); but”.

1 (f) AUTHORIZING PAYMENT WEIGHTS BASED ON
 2 MEAN HOSPITAL COSTS.—Section 1833(t)(2)(C) (42
 3 U.S.C. 1395l(t)(2)(C)) is amended by inserting “(or, at
 4 the election of the Secretary, mean)” after “median”.

5 (g) LIMITING VARIATION OF COSTS OF SERVICES
 6 CLASSIFIED WITH A GROUP.—Section 1833(t)(2) (42
 7 U.S.C. 1395l(t)(2)) is amended by adding at the end the
 8 following: “For purposes of subparagraph (B), items and
 9 services within a group shall not be treated as ‘comparable
 10 with respect to the use of resources’ if the highest median
 11 cost (or mean cost, if elected by the Secretary under sub-
 12 paragraph (C)) for an item or service within the group
 13 is more than 2 times greater than the lowest median cost
 14 (or mean cost, if so elected) for an item or service within
 15 the group; except that the Secretary may make exceptions
 16 in unusual cases, such as low volume items and services.”.

17 (h) ANNUAL REVIEW OF OPD PPS COMPONENTS.—

18 (1) IN GENERAL.—Section 1833(t)(8)(A) (42
 19 U.S.C. 1395l(t)(8)(A)) (as redesignated by sub-
 20 section (a)(1)) is amended by striking “may periodi-
 21 cally review” and inserting “shall review not less
 22 often than annually”.

23 (2) EFFECTIVE DATE.—The amendment made
 24 by paragraph (1) applies beginning with 2002.

1 (i) EFFECTIVE DATE.—Except as provided in this
 2 section, the amendments made by this section shall be ef-
 3 fective as if included in the amendments made by section
 4 4523 of the Balanced Budget Act of 1997 (Public Law
 5 105–33; 111 Stat. 445).

6 **Subtitle B—Physicians’ Services**

7 **SEC. 221. MODIFICATIONS OF UPDATE ADJUSTMENT FAC-** 8 **TOR PROVISIONS TO REDUCE OSCILLATIONS** 9 **AND ALLOW FOR ESTIMATE REVISIONS.**

10 (a) UPDATE ADJUSTMENT FACTOR.—

11 (1) IN GENERAL.—Section 1848(d) (42 U.S.C.
 12 1395w–4(d)) is amended—

13 (A) in paragraph (3)—

14 (i) in the heading, by inserting “FOR
 15 1999 AND 2000” after “UPDATE”;

16 (ii) in subparagraph (A), by striking
 17 “a year beginning with 1999” and insert-
 18 ing “1999 and 2000”; and

19 (iii) in subparagraph (C), by inserting
 20 “and paragraph (4)” after “For purposes
 21 of this paragraph”; and

22 (B) by adding at the end the following:

23 “(4) UPDATE FOR YEARS BEGINNING WITH
 24 2001.—

“(A) IN GENERAL.—Unless otherwise provided by law, subject to the budget-neutrality factor determined by the Secretary under subsection (c)(2)(B)(ii) and subject to adjustment under subparagraph (F), the update to the single conversion factor established in paragraph (1)(C) for a year beginning with 2001 is equal to the product of—

“(i) 1 plus the Secretary’s estimate of the percentage increase in the MEI (as defined in section 1842(i)(3)) for the year (divided by 100); and

“(ii) 1 plus the Secretary’s estimate of the update adjustment factor under subparagraph (B) for the year.

“(B) UPDATE ADJUSTMENT FACTOR.—For purposes of subparagraph (A)(ii), subject to subparagraph (D), the ‘update adjustment factor’ for a year is equal (as estimated by the Secretary) to the sum of the following:

“(i) PRIOR YEAR ADJUSTMENT COMPONENT.—An amount determined by—

“(I) computing the difference (which may be positive or negative) between the amount of the allowed ex-

penditures for physicians' services for the prior year (as determined under subparagraph (C)) and the amount of the actual expenditures for such services for that year;

“(II) dividing that difference by the amount of the actual expenditures for such services for that year; and

“(III) multiplying that quotient by 0.75.

“(ii) CUMULATIVE ADJUSTMENT COMPONENT.—An amount determined by—

“(I) computing the difference (which may be positive or negative) between the amount of the allowed expenditures for physicians' services (as determined under subparagraph (C)) from April 1, 1996, through the end of the prior year and the amount of the actual expenditures for such services during that period;

“(II) dividing that difference by actual expenditures for such services for the prior year as increased by the sustainable growth rate under sub-

section (f) for the year for which the
update adjustment factor is to be de-
termined; and

“(III) multiplying that quotient
by 0.33.

“(C) DETERMINATION OF ALLOWED EX-
PENDITURES.—For purposes of this paragraph:

“(i) PERIOD UP TO APRIL 1, 1999.—
The allowed expenditures for physicians’
services for a period before April 1, 1999,
shall be the amount of the allowed expendi-
tures for such period as determined under
paragraph (3)(C).

“(ii) TRANSITION TO CALENDAR YEAR
ALLOWED EXPENDITURES.—Subject to
subparagraph (E), the allowed expendi-
tures for—

“(I) the 9-month period begin-
ning April 1, 1999, shall be the Sec-
retary’s estimate of the amount of the
allowed expenditures that would be
permitted under paragraph (3)(C) for
such period; and

“(II) the year of 1999, shall be
the Secretary’s estimate of the

1 amount of the allowed expenditures
2 that would be permitted under para-
3 graph (3)(C) for such year.

4 “(iii) YEARS BEGINNING WITH 2000.—

5 The allowed expenditures for a year (be-
6 ginning with 2000) is equal to the allowed
7 expenditures for physicians’ services for
8 the previous year, increased by the sustain-
9 able growth rate under subsection (f) for
10 the year involved.

11 “(D) RESTRICTION ON UPDATE ADJUST-
12 MENT FACTOR.—The update adjustment factor
13 determined under subparagraph (B) for a year
14 may not be less than -0.07 or greater than
15 0.03 .

16 “(E) RECALCULATION OF ALLOWED EX-
17 PENDITURES FOR UPDATES BEGINNING WITH
18 2001.—For purposes of determining the update
19 adjustment factor for a year beginning with
20 2001, the Secretary shall recompute the allowed
21 expenditures for previous periods beginning on
22 or after April 1, 1999, consistent with sub-
23 section (f)(3).

24 “(F) TRANSITIONAL ADJUSTMENT DE-
25 SIGNED TO PROVIDE FOR BUDGET NEU-

1 TRALITY.—Under this subparagraph the Sec-
 2 retary shall provide for an adjustment to the
 3 update under subparagraph (A)—

4 “(i) for each of 2001, 2002, 2003,
 5 and 2004, of -0.2 percent; and

6 “(ii) for 2005 of $+0.8$ percent.”.

7 (2) PUBLICATION CHANGE.—

8 (A) IN GENERAL.—Section 1848(d)(1)(E)
 9 (42 U.S.C. 1395w-4(d)(1)(E)) is amended to
 10 read as follows:

11 “(E) PUBLICATION AND DISSEMINATION
 12 OF INFORMATION.—The Secretary shall—

13 “(i) cause to have published in the
 14 Federal Register not later than November
 15 1 of each year (beginning with 2000) the
 16 conversion factor which will apply to physi-
 17 cians’ services for the succeeding year, the
 18 update determined under paragraph (4)
 19 for such succeeding year, and the allowed
 20 expenditures under such paragraph for
 21 such succeeding year; and

22 “(ii) make available to the Medicare
 23 Payment Advisory Commission and the
 24 public by March 1 of each year (beginning
 25 with 2000) an estimate of the conversion

1 factor which will apply to physicians' serv-
 2 ices for the succeeding year and data used
 3 in making such estimate.”.

4 (B) MEDPAC REVIEW OF CONVERSION
 5 FACTOR ESTIMATES.—Section 1805(b)(1)(D)
 6 (42 U.S.C. 1395b–6(b)(1)(D)) is amended by
 7 inserting “and including a review of the esti-
 8 mate of the conversion factor submitted under
 9 section 1848(d)(1)(E)(ii)” before the period at
 10 the end.

11 (C) 1-TIME PUBLICATION OF INFORMATION
 12 ON TRANSITION.—The Secretary of Health and
 13 Human Services shall cause to have published
 14 in the Federal Register, not later than 90 days
 15 after the date of the enactment of this section,
 16 the Secretary’s determination, based upon the
 17 best available data, of—

18 (i) the allowed expenditures under
 19 subclauses (I) and (II) of section
 20 1848(d)(4)(C)(ii) of the Social Security
 21 Act, as added by subsection (a)(1)(B), for
 22 the 9-month period beginning on April 1,
 23 1999, and for 1999;

1 (ii) the estimated actual expenditures
 2 described in section 1848(d) of such Act
 3 for 1999; and

4 (iii) the sustainable growth rate under
 5 section 1848(f) of such Act (42 U.S.C.
 6 1395w-4(f)) for 2000.

7 (3) CONFORMING AMENDMENTS.—

8 (A) Section 1848 (42 U.S.C. 1395w-4) is
 9 amended—

10 (i) in subsection (d)(1)(A), by insert-
 11 ing “(for years before 2001) and, for years
 12 beginning with 2001, multiplied by the up-
 13 date (established under paragraph (4)) for
 14 the year involved” after “for the year in-
 15 volved”; and

16 (ii) in subsection (f)(2)(D), by insert-
 17 ing “or (d)(4)(B), as the case may be”
 18 after “(d)(3)(B)”.

19 (B) Section 1833(l)(4)(A)(i)(VII) (42
 20 U.S.C. 1395l(l)(4)(A)(i)(VII)) is amended by
 21 striking “1848(d)(3)” and inserting “1848(d)”.

22 (b) SUSTAINABLE GROWTH RATES.—Section 1848(f)
 23 (42 U.S.C. 1395w-4(f)) is amended—

24 (1) by striking paragraph (1) and inserting the
 25 following:

1 “(1) PUBLICATION.—The Secretary shall cause
 2 to have published in the Federal Register not later
 3 than—

4 “(A) November 1, 2000, the sustainable
 5 growth rate for 2000 and 2001; and

6 “(B) November 1 of each succeeding year
 7 the sustainable growth rate for such succeeding
 8 year and each of the preceding 2 years.”;

9 (2) in paragraph (2)—

10 (A) in the matter before subparagraph (A),
 11 by striking “fiscal year 1998)” and inserting
 12 “fiscal year 1998 and ending with fiscal year
 13 2000) and a year beginning with 2000”; and

14 (B) in subparagraphs (A) through (D), by
 15 striking “fiscal year” and inserting “applicable
 16 period” each place it appears;

17 (3) in paragraph (3), by adding at the end the
 18 following:

19 “(C) APPLICABLE PERIOD.—The term ‘ap-
 20 plicable period’ means—

21 “(i) a fiscal year, in the case of fiscal
 22 year 1998, fiscal year 1999, and fiscal year
 23 2000; or

24 “(ii) a calendar year with respect to a
 25 year beginning with 2000;

1 as the case may be.”;

2 (4) by redesignating paragraph (3) as para-
3 graph (4); and

4 (5) by inserting after paragraph (2) the fol-
5 lowing:

6 “(3) DATA TO BE USED.—For purposes of de-
7 termining the update adjustment factor under sub-
8 section (d)(4)(B) for a year beginning with 2001,
9 the sustainable growth rates taken into consideration
10 in the determination under paragraph (2) shall be
11 determined as follows:

12 “(A) FOR 2001.—For purposes of such cal-
13 culations for 2001, the sustainable growth rates
14 for fiscal year 2000 and the years 2000 and
15 2001 shall be determined on the basis of the
16 best data available to the Secretary as of Sep-
17 tember 1, 2000.

18 “(B) FOR 2002.—For purposes of such cal-
19 culations for 2002, the sustainable growth rates
20 for fiscal year 2000 and for years 2000, 2001,
21 and 2002 shall be determined on the basis of
22 the best data available to the Secretary as of
23 September 1, 2001.

1 “(C) FOR 2003 AND SUCCEEDING YEARS.—

2 For purposes of such calculations for a year
3 after 2002—

4 “(i) the sustainable growth rates for
5 that year and the preceding 2 years shall
6 be determined on the basis of the best data
7 available to the Secretary as of September
8 1 of the year preceding the year for which
9 the calculation is made; and

10 “(ii) the sustainable growth rate for
11 any year before a year described in clause
12 (i) shall be the rate as most recently deter-
13 mined for that year under this subsection.

14 Nothing in this paragraph shall be construed as af-
15 fecting the sustainable growth rates established for
16 fiscal year 1998 or fiscal year 1999.”.

17 (c) STUDY AND REPORT REGARDING THE UTILIZA-
18 TION OF PHYSICIANS’ SERVICES BY MEDICARE BENE-
19 FICIARIES.—

20 (1) STUDY BY SECRETARY.—The Secretary,
21 acting through the Administrator of the Agency for
22 Health Care Policy and Research, shall conduct a
23 study of the issues specified in paragraph (2).

24 (2) ISSUES TO BE STUDIED.—The issues speci-
25 fied in this paragraph are the following:

1 (A) The various methods for accurately es-
2 timating the economic impact on expenditures
3 for physicians' services under the original medi-
4 care fee-for-service program under parts A and
5 B of title XVIII of the Social Security Act (42
6 U.S.C. 1395 et seq.) resulting from—

7 (i) improvements in medical capabili-
8 ties;

9 (ii) advancements in scientific tech-
10 nology;

11 (iii) demographic changes in the types
12 of medicare beneficiaries that receive bene-
13 fits under such program; and

14 (iv) geographic changes in locations
15 where medicare beneficiaries receive bene-
16 fits under such program.

17 (B) The rate of usage of physicians' serv-
18 ices under the original medicare fee-for-service
19 program under parts A and B of title XVIII of
20 the Social Security Act (42 U.S.C. 1395 et
21 seq.) among beneficiaries between ages 65 and
22 74, 75 and 84, 85 and over, and disabled bene-
23 ficiaries under age 65.

24 (C) Other factors that may be reliable pre-
25 dictors of beneficiary utilization of physicians'

1 services under the original medicare fee-for-
2 service program under parts A and B of title
3 XVIII of the Social Security Act (42 U.S.C.
4 1395 et seq.).

5 (3) REPORT TO MEDPAC.—Not later than 3
6 years after the date of enactment of this Act, the
7 Secretary of Health and Human Services shall sub-
8 mit a report to MedPAC setting forth the results of
9 the study conducted pursuant to paragraph (1), to-
10 gether with any recommendations the Secretary de-
11 termines are appropriate.

12 (4) MEDPAC REPORT TO CONGRESS.—Not later
13 than 180 days after receipt of the report submitted
14 to MedPAC under paragraph (1), MedPAC shall
15 submit a copy of such report to the committees of
16 jurisdiction in Congress, together with an analysis
17 and evaluation of such report and any recommenda-
18 tions that it determines are appropriate.

19 (d) EFFECTIVE DATE.—The amendments made by
20 this section shall be effective in determining the conversion
21 factor under section 1848(d) of the Social Security Act
22 (42 U.S.C. 1395w–4(d)) for years beginning with 2001
23 and shall not apply to or affect any update (or any update
24 adjustment factor) for any year before 2001.

1 **TITLE III—PROVISIONS**
 2 **RELATING TO PARTS A AND B**
 3 **Subtitle A—Home Health Services**

4 **SEC. 301. DELAY IN THE 15 PERCENT REDUCTION IN PAY-**
 5 **MENTS UNDER THE PPS FOR HOME HEALTH**
 6 **SERVICES.**

7 (a) CONTINGENCY REDUCTION.—Section 4603(e) of
 8 the Balanced Budget Act of 1997 (42 U.S.C. 1395fff
 9 note), as amended by section 5101(c)(3) of the Tax and
 10 Trade Relief Extension Act of 1998 (contained in division
 11 J of Public Law 105–277), is repealed.

12 (b) DELAY IN REDUCTION UNDER THE PPS.—Sec-
 13 tion 1895(b)(3)(A)(i) (42 U.S.C. 1395fff(b)(3)(A)(i)), as
 14 amended by section 5101 of the Tax and Trade Relief Ex-
 15 tension Act of 1998 (contained in division J of Public Law
 16 105–277), is amended to read as follows:

17 “(i) IN GENERAL.—Under such sys-
 18 tem the Secretary shall provide for com-
 19 putation of a standard prospective pay-
 20 ment amount (or amounts) as follows:

21 “(I) Such amount (or amounts)
 22 shall initially be based on the most
 23 current audited cost report data avail-
 24 able to the Secretary and shall be
 25 computed in a manner so that the

1 total amounts payable under the sys-
2 tem for fiscal year 2001 shall be equal
3 to the total amount that would have
4 been made if the system had not been
5 in effect, but if the reduction in limits
6 described in clause (ii) (applied by
7 substituting ‘5’ for ‘15’) had been in
8 effect.

9 “(II) For fiscal year 2002, such
10 amount (or amounts) shall be equal to
11 the amount (or amounts) that would
12 have been determined under subclause
13 (I) if the reduction in limits described
14 in clause (ii) (applied by substituting
15 ‘10’ for ‘15’) had been in effect for
16 fiscal year 2001, and updated under
17 subparagraph (B) for fiscal year
18 2002.

19 “(III) For fiscal year 2003, such
20 amount (or amounts) shall be equal to
21 the amount (or amounts) that would
22 have been determined under subclause
23 (I) if the reduction in limits described
24 in clause (ii) had been in effect for
25 fiscal year 2001, and updated under

1 subparagraph (B) for fiscal years
2 2002 and 2003.

3 Each such amount shall be standardized in
4 a manner that eliminates the effect of vari-
5 ations in relative case mix and wage levels
6 among different home health agencies in a
7 budget neutral manner consistent with the
8 case mix and wage level adjustments pro-
9 vided under paragraph (4)(A). Under the
10 system, the Secretary may recognize re-
11 gional differences or differences based
12 upon whether or not the services or agency
13 are in an urbanized area.”.

14 **SEC. 302. INCREASE IN PER VISIT LIMIT.**

15 (a) IN GENERAL.—Section 1861(v)(1)(L)(i) (42
16 U.S.C. 1395x(v)(1)(L)(i)) is amended—

17 (1) in subclause (IV), by striking “or” at the
18 end;

19 (2) in subclause (V)—

20 (A) by inserting “and before October 1,
21 1999,” after “October 1, 1998,”; and

22 (B) by striking the period at the end and
23 inserting “, or”; and

24 (3) by adding at the end the following:

1 “(VI) October 1, 1999, 112 percent of such me-
2 dian.”.

3 (b) INCREASE NOT INCLUDED IN PPS BASE.—The
4 second sentence of section 1895(b)(3)(A)(i) (42 U.S.C.
5 1395fff(b)(3)(A)(i)), as amended by section 5101(c)(1)(B)
6 of the Tax and Trade Relief Extension Act of 1998 (con-
7 tained in division J of Public Law 105–277) and section
8 301, is amended—

9 (1) in subclause (I), by inserting “and if the
10 reference in section 1861(v)(1)(L)(i)(VI) to 112 per-
11 cent were a reference to 106 percent” before the pe-
12 riod; and

13 (2) in each of subclauses (II) and (III), by in-
14 serting “and if the reference in section
15 1861(v)(1)(L)(i)(VI) to 112 percent were a ref-
16 erence to 106 percent” after “had been in effect for
17 fiscal year 2001”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to services provided on or after
20 October 1, 1999.

21 **SEC. 303. INCREASE IN PER BENEFICIARY LIMITS.**

22 (a) INCREASE IN PER BENEFICIARY LIMITS.—Sec-
23 tion 1861(v)(1)(L) of the Social Security Act (42 U.S.C.
24 1395x(v)(1)(L)), as amended by section 5101 of the Tax

1 and Trade Relief Extension Act of 1998 (contained in Di-
 2 vision J of Public Law 105–277), is amended—

3 (1) by redesignating clause (ix) as clause (x);

4 and

5 (2) by inserting after clause (viii) the following:

6 “(ix) Notwithstanding the applicable per beneficiary
 7 limit under clause (v), (vi), or (viii), for services furnished
 8 by home health agencies for cost reporting periods begin-
 9 ning during fiscal year 2000, the per beneficiary limit ap-
 10 plicable under such clause is the per beneficiary limit oth-
 11 erwise applicable under such clause increased by 1 per-
 12 cent. Such increase shall not affect the determination or
 13 application of the per visit limit under clause (i).”.

14 (b) INCREASE NOT INCLUDED IN PPS BASE.—The
 15 second sentence of section 1895(b)(3)(A)(i) (42 U.S.C.
 16 1395fff(b)(3)(A)(i)), as amended by section 5101(c)(1)(B)
 17 of the Tax and Trade Relief Extension Act of 1998 (con-
 18 tained in division J of Public Law 105–277) and section
 19 302, is amended—

20 (1) in subclause (I), by striking “and if the ref-
 21 erence in section 1861(v)(1)(L)(i)(VI) to 112 per-
 22 cent were a reference to 106 percent” and inserting
 23 “, if the reference in section 1861(v)(1)(L)(i)(VI) to
 24 112 percent were a reference to 106 percent, and if

1 section 1861(v)(1)(L)(ix) had not been enacted”;
 2 and

3 (2) in each of subclauses (II) and (III), by
 4 striking “and if the reference in section
 5 1861(v)(1)(L)(i)(VI) to 112 percent were a ref-
 6 erence to 106 percent” and inserting “, if the ref-
 7 erence in section 1861(v)(1)(L)(i)(VI) to 112 per-
 8 cent were a reference to 106 percent, and if section
 9 1861(v)(1)(L)(ix) had not been enacted”.

10 (c) EFFECTIVE DATE.—The amendments made by
 11 this section shall apply to services furnished by home
 12 health agencies for cost reporting periods beginning on or
 13 after October 1, 1999.

14 **SEC. 304. ELIMINATION OF 15-MINUTE BILLING REQUIRE-**
 15 **MENT.**

16 (a) IN GENERAL.—Section 1895(c) (42 U.S.C.
 17 1395fff(c)) is amended, to read as follows:

18 “(c) REQUIREMENTS FOR PAYMENT INFORMA-
 19 TION.—With respect to home health services furnished on
 20 or after October 1, 1998, no claim for such a service may
 21 be paid under this title unless the claim has the unique
 22 identifier (provided under section 1842(r)) for the physi-
 23 cian who prescribed the services or made the certification
 24 described in section 1814(a)(2) or 1835(a)(2)(A).”.

1 (b) EFFECTIVE DATE.—The amendment made by
 2 this section shall apply to claims submitted on or after
 3 the date of enactment of this Act.

4 **SEC. 305. REFINEMENT OF HOME HEALTH AGENCY CON-**
 5 **SOLIDATED BILLING.**

6 (a) IN GENERAL.—Section 1842(b)(6)(F) (42 U.S.C.
 7 1395u(b)(6)(F)) is amended by inserting “(including med-
 8 ical supplies described in section 1861(m)(5), but exclud-
 9 ing durable medical equipment to the extent provided for
 10 in such section)” after “home health services”.

11 (b) CONFORMING AMENDMENT.—Section
 12 1862(a)(21) (42 U.S.C. 1395y(a)(21)) is amended by in-
 13 serting “(including medical supplies described in section
 14 1861(m)(5), but excluding durable medical equipment to
 15 the extent provided for in such section)” after “home
 16 health services”.

17 (c) EFFECTIVE DATE.—The amendments made by
 18 this section shall apply to payments for services provided
 19 on or after the date of enactment of this Act.

1 **SEC. 306. STUDY AND REPORT TO CONGRESS REGARDING**
2 **THE EXEMPTION OF RURAL AGENCIES AND**
3 **POPULATIONS FROM INCLUSION IN THE**
4 **HOME HEALTH PROSPECTIVE PAYMENT SYS-**
5 **TEM.**

6 (a) STUDY.—The Medicare Payment Advisory Com-
7 mission (referred to in this section as “MedPAC”) shall
8 conduct a study to determine the feasibility and advis-
9 ability of exempting home health services provided by a
10 home health agency (or by others under arrangements
11 with such agency) located in a rural area, or to an indi-
12 vidual residing in a rural area, from payment under the
13 prospective payment system for such services established
14 by the Secretary of Health and Human Services in accord-
15 ance with section 1895 of the Social Security Act (42
16 U.S.C. 1395fff).

17 (b) REPORT.—Not later than 2 years after the date
18 of enactment of this Act, MedPAC shall submit a report
19 to Congress on the study conducted under subsection (a),
20 together with any recommendations for legislation that
21 MedPAC determines to be appropriate as a result of such
22 study.

23 **SEC. 307. EXTENSION OF PERIODIC INTERIM PAYMENTS**
24 **FOR HOME HEALTH AGENCIES.**

25 (a) IN GENERAL.—Section 1815(e)(2)(D) of the So-
26 cial Security Act (42 U.S.C. 1395g(e)(2)(D)) is amended

1 by inserting “(until the end of the 12-month period fol-
 2 lowing the date that the prospective payment system for
 3 such services is implemented pursuant to section 1895)”
 4 before the semicolon.

5 (b) CONFORMING AMENDMENT.—Section 4603(b) of
 6 the Balanced Budget Act of 1997 (Public Law 105–33;
 7 111 Stat. 470) is repealed.

8 (c) EFFECTIVE DATE.—The amendments made by
 9 this section shall take effect on the date of enactment of
 10 this Act.

11 **Subtitle B—Graduate Medical** 12 **Education**

13 **SEC. 321. REVISION OF MULTIYEAR REDUCTION OF INDI-** 14 **RECT GRADUATE MEDICAL EDUCATION PAY-** 15 **MENTS.**

16 (a) IN GENERAL.—Section 1886(d)(5)(B)(ii) (42
 17 U.S.C. 1395ww(d)(5)(B)(ii)) is amended by striking sub-
 18 clauses (III), (IV), and (V) and inserting the following:

19 “(III) during each of fiscal years
 20 1999 through 2003, ‘c’ is equal to 1.6; and

21 “(IV) on or after October 1, 2003, ‘c’
 22 is equal to 1.35.”.

23 (b) EFFECTIVE DATE.—The amendment made by
 24 this section shall take effect on October 1, 1999.

1 **SEC. 322. GME PAYMENTS FOR CERTAIN INTERNS AND**
 2 **RESIDENTS.**

3 (a) INDIRECT AND DIRECT MEDICAL EDUCATION.—
 4 Each limitation regarding the number of residents or in-
 5 terns for which payment may be made under section 1886
 6 of the Social Security Act (42 U.S.C. 1395ww) is in-
 7 creased by the number of applicable residents (as defined
 8 in subsection (b)).

9 (b) APPLICABLE RESIDENT DEFINED.—For pur-
 10 poses of this section, the term “applicable resident” means
 11 a resident or intern that—

12 (1) participated in graduate medical education
 13 at a facility of the Department of Veterans Affairs;

14 (2) was subsequently transferred on or after
 15 January 1, 1997, and before July 31, 1998, to a
 16 hospital and the hospital was not a Department of
 17 Veterans Affairs facility; and

18 (3) was transferred because the approved med-
 19 ical residency program in which the resident or in-
 20 tern participated would lose accreditation by the Ac-
 21 creditation Council on Graduate Medical Education
 22 if such program continued to train residents at the
 23 Department of Veterans Affairs facility.

24 (c) EFFECTIVE DATE.—

25 (1) IN GENERAL.—This section shall take effect
 26 as if included in the enactment of the Balanced

1 Budget Act of 1997 (Public Law 105–33; 111 Stat.
2 251).

3 (2) RETROACTIVE PAYMENTS.—If the Secretary
4 of Health and Human Services determines that a
5 hospital operating an approved medical residency
6 program is owed payments as a result of enactment
7 of this section, the Secretary shall make such pay-
8 ments not later than 60 days after the date of enact-
9 ment of this section.

10 **TITLE IV—RURAL INITIATIVES**

11 **SEC. 401. SOLE COMMUNITY HOSPITALS AND MEDICARE** 12 **DEPENDENT HOSPITALS.**

13 (a) IN GENERAL.—Section 1886(b)(3)(B)(iv) (42
14 U.S.C. 1395ww(b)(3)(B)(iv)) is amended—

15 (1) in subclause (III), by striking “and” at the
16 end;

17 (2) in subclause (IV)—

18 (A) by striking “fiscal year 1996 and each
19 subsequent fiscal year” and inserting “fiscal
20 years 1996 through 1999”; and

21 (B) by striking the period at the end and
22 inserting “, and”; and

23 (3) by adding at the end the following:

24 “(V) for fiscal year 2000 and each subsequent
25 fiscal year, the market basket percentage increase.”.

1 (b) EFFECTIVE DATE.—The amendments made by
 2 this section shall take effect on October 1, 1999.

3 **SEC. 402. REVISION OF CRITERIA FOR DESIGNATION AS A**
 4 **CRITICAL ACCESS HOSPITAL.**

5 (a) CRITERIA FOR DESIGNATION.—Section
 6 1820(c)(2)(B)(iii) (42 U.S.C. 1395i–4(c)(2)(B)(iii)) is
 7 amended by striking “to exceed 96 hours” and all that
 8 follows before the semicolon and inserting “to exceed, on
 9 average, 96 hours per patient”.

10 (b) EFFECTIVE DATE.—The amendment made by
 11 this section shall take effect on October 1, 1999.

12 **SEC. 403. MEDICARE WAIVERS FOR HOSPITALS IN RURAL**
 13 **AREAS.**

14 Notwithstanding section 1886(d)(2)(D) of the Social
 15 Security Act (42 U.S.C. 1395ww(d)(2)(D)), by not later
 16 than 180 days after the date of enactment of this Act,
 17 the Secretary of Health and Human Services shall estab-
 18 lish a waiver process in which hospitals under the medi-
 19 care program under title XVIII of the Social Security Act
 20 (42 U.S.C. 1395 et seq.) that are determined by the Office
 21 of Management and Budget to be located in an urban or
 22 large urban area for purposes of reimbursement under the
 23 medicare program may apply to the Secretary to be con-
 24 sidered to be located in a rural area for such purposes
 25 if such hospital is located—

1 (1) in a rural area within a metropolitan coun-
 2 ty, as defined by the most recent update of the Gold-
 3 smith Modification; or

4 (2) in a rural area as determined by using a
 5 census tract definition of a rural area adopted by
 6 the Office of Rural Health Policy in awarding
 7 grants.

8 **SEC. 404. 2-YEAR EXTENSION OF MEDICARE DEPENDENT**
 9 **HOSPITAL (MDH) PROGRAM.**

10 (a) EXTENSION OF PAYMENT METHODOLOGY.—Sec-
 11 tion 1886(d)(5)(G) (42 U.S.C. 1395ww(d)(5)(G)) is
 12 amended—

13 (1) in clause (i), by striking “and before Octo-
 14 ber 1, 2001,” and inserting “and before October 1,
 15 2003”; and

16 (2) in clause (ii)(II), by striking “and before
 17 October 1, 2001,” and inserting “and before Octo-
 18 ber 1, 2003”.

19 (b) CONFORMING AMENDMENTS.—

20 (1) EXTENSION OF TARGET AMOUNT.—Section
 21 1886(b)(3)(D) (42 U.S.C. 1395ww(b)(3)(D)) is
 22 amended—

23 (A) in the matter preceding clause (i), by
 24 striking “and before October 1, 2001,” and in-
 25 serting “and before October 1, 2003”; and

1 (B) in clause (iv), by striking “during fis-
 2 cal year 1998 through fiscal year 2000” and in-
 3 serting “during fiscal year 1998 through fiscal
 4 year 2002”.

5 (2) PERMITTING HOSPITALS TO DECLINE RE-
 6 CLASSIFICATION.—Section 13501(e)(2) of Omnibus
 7 Budget Reconciliation Act of 1993 (42 U.S.C.
 8 1395ww note) is amended by striking “or fiscal year
 9 2000” and inserting “or fiscal years 2000 through
 10 2002”.

11 **SEC. 405. ASSISTING RURAL GRADUATE MEDICAL EDU-**
 12 **CATION RESIDENCY PROGRAMS.**

13 (a) INDIRECT GRADUATE MEDICAL EDUCATION AD-
 14 JUSTMENT.—

15 (1) IN GENERAL.—Section 1886(d)(5)(B)(v) of
 16 the Social Security Act (42 U.S.C.
 17 1395ww(d)(5)(B)(v)) (as added by section 4621(b)
 18 of the Balanced Budget Act of 1997) is amended—

19 (A) by striking “(v) In determining” and
 20 inserting “(v)(I) Subject to subclause (II), in
 21 determining”;

22 (B) by striking “in the hospital with re-
 23 spect to the hospital’s most recent cost report-
 24 ing period ending on or before December 31,
 25 1996”; and inserting “who were appointed by

1 the hospital’s approved medical residency train-
 2 ing programs for the hospital’s most recent cost
 3 reporting period ending on or before December
 4 31, 1996”; and

5 (C) by adding at the end the following:

6 “(II) Beginning on or after January 1, 1997, in the
 7 case of a hospital that sponsors only 1 allopathic or osteo-
 8 pathic residency program, the limit determined for such
 9 hospital under subclause (I) may, at the hospital’s discre-
 10 tion, be increased by 1 for each calendar year but shall
 11 not exceed a total of 3 more than the limit determined
 12 for the hospital under subclause (I).”.

13 (2) TECHNICAL AMENDMENTS.—Section
 14 1886(d)(5)(B) of the Social Security Act (42 U.S.C.
 15 1395ww(d)(5)(B)) is amended by realigning the left
 16 margin of clauses (ii), (v), and (vi) so as to align
 17 with the left margin of clause (i).

18 (b) DIRECT GRADUATE MEDICAL EDUCATION AD-
 19 JUSTMENT.—

20 (1) LIMITATION ON NUMBER OF RESIDENTS.—
 21 Section 1886(h)(4)(F) of the Social Security Act (42
 22 U.S.C. 1395ww(h)(4)(F)) (as added by section 4623
 23 of the Balanced Budget Act of 1997) is amended by
 24 inserting “who were appointed by the hospital’s ap-
 25 proved medical residency training programs” after

1 “may not exceed the number of such full-time equiv-
2 alent residents”.

3 (2) FUNDING FOR NEW PROGRAMS.—The first
4 sentence of section 1886(h)(4)(H)(i) of the Social
5 Security Act (42 U.S.C. 1395ww(h)(4)(H)(i)) (as
6 added by section 4623 of the Balanced Budget Act
7 of 1997) is amended by inserting “and before Sep-
8 tember 30, 1999” after “January 1, 1995”.

9 (3) FUNDING FOR PROGRAMS MEETING RURAL
10 NEEDS.—The second sentence of section
11 1886(h)(4)(H)(i) of the Social Security Act (42
12 U.S.C. 1395ww(h)(4)(H)(i)) (as added by section
13 4623 of the Balanced Budget Act of 1997) is
14 amended by striking the period at the end and in-
15 serting “, including facilities that are not located in
16 an underserved rural area but have established sepa-
17 rately accredited rural training tracks.”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this Act shall take effect as if included in the enactment
20 of the Balanced Budget Act of 1997.

1 **TITLE V—PROVISIONS RELAT-**
 2 **ING TO PART C**
 3 **(MEDICARE+CHOICE PRO-**
 4 **GRAM)**

5 **Subtitle A—Provisions To Accom-**
 6 **modate and Protect Medicare**
 7 **Beneficiaries**

8 **SEC. 501. PERMITTING ENROLLMENT IN ALTERNATIVE**
 9 **MEDICARE+CHOICE PLANS AND MEDIGAP**
 10 **COVERAGE IN CASE OF INVOLUNTARY TER-**
 11 **MINATION OF MEDICARE+CHOICE ENROLL-**
 12 **MENT.**

13 (a) MEDICARE+CHOICE PLANS.—Section 1851(e)(4)
 14 (42 U.S.C. 1395w–21(e)(4)) is amended by striking sub-
 15 paragraph (A) and inserting the following:

16 “(A)(i) the certification of the organization
 17 or plan under this part has been terminated, or
 18 the organization or plan has notified the indi-
 19 vidual of an impending termination of such cer-
 20 tification; or

21 “(ii) the organization has terminated or
 22 otherwise discontinued providing the plan in the
 23 area in which the individual resides, or has no-
 24 tified the individual of an impending termi-
 25 nation or discontinuation of such plan;”.

1 (b) MEDIGAP PLANS.—Section 1882(s)(3)(A) (42
 2 U.S.C. 1395ss(s)(3)(A)) is amended, in the matter fol-
 3 lowing clause (iii)—

4 (1) by inserting “(or, if elected by the indi-
 5 vidual, the date of notification of the individual by
 6 the plan or organization of the impending termi-
 7 nation or discontinuance of the plan in the area in
 8 which the individual resides)” after “the date of the
 9 termination of enrollment described in such subpara-
 10 graph”; and

11 (2) by inserting “(or the date of such notifica-
 12 tion)” after “the date of termination or
 13 disenrollment”.

14 (c) EFFECTIVE DATE.—The amendments made by
 15 this section shall apply to notices of impending termi-
 16 nations or discontinuances made by group health plans
 17 and Medicare+Choice organizations on or after the date
 18 of enactment of this Act.

19 **SEC. 502. CHANGE IN EFFECTIVE DATE OF ELECTIONS AND**
 20 **CHANGES OF ELECTIONS OF**
 21 **MEDICARE+CHOICE PLANS.**

22 (a) OPEN ENROLLMENT.—Section 1851(f)(2) (42
 23 U.S.C. 1395w-21(f)(2)) is amended—

24 (1) by inserting “or change” before “is made”;
 25 and

1 (2) by inserting “, except that if such election
 2 or change is made after the 10th day of any cal-
 3 endar month, then the election or change shall not
 4 take effect until the first day of the second calendar
 5 month following the date on which the election or
 6 change is made” before the period.

7 (b) **EFFECTIVE DATE.**—The amendments made by
 8 this section shall apply to elections and changes of cov-
 9 erage made on or after the date of enactment of this Act.

10 **SEC. 503. EXTENSION OF REASONABLE COST CONTRACTS.**

11 Section 1876(h)(5)(B) (42 U.S.C.
 12 1395mm(h)(5)(B)) is amended to read as follows:

13 “(B) The Secretary may not extend or renew a rea-
 14 sonable cost reimbursement contract under this subsection
 15 for any period beyond December 31, 2004, and an indi-
 16 vidual may not be enrolled in a plan offered by an organi-
 17 zation pursuant to such a contract after December 31,
 18 2003, unless such individual was enrolled in such plan on
 19 such date.”.

20 **SEC. 504. REVISION OF NOTICE BY HOSPITALS REGARDING**
 21 **COVERAGE OF INPATIENT HOSPITAL SERV-**
 22 **ICES.**

23 (a) **IN GENERAL.**—Section 1866(a)(1)(M) (42
 24 U.S.C. 1395cc(a)(1)(M)) is amended—

1 (1) in the matter preceding clause (i), by strik-
 2 ing “at or about the time of the individual’s admis-
 3 sion as an inpatient to the hospital” and inserting
 4 “at least 16 but not more than 24 hours before the
 5 hospital proposes to discharge the individual from
 6 the hospital”;

7 (2) in clause (iii)—

8 (i) by inserting “to the appropriate peer
 9 review organization” after “hospital services”;
 10 and

11 (ii) by striking “and” at the end;

12 (3) by redesignating clause (iv) as clause (v);
 13 and

14 (4) by inserting the following after clause (iii):

15 “(iv) in the case of an individual enrolled in a
 16 Medicare+Choice plan offered by a
 17 Medicare+Choice organization under part C, such
 18 information, as determined by the Secretary, regard-
 19 ing the individual’s appeal rights that is in addition
 20 to the information described in clause (iii), and”.

21 (b) EFFECTIVE DATE.—The amendments made by
 22 this section shall apply to admissions occurring on or after
 23 the date of enactment of this Act.

1 **SEC. 505. EXTENDED DISENROLLMENT WINDOW FOR CER-**
2 **TAIN INVOLUNTARILY TERMINATED ENROLL-**
3 **EES.**

4 (a) IN GENERAL.—Section 1882(s)(3)(B) (42 U.S.C.
5 1395ss(s)(3)(B)) is amended by adding at the end the fol-
6 lowing flush sentence:
7 “If any individual is enrolled with any Medicare+Choice
8 organization under clause (v), or in any Medicare+Choice
9 plan under clause (vi), and the Medicare+Choice plan in
10 which the individual is enrolled is terminated or such indi-
11 vidual is disenrolled from such plan under the cir-
12 cumstances described in section 1851(e)(4)(A), such indi-
13 vidual may reenroll for a 12-month period (beginning on
14 the date of such enrollment) with a Medicare+Choice or-
15 ganization in a Medicare+Choice plan, and such reenroll-
16 ment shall be considered an enrollment under clause (v)
17 or (vi) (as applicable).”.

18 (b) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to terminations or disenrollments
20 occurring on or after the date of enactment of this Act.

1 **Subtitle B—Provisions To Facili-**
 2 **tate Implementation of the**
 3 **Medicare+Choice Program**

4 **SEC. 521. MODERATION OF MEDICARE+CHOICE RISK AD-**
 5 **JUSTMENT IMPLEMENTATION.**

6 Section 1853(a)(3)(C) (42 U.S.C. 1395w-
 7 23(a)(3)(C)) is amended—

8 (1) by redesignating the first sentence as clause
 9 (i) with the heading “IN GENERAL.—” and appro-
 10 priate indentation; and

11 (2) by adding at the end the following:

12 “(ii) PHASE-IN.—Such risk adjust-
 13 ment methodology shall be implemented in
 14 a phased-in manner so that the new meth-
 15 odology applies only to—

16 “(I) 10 percent of the payment
 17 amount in 2000 and 2001 (in which
 18 the risk adjustment methodology
 19 should reflect only data from inpatient
 20 settings);

21 “(II) 20 percent of such amount
 22 in 2002 (in which such methodology
 23 should reflect only data from inpatient
 24 settings);

1 “(III) 30 percent of such amount
2 in 2003 (in which such methodology
3 should reflect only data from inpatient
4 settings);

5 “(IV) 55 percent of such amount
6 in 2004 (in which such methodology
7 should reflect a blend of 67 percent of
8 only data from inpatient settings and
9 33 percent of data from inpatient and
10 other settings);

11 “(V) 80 percent of such amount
12 in 2005 (in which such methodology
13 should reflect a blend of 33 percent of
14 only data from inpatient settings and
15 67 percent of data from inpatient and
16 other settings); and

17 “(VI) 100 percent of such
18 amount in any subsequent year (in
19 which such methodology should reflect
20 data from inpatient and other set-
21 tings).”.

1 **SEC. 522. DELAY IN DEADLINE FOR SUBMISSION OF AD-**
 2 **JUSTED COMMUNITY RATES UNDER**
 3 **MEDICARE+CHOICE PROGRAM AND RELATED**
 4 **MODIFICATIONS.**

5 (a) DELAY IN DEADLINE FOR SUBMISSION OF AD-
 6 JUSTED COMMUNITY RATES.—Section 1854(a)(1) (42
 7 U.S.C. 1395w–24(a)(1)) is amended by striking “May 1”
 8 and inserting “July 1” in the matter preceding subpara-
 9 graph (A).

10 (b) ADJUSTMENT IN INFORMATION DISCLOSURE
 11 PROVISIONS TO CONFORM TO DELAY IN DEADLINE FOR
 12 ACR SUBMISSION.—Section 1851(d)(2)(A)(ii) (42 U.S.C.
 13 1395w–21(d)(2)(A)(ii)) is amended—

14 (1) by inserting after “information described in
 15 paragraph (4) concerning such plans” the following:

16 “, to the extent such information is available at the
 17 time of preparation of the material for mailing”; and

18 (2) by adding at the end the following: “If any
 19 item described in paragraph (4) is not available at
 20 the time of preparation of the material for mailing,
 21 the Secretary shall provide general information con-
 22 cerning such item.”.

23 (c) MEDICARE+CHOICE ORGANIZATION REQUIRED
 24 TO PROVIDE TERMINATION NOTICE BY DATE FOR ACR
 25 SUBMISSION.—Section 1857(c)(1) (42 U.S.C. 1395w–
 26 27(c)(1)) is amended—

1 (1) by striking “Each contract” and inserting
 2 the following:

3 “(A) IN GENERAL.—Each contract”; and

4 (2) by adding at the end the following:

5 “(B) TERMINATION NOTICE.—If a
 6 Medicare+Choice organization intends to termi-
 7 nate a contract under this section at the end of
 8 the current term of the contract, the organiza-
 9 tion shall notify the Secretary of such intent by
 10 not later than July 1 of such term.”.

11 (d) EFFECTIVE DATES.—

12 (1) ACR AND INFORMATION DISCLOSURE.—The
 13 amendments made by subsections (a) and (b) shall
 14 apply to submissions required to be made on or after
 15 the date of enactment of this Act.

16 (2) TERMINATION NOTICE.—The amendment
 17 made by subsection (c) shall apply to contract years
 18 beginning on or after the date of enactment of this
 19 Act.

20 **SEC. 523. USER FEE FOR MEDICARE+CHOICE ORGANIZA-**
 21 **TIONS BASED ON NUMBER OF ENROLLED**
 22 **BENEFICIARIES.**

23 (a) DETERMINATION.—Section 1857(e)(2) (42
 24 U.S.C. 1395w-27(e)(2)) is amended to read as follows:

1 “(2) COST-SHARING IN ENROLLMENT-RELATED
2 COSTS.—

3 “(A) IN GENERAL.—A Medicare+Choice
4 organization shall pay the fee established by the
5 Secretary under subparagraph (B)(i).

6 “(B) FEES FROM PLANS.—

7 “(i) IN GENERAL.—The Secretary is
8 authorized to charge a fee to each
9 Medicare+Choice organization with a con-
10 tract under this part that is equal to the
11 organization’s pro rata share (as deter-
12 mined by the Secretary) of the aggregate
13 amount of fees which the Secretary is di-
14 rected to collect in a fiscal year (as deter-
15 mined under clause (ii)).

16 “(ii) AGGREGATE AMOUNT OF FEES
17 TO BE COLLECTED.—For purposes of
18 clause (i), the aggregate amount of fees
19 which the Secretary is directed to collect in
20 a fiscal year is an amount equal to the ap-
21 plicable percentage of the aggregate ex-
22 penses incurred by the Secretary in car-
23 rying out the sections described in clause
24 (iii)(I) in such year. For purposes of the
25 preceding sentence, the applicable percent-

age in a fiscal year is equal to the ratio
(expressed as a percentage) of—

“(I) the total number of individuals enrolled in Medicare+Choice plans in such year; to

“(II) the total number of individuals enrolled in part A or B in such year.

“(iii) FEES COLLECTED.—For any fiscal year, the fees authorized to be collected under this subparagraph shall be available to the Secretary—

“(I) only for the purpose of carrying out section 1851 (relating to enrollment and dissemination of information) and section 4360 of the Omnibus Budget Reconciliation Act of 1990 (relating to the health insurance counseling and assistance program); and

“(II) without further appropriation.

“(C) AMOUNTS FROM PART A TRUST FUND.—

1 “(i) IN GENERAL.—Subject to clause
 2 (ii), amounts in the Federal Hospital In-
 3 surance Trust Fund shall be available to
 4 the Secretary in a fiscal year (beginning in
 5 fiscal year 2000) to cover the expenses as-
 6 sociated with carrying out the sections de-
 7 scribed in subparagraph (B)(iii)(I).

8 “(ii) LIMITATION.—The total amount
 9 available to the Secretary from the Federal
 10 Hospital Insurance Trust Fund under
 11 clause (i) in any fiscal year shall not ex-
 12 ceed \$100,000,000 minus an amount equal
 13 to the amount authorized to be collected
 14 under subparagraph (B)(i) for the fiscal
 15 year.”.

16 (b) EFFECTIVE DATE.—The amendment made by
 17 this section shall apply to fees charged on or after October
 18 1, 1999.

19 **SEC. 524. CHANGE IN TIME PERIOD FOR EXCLUSION OF**
 20 **MEDICARE+CHOICE ORGANIZATIONS THAT**
 21 **HAVE HAD A CONTRACT TERMINATED.**

22 (a) IN GENERAL.—Section 1857(c)(4) (42 U.S.C.
 23 1395w–27(c)(4)) is amended by striking “5-year period”
 24 and inserting “2-year period”.

1 (b) EFFECTIVE DATE.—The amendment made by
 2 this section shall apply to contract years beginning on or
 3 after January 1, 1999.

4 **SEC. 525. FLEXIBILITY TO TAILOR BENEFITS UNDER**
 5 **MEDICARE+CHOICE PLANS.**

6 (a) IN GENERAL.—Section 1854 (42 U.S.C. 1395w–
 7 24) is amended—

8 (1) in subsection (a)(1), by inserting “(or seg-
 9 ment of such an area if permitted under subsection
 10 (h))” after “service area” in the matter preceding
 11 subparagraph (A); and

12 (2) by adding at the end the following:

13 “(h) PERMITTING USE OF SEGMENTS OF SERVICE
 14 AREAS.—The Secretary shall permit a Medicare+Choice
 15 organization to elect to apply the provisions of this section
 16 uniformly to separate segments of a service area (rather
 17 than uniformly to an entire service area) as long as such
 18 segments are composed of 1 or more counties.”.

19 (b) EFFECTIVE DATE.—The amendments made by
 20 this section shall apply to contract years beginning on or
 21 after January 1, 2000.

22 **SEC. 526. INAPPLICABILITY OF QISMC TO PREFERRED PRO-**
 23 **VIDER ORGANIZATIONS.**

24 (a) IN GENERAL.—A Medicare+Choice plan that is
 25 operating as a preferred provider organization plan shall

1 not be subject to the requirements of the Quality Improve-
 2 ment System for Managed Care (QISMC) established by
 3 the Secretary of Health and Human Services to carry out
 4 section 1852(e) of the Social Security Act (42 U.S.C.
 5 1395w-22(e)) .

6 (b) APPLICATION OF FEE-FOR-SERVICE QUALITY
 7 SYSTEM TO PPOs.—If the Secretary of Health and
 8 Human Services establishes a system that is—

9 (1) applicable to providers under the original
 10 fee-for-service program under parts A and B of title
 11 XVIII of the Social Security Act (42 U.S.C. 1395 et
 12 seq.); and

13 (2) similar to the system described in sub-
 14 section (a);
 15 a Medicare+Choice plan that is operating as a preferred
 16 provider organization plan shall comply with the require-
 17 ments of that system.

18 (c) EFFECTIVE DATE.—This section shall apply to
 19 contract years beginning on or after January 1, 2000.

20 **SEC. 527. TIMING OF MEDICARE+CHOICE HEALTH INFOR-**
 21 **MATION FAIRS.**

22 (a) IN GENERAL.—Section 1851(e)(3) (42 U.S.C.
 23 1395w-21(e)(3)) is amended in subparagraph (C), by
 24 striking “In the month of November” and inserting “Dur-
 25 ing the fall season”.

1 (b) EFFECTIVE DATE.—The amendment made by
 2 this section shall take effect on the date of enactment of
 3 this Act.

4 **SEC. 528. RULES REGARDING PHYSICIAN REFERRALS FOR**
 5 **MEDICARE+CHOICE PROGRAM.**

6 (a) IN GENERAL.—Section 1877(b)(3) (42 U.S.C.
 7 1395nn(b)(3)) is amended—

8 (1) in subparagraph (C), by striking “or” at
 9 the end;

10 (2) in subparagraph (D), by striking the period
 11 at the end and inserting “, or”; and

12 (3) by adding at the end the following:

13 “(E) that is a Medicare+Choice organiza-
 14 tion under part C that is offering a coordinated
 15 care plan described in section 1851(a)(2)(A) to
 16 an individual enrolled with the organization.”.

17 (b) EFFECTIVE DATE.—The amendment made by
 18 this section shall take effect on the date of enactment of
 19 this Act.

20 **SEC. 529. CLARIFICATION REGARDING THE ABILITY OF A**
 21 **RELIGIOUS FRATERNAL BENEFIT SOCIETY**
 22 **TO OPERATE A MEDICARE+CHOICE PRIVATE**
 23 **FEE-FOR-SERVICE PLAN.**

24 (a) IN GENERAL.—Section 1859(e)(2) (42 U.S.C.
 25 1395w-28(e)(2)) is amended by striking “section

1 1851(a)(2)(A)” and inserting “subparagraphs (A) and (C)
 2 of section 1851(a)(2)”.

3 (b) EFFECTIVE DATE.—The amendment made by
 4 this section shall apply to contract years beginning on or
 5 after the date of enactment of this Act.

6 **Subtitle C—Provisions Regarding** 7 **Special Medicare Populations**

8 **SEC. 541. EXTENSION OF SOCIAL HEALTH MAINTENANCE** 9 **ORGANIZATION DEMONSTRATION PROJECT** 10 **AUTHORITY.**

11 Section 4018(b) of the Omnibus Budget Reconcili-
 12 ation Act of 1987 is amended—

13 (1) in paragraph (1), by striking “December
 14 31, 2000” and inserting “the date that is 1 year
 15 after the date on which the Secretary submits to
 16 Congress the report described in section 4014(c) of
 17 the Balanced Budget Act of 1997”; and

18 (2) in paragraph (4), by striking “March 31,
 19 2001” and inserting “the date that is 1 year after
 20 the date on which Secretary submits to Congress the
 21 report described in section 4014(c) of the Balanced
 22 Budget Act of 1997”.

1 **SEC. 542. INAPPLICABILITY OF OASIS TO PACE.**

2 Sections 1894(e)(3) and 1934(e)(3) (42 U.S.C.
3 1395eee(e)(3) and 1396u-4(e)(3)) are each amended by
4 adding at the end the following:

5 “(C) INAPPLICABILITY OF OASIS TO
6 PACE.—Notwithstanding the previous provisions
7 of this paragraph, with respect to any home
8 health service provided under a PACE program
9 under this section, the Secretary shall not apply
10 the data collection and reporting requirements
11 under the Outcome and Assessment Informa-
12 tion Set (OASIS) to such program or to any
13 enrollee of such program, regardless of whether
14 such service is provided by a PACE program di-
15 rectly or through a contract with a home health
16 agency.”.

17 **SEC. 543. MEDIGAP PROTECTIONS FOR PACE PROGRAM EN-**
18 **ROLLEES.**

19 (a) IN GENERAL.—Section 1882(s)(3)(B) (42 U.S.C.
20 1395ss(s)(3)(B)) is amended—

21 (1) in clause (ii), by inserting “or the individual
22 is enrolled with a PACE provider under section
23 1894, and there are circumstances that would per-
24 mit the discontinuance of the individual’s enrollment
25 with such provider under circumstances that are
26 similar to the circumstances that would permit dis-

1 continuation of the individual’s election under the
 2 first sentence of such section if such individual were
 3 enrolled in a Medicare+Choice plan” before the pe-
 4 riod;

5 (2) in clause (v)(II), by inserting “any PACE
 6 provider under section 1894,” after “demonstration
 7 project authority,”; and

8 (3) in clause (vi)—

9 (A) by inserting “or in a PACE program
 10 under section 1894” after “part C”; and

11 (B) by striking “such plan” and inserting
 12 “such plan or such program”.

13 (b) EXTENDED DISENROLLMENT WINDOW FOR IN-
 14 VOLUNTARILY TERMINATED ENROLLEES.—Section
 15 1882(s)(3)(B) (42 U.S.C. 1395ss(s)(3)(B)), as amended
 16 by section 505, is amended by adding at the end the fol-
 17 lowing: “If any individual is enrolled with any PACE pro-
 18 vider under clause (v), or in any PACE program under
 19 clause (vi), and the PACE program in which the individual
 20 is enrolled is terminated or such individual is disenrolled
 21 from such program under circumstances that are similar
 22 to the circumstances described in section 1851(e)(4)(A),
 23 such individual may reenroll for a 12-month period (begin-
 24 ning on the date of such enrollment) with a PACE pro-
 25 vider in a PACE program and such reenrollment shall be

1 considered to be an enrollment under clause (v) or (vi)
 2 (as applicable).”.

3 (c) EFFECTIVE DATE.—The amendments made by
 4 this section shall apply to terminations or discontinuances
 5 made on or after the date of enactment of this Act.

6 **SEC. 544. CONTINUATION OF THE FRAIL ELDERLY DEM-**
 7 **ONSTRATION PROJECT.**

8 With respect to the demonstration project (known as
 9 the “EverCare” project) to demonstrate the application of
 10 capitation payment rates for frail elderly medicare bene-
 11 ficiaries under a specialized program that utilizes a spe-
 12 cialized interdisciplinary team, the Secretary of Health
 13 and Human Services shall—

14 (1) extend the project for an additional 2-year
 15 period from the termination date of the project (as
 16 in effect on the date of enactment of this Act); and

17 (2) not apply with respect to a frail elderly
 18 medicare beneficiary who is receiving services under
 19 the demonstration project—

20 (A) during 2000, the risk-adjustment de-
 21 scribed in section 1853(c)(3) of the Social Secu-
 22 rity Act (42 U.S.C. 1395w–23(c)(3)); or

23 (B) during any year in which the dem-
 24 onstration project is in effect, the rules under
 25 subparagraphs (B) and (C) of section

1 1851(e)(2) of such Act (42 U.S.C. 1395w–
 2 21(e)(2)) applicable to open enrollment and
 3 disenrollment opportunities under the
 4 Medicare+Choice program.

5 **Subtitle D—Studies and Reports To**
 6 **Assist in Making Future Im-**
 7 **provements in the Medicare**
 8 **Program**

9 **SEC. 561. GAO STUDIES, AUDITS, AND REPORTS.**

10 (a) STUDY OF MEDIGAP POLICIES.—

11 (1) IN GENERAL.—The Comptroller General of
 12 the United States (in this section referred to as the
 13 “Comptroller General”) shall conduct a study of the
 14 issues described in paragraph (2) regarding medi-
 15 care supplemental policies described in section
 16 1882(g)(1) of the Social Security Act (42 U.S.C.
 17 1395ss(g)(1)).

18 (2) ISSUES TO BE STUDIED.—The issues de-
 19 scribed in this paragraph are the following:

20 (A) The level of coverage provided by each
 21 type of medicare supplemental policy.

22 (B) The current enrollment levels in each
 23 type of medicare supplemental policy.

1 (C) The availability of each type of medi-
 2 care supplemental policy to medicare bene-
 3 ficiaries over age 65½.

4 (D) The number of States that offer each
 5 type of medicare supplemental policy.

6 (E) The average out-of-pocket costs (in-
 7 cluding premiums) per beneficiary under each
 8 type of medicare supplemental policy.

9 (3) REPORT.—Not later than July 31, 2001,
 10 the Comptroller General shall submit a report to
 11 Congress on the results of the study conducted
 12 under this subsection, together with any rec-
 13 ommendations for legislation that the Comptroller
 14 General determines to be appropriate as a result of
 15 such study.

16 (b) GAO AUDIT AND REPORTS ON THE PROVISION
 17 OF MEDICARE+CHOICE HEALTH INFORMATION TO
 18 BENEFICIARIES.—

19 (1) IN GENERAL.—Beginning in 2000, the
 20 Comptroller General shall conduct an annual audit
 21 of the expenditures by the Secretary of Health and
 22 Human Services during the preceding year in pro-
 23 viding information regarding the Medicare+Choice
 24 program under part C of title XVIII of the Social

1 Security Act (42 U.S.C. 1395w–21 et seq.) to eligi-
 2 ble medicare beneficiaries.

3 (3) REPORTS.—Not later than March 31 of
 4 2001, 2004, 2007, and 2010, the Comptroller Gen-
 5 eral shall submit a report to Congress on the results
 6 of the audit of the expenditures of the preceding 3
 7 years conducted pursuant to subsection (a), together
 8 with an evaluation of the effectiveness of the means
 9 used by the Secretary of Health and Human Serv-
 10 ices in providing information regarding the
 11 Medicare+Choice program under part C of title
 12 XVIII of the Social Security Act (42 U.S.C. 1395w–
 13 21 et seq.) to eligible medicare beneficiaries.

14 **SEC. 562. MEDICARE PAYMENT ADVISORY COMMISSION**
 15 **STUDIES AND REPORTS.**

16 (a) RISK ADJUSTMENT.—

17 (1) STUDY.—The Medicare Payment Advisory
 18 Commission established under section 1805 of the
 19 Social Security Act (42 U.S.C. 1395b–6) (in this
 20 section referred to as “MedPAC”) shall conduct a
 21 study that evaluates the methodology used by the
 22 Secretary of Health and Human Services in devel-
 23 oping the risk factors used in adjusting the
 24 Medicare+Choice capitation rate paid to
 25 Medicare+Choice organizations under section 1853

1 of the Social Security Act (42 U.S.C. 1395w–23)
2 and includes the issues described in paragraph (2).

3 (2) ISSUES TO BE STUDIED.—The issues de-
4 scribed in this paragraph are the following:

5 (A) The ability of the average risk adjust-
6 ment factor applied to a Medicare+Choice plan
7 to explain variations in plans’ average per cap-
8 ita medicare costs, as reported by
9 Medicare+Choice plans in the plans’ adjusted
10 community rate filings.

11 (B) The year-to-year stability of the risk
12 factors applied to each Medicare+Choice plan
13 and the potential for substantial changes in
14 payment for small Medicare+Choice plans.

15 (C) For medicare beneficiaries newly en-
16 rolled in Medicare+Choice plans in a given
17 year, the correspondence between the average
18 risk factor calculated from medicare fee-for-
19 service data for those individuals from the pe-
20 riod prior to their enrollment in a
21 Medicare+Choice plan and the average risk fac-
22 tor calculated for such individuals during their
23 initial year of enrollment in a Medicare+Choice
24 plan.

1 (D) For medicare beneficiaries disenrolling
 2 from or switching among Medicare+Choice
 3 plans in a given year, the correspondence be-
 4 tween the average risk factor calculated from
 5 data pertaining to the period prior to their
 6 disenrollment from a Medicare+Choice plan
 7 and the average risk factor calculated from
 8 data pertaining to the period after
 9 disenrollment.

10 (E) An evaluation of the exclusion of “dis-
 11 cretionary” hospitalizations from consideration
 12 in the risk adjustment methodology.

13 (F) Suggestions for changes or improve-
 14 ments in the risk adjustment methodology.

15 (3) REPORT.—Not later than December 1,
 16 2000, MedPAC shall submit a report to Congress on
 17 the study conducted under paragraph (1), together
 18 with any recommendations for legislation that
 19 MedPAC determines to be appropriate as a result of
 20 such study.

21 (b) DEVELOPMENT OF SPECIAL PAYMENT RULES
 22 UNDER THE MEDICARE+CHOICE PROGRAM FOR FRAIL
 23 ELDERLY ENROLLED IN SPECIALIZED PROGRAMS.—

24 (1) STUDY.—MedPAC shall conduct a study on
 25 the development of a payment methodology under

1 the Medicare+Choice program for frail elderly
 2 Medicare+Choice beneficiaries enrolled in a
 3 Medicare+Choice plan under a specialized program
 4 for the frail elderly that—

5 (A) accounts for the prevalence, mix, and
 6 severity of chronic conditions among such frail
 7 elderly Medicare+Choice beneficiaries;

8 (B) includes medical diagnostic factors
 9 from all provider settings (including hospital
 10 and nursing facility settings); and

11 (C) includes functional indicators of health
 12 status and such other factors as may be nec-
 13 essary to achieve appropriate payments for
 14 plans serving such beneficiaries.

15 (2) REPORT.—Not later than 1 year after the date
 16 of enactment of this Act, MedPAC shall submit a report
 17 to Congress on the study conducted under paragraph (1),
 18 together with any recommendations for legislation that
 19 MedPAC determines to be appropriate as a result of such
 20 study.

21 **SEC. 563. COMPUTATION AND REPORT ON MEDICARE**
 22 **ORIGINAL FEE-FOR-SERVICE EXPENDITURES**
 23 **ON A COUNTY-BY-COUNTY BASIS.**

24 (a) COMPUTATION.—The Secretary of Health and
 25 Human Services shall compute the expenditures under the

1 original medicare fee-for-service program under parts A
 2 and B of title XVIII of the Social Security Act (42 U.S.C.
 3 1395 et seq.) on a county-by-county basis.

4 (b) REPORT.—Not later than January 1, 2000, and
 5 annually thereafter, the Secretary of Health and Human
 6 Services shall submit a report to Congress on the com-
 7 putation performed under subsection (a), together with
 8 any recommendations for legislation that the Secretary de-
 9 termines to be appropriate as a result of such computa-
 10 tion.

11 **SEC. 564. STUDY AND REPORT ON THE EFFECTS, COSTS,**
 12 **AND FEASIBILITY OF REQUIRING MEDICARE**
 13 **ORIGINAL FEE-FOR-SERVICE ENTITIES AND**
 14 **MEDICARE+CHOICE COORDINATED CARE**
 15 **PLANS TO COMPLY WITH UNIFORM QUALITY**
 16 **STANDARDS AND RELATED REPORTING RE-**
 17 **QUIREMENTS.**

18 (a) STUDY.—The Secretary of Health and Human
 19 Services shall conduct a study on the effects, costs, and
 20 feasibility of—

21 (1) requiring entities, physicians, and other
 22 health care providers that provide items and services
 23 under the original medicare fee-for-service program
 24 under parts A and B of title XVIII of the Social Se-
 25 curity Act (42 U.S.C. 1395 et seq.) to comply with

1 quality standards and related reporting requirements
 2 that are comparable to the quality standards and re-
 3 lated reporting requirements that are applicable to
 4 Medicare+Choice organizations under part C of
 5 such title; and

6 (2) developing specific quality standards for dif-
 7 ferent types of Medicare+Choice coordinated care
 8 plans (as defined in section 1851(a)(2)(A) of the So-
 9 cial Security Act (42 U.S.C. 1395w–21(a)(2)(A))).

10 (b) REPORT.—Not later than March 1, 2000, the
 11 Secretary of Health and Human Services shall submit a
 12 report to Congress on the study conducted under sub-
 13 section (a), together with any recommendations for legisla-
 14 tion that the Secretary determines to be appropriate as
 15 a result of such study.

16 **SEC. 565. STUDY AND REPORT TO CONGRESS REGARDING**
 17 **DATA SUBMISSION USED TO ESTABLISH RISK**
 18 **ADJUSTMENT METHODOLOGY UNDER THE**
 19 **MEDICARE+CHOICE PROGRAM.**

20 (a) STUDY.—The Secretary of Health and Human
 21 Services shall conduct a study on reducing the amount of
 22 data that is required to be submitted by Medicare+Choice
 23 organizations in order for the Secretary to establish a risk
 24 adjustment methodology used in making payments to such
 25 organizations under section 1853 of the Social Security

1 Act (42 U.S.C. 1395w–23) and that includes the issues
2 described in subsection (b).

3 (b) ISSUES TO BE STUDIED.—The issues described
4 in this subsection are the following:

5 (1) In consultation with representatives of
6 Medicare+Choice plans, identification of modifica-
7 tions of Health Care Financing Administration ad-
8 ministrative systems that would reduce the costs or
9 burden on such plans for reporting encounter data
10 from all sites of service.

11 (2) Evaluation of alternative risk adjustment
12 methods that would require submission from
13 Medicare+Choice plans of data only from limited
14 sites of services.

15 (3) The potential for Medicare+Choice plans to
16 misreport, overreport, or underreport prevalence of
17 diagnoses in outpatient sites of care, the potential
18 for increases in payments to Medicare+Choice plans
19 from changes in Medicare+Choice plan coding prac-
20 tices (commonly known as “coding creep”) and pro-
21 posed methods for detecting and adjusting for such
22 variations in diagnosis coding as part of the risk ad-
23 justment methodology using encounter data from all
24 sites of care.

1 (4) The impact of the requirement to report
 2 complete encounter data on the willingness of insur-
 3 ers to offer high deductible medical savings account
 4 plans to medicare beneficiaries, and options for
 5 modifying data reporting requirements to accommo-
 6 date such plans.

7 (5) Differences in the ability of
 8 Medicare+Choice plans to report complete encounter
 9 data, and the potential for adverse competitive im-
 10 pacts on group and staff model health maintenance
 11 organizations or other integrated providers of care
 12 based on data reporting capabilities.

13 (c) REPORT.—Not later than January 1, 2001, the
 14 Secretary of Health and Human Services shall submit a
 15 report to Congress on the study conducted under this sec-
 16 tion, together with any recommendations for legislation
 17 that the Secretary determines to be appropriate as a result
 18 of such study.

19 **TITLE VI—OTHER MEDICARE** 20 **PROVISIONS**

21 **SEC. 601. 2-YEAR MORATORIUM ON THERAPY CAPS.**

22 (a) MORATORIUM.—

23 (1) IN GENERAL.—Section 1833(g) of the So-
 24 cial Security Act (42 U.S.C. 1395l(g)) is amended—

1 (A) in paragraphs (1) and (3), by striking
 2 “In the case” each place it appears and insert-
 3 ing “Subject to paragraph (4), in the case”;
 4 and

5 (B) by adding at the end the following:

6 “(4) This subsection shall not apply in 2000 and
 7 2001.”.

8 (2) EFFECTIVE DATE.—The amendments made
 9 by paragraph (1) shall apply to expenses incurred on
 10 or after January 1, 2000.

11 (b) REVISION OF REPORT.—

12 (1) IN GENERAL.—Section 4541(d)(2) of the
 13 Balanced Budget Act of 1997 (42 U.S.C. 1395l
 14 note) is amended to read as follows:

15 “(2) REPORT.—By not later than January 1,
 16 2001, the Secretary of Health and Human Services
 17 shall submit to Congress a report that includes rec-
 18 ommendations on—

19 “(A) the establishment of a mechanism for
 20 assuring appropriate utilization of outpatient
 21 physical therapy services, outpatient occupa-
 22 tional therapy services, and speech-language pa-
 23 thology services that are covered under the
 24 medicare program under title XVIII of the So-
 25 cial Security Act (42 U.S.C. 1395); and

“(B) the establishment of an alternative payment policy for such services based on classification of individuals by diagnostic category, functional status, prior use of services (in both inpatient and outpatient settings), and such other criteria as the Secretary determines appropriate, in place of the uniform dollar limitations specified in section 1833(g) of such Act, as amended by paragraph (1).

The recommendations shall include how such a mechanism or policy might be implemented in a budget-neutral manner.”.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect as if included in the enactment of section 4541 of the Balanced Budget Act of 1997 (Public Law 105–33; 111 Stat. 454).

(c) STUDY AND REPORT ON UTILIZATION.—

(1) STUDY.—

(A) IN GENERAL.—The Secretary of Health and Human Services shall conduct a study which compares—

(i) utilization patterns (including nationwide patterns, and patterns by region, types of settings, and diagnosis or condi-

1 tion) of outpatient physical therapy serv-
2 ices, outpatient occupational therapy serv-
3 ices, and speech-language pathology serv-
4 ices that are covered under the medicare
5 program under title XVIII of the Social
6 Security Act (42 U.S.C. 1395) and pro-
7 vided on or after January 1, 2000; with

8 (ii) such patterns for such services
9 that were provided in 1998 and 1999.

10 (B) REVIEW OF CLAIMS.—In conducting
11 the study under this subsection the Secretary of
12 Health and Human Services shall review a sta-
13 tistically significant number of claims for reim-
14 bursement for the services described in sub-
15 paragraph (A).

16 (2) REPORT.—Not later than March 31, 2001,
17 the Secretary of Health and Human Services shall
18 submit a report to Congress on the study conducted
19 under paragraph (1), together with any rec-
20 ommendations for legislation that the Secretary de-
21 termines to be appropriate as a result of such study.

1 **SEC. 602. INCREASE IN PAYMENT AMOUNT FOR RENAL DI-**
 2 **ALYSIS SERVICES FURNISHED UNDER THE**
 3 **MEDICARE PROGRAM.**

4 (a) IN GENERAL.—Section 1881(b)(7) (42 U.S.C.
 5 1395rr(b)(7)) is amended by adding at the end the fol-
 6 lowing flush sentence:
 7 “The amount of each composite rate payment for dialysis
 8 services furnished on or after October 1, 2000, shall be
 9 equal to 102 percent of each such composite rate payment
 10 amount for such services furnished on December 31,
 11 1999.”.

12 (b) CONFORMING AMENDMENT.—

13 (1) IN GENERAL.—Section 9335(a) of the Om-
 14 nibus Budget Reconciliation Act of 1986 (42 U.S.C.
 15 1395rr note) is amended by striking paragraph (1).

16 (2) EFFECTIVE DATE.—The amendment made
 17 by paragraph (1) shall take effect on October 1,
 18 2000.

19 **SEC. 603. INCREASE IN PAYMENT AMOUNT FOR PAP SMEAR**
 20 **LABORATORY TESTS.**

21 (a) PAP SMEAR PAYMENT INCREASE.—Section
 22 1833(h) (42 U.S.C. 1395l(h)) is amended by adding at
 23 the end the following:

24 “(7) Notwithstanding paragraphs (1) and (4), the
 25 Secretary shall establish a minimum payment amount
 26 under this subsection for all areas for a diagnostic or

1 screening pap smear laboratory test (including all cervical
 2 cancer screening technologies that have been approved by
 3 the Food and Drug Administration) of not less than
 4 \$14.60.”.

5 (b) EFFECTIVE DATE.—The amendment made by
 6 this subsection shall apply with respect to laboratory tests
 7 furnished on or after January 1, 2000 and before January
 8 1, 2002.

9 **SEC. 604. LIMITATION IN REDUCTION OF PAYMENTS TO**
 10 **DISPROPORTIONATE SHARE HOSPITALS.**

11 (a) IN GENERAL.—Section 1886(d)(5)(F)(ix) (42
 12 U.S.C. 1395ww(d)(5)(F)(ix)) is amended—

13 (1) in subclause (III), by striking “fiscal year
 14 2000” and inserting “fiscal years 2000 and 2001”;

15 (2) by striking subclauses (IV); and

16 (3) by redesignating subclauses (V) and (VI) as
 17 subclauses (IV) and (V), respectively.

18 (b) EFFECTIVE DATE.—The amendments made by
 19 this section shall take effect as if included in the amend-
 20 ments made by section 4403 of the Balanced Budget Act
 21 of 1997 (Public Law 105–33; 111 Stat. 398).

22 **SEC. 605. CLARIFICATION OF THE INHERENT REASONABLE-**
 23 **NESS (IR) AUTHORITY.**

24 The Secretary of Health and Human Services may
 25 not use, or permit fiscal intermediaries or carriers to use,

1 the inherent reasonableness authority under part B of title
 2 XVIII of such Act until the date that is 90 days after
 3 the date that the Comptroller General of the United States
 4 releases a report regarding the impact of the Secretary's,
 5 fiscal intermediaries', and carriers' use of such authority.

6 **SEC. 606. TECHNICAL AMENDMENTS RELATING TO BBA**
 7 **PROVISIONS.**

8 (a) **MEDICARE RURAL HOSPITAL FLEXIBILITY PRO-**
 9 **GRAM.**—Section 1820(c)(2)(B)(i) (42 U.S.C. 1395i–
 10 4(c)(2)(B)(i)) is amended by striking “and is located in
 11 a county (or equivalent unit of local government) in a
 12 rural area (as defined in section 1886(d)(2)(D))” and in-
 13 serting “that is located in a rural area (as defined in sec-
 14 tion 1886(d)(2)(D)) and”.

15 (b) **RURAL HEALTH CLINIC SERVICES.**—Section
 16 4205(a)(1)(B) of the Balanced Budget Act of 1997 (42
 17 U.S.C. 1395l note) is amended by striking “services fur-
 18 nished” and inserting “cost reporting periods beginning”.

19 (c) **PPS HOSPITAL PAYMENT UPDATE.**—Section
 20 4401(b)(1)(B) of the Balanced Budget Act of 1997 (42
 21 U.S.C. 1395ww note) is amended by striking “section
 22 1886(b)(3)(B)(i)(XIII) of the Social Security Act (42
 23 U.S.C. 1395ww(b)(3)(B)(i)(XIII))” and inserting “section
 24 1886(b)(3)(B)(i)(XIV) of the Social Security Act (42
 25 U.S.C. 1395ww(b)(3)(B)(i)(XIV))”.

1 (d) MAINTAINING SAVINGS FROM TEMPORARY RE-
 2 Duction IN CAPITAL PAYMENTS FOR PPS HOSPITALS.—
 3 The last sentence of section 1886(g)(1)(A) (42 U.S.C.
 4 1395ww(g)(1)(A)) is amended by striking “September 30,
 5 2002” and inserting “October 1, 2002”.

6 (e) PROSPECTIVE PAYMENT FOR SKILLED NURSING
 7 FACILITY SERVICES.—Section 1888(e)(8)(B) (42 U.S.C.
 8 1395yy(e)(8)(B)) is amended by striking “January 1,
 9 1999,” and inserting “July 1, 1999”.

10 (f) TRANSFER OF CRIMINAL FINES RECOVERED AS
 11 A RESULT OF A FEDERAL HEALTH CARE OFFENSE TO
 12 FEDERAL HOSPITAL INSURANCE TRUST FUND.—

13 (1) IN GENERAL.—Section 1817(k)(2)(C)(i) (42
 14 U.S.C. 1395i(k)(2)(C)(i)) is amended by striking
 15 “section 982(a)(6)(B)” and inserting “section
 16 24(a)”.

17 (2) EFFECTIVE DATE.—The amendment made
 18 by this subsection shall take effect as if included in
 19 the amendment made by section 201 of the Health
 20 Insurance Portability and Accountability Act of
 21 1996 (Public Law 104–191; 110 Stat. 1992).

22 (g) MEDICARE PAYMENTS TO NEWLY ESTABLISHED
 23 PPS EXEMPT PROVIDERS.—Section 1886(b)(7)(A)(i)(II)
 24 (42 U.S.C. 1395ww(b)(7)(A)(i)(II)) is amended by insert-
 25 ing “(as estimated by the Secretary)” after “median”.

1 (h) OTHER TECHNICAL AMENDMENTS.—

2 (1) Section 1812(b) (42 U.S.C. 1395d(b)) is
3 amended in the matter following paragraph (3) by
4 inserting “during” after “100 visits”.

5 (2) Section 1833(a)(1)(O) (42 U.S.C.
6 1395l(a)(1)(O)) is amended by striking the semi-
7 colon and inserting a comma.

8 (3) Section 1834(h)(4)(A) (42 U.S.C.
9 1395m(h)(4)(A)) is amended—

10 (A) in clause (i), by striking the comma at
11 the end and inserting a semicolon; and

12 (B) in clause (v), by striking “, and” and
13 inserting “; and”.

14 (4) Section 1842(s)(2)(E) (42 U.S.C.
15 1395u(s)(2)(E)) is amended by inserting a period at
16 the end.

17 (5) Section 1848(j)(3) (42 U.S.C. 1395w-
18 4(j)(3)) is amended—

19 (A) by striking “1861(oo)(2),” and insert-
20 ing “1861(oo)(2))”;

21 (B) by striking “(B) ,” and inserting
22 “(B),”; and

23 (C) by striking “and (15)” and inserting “,
24 and (15)”.

1 (6) Section 1851(i)(2) (42 U.S.C. 1395w–
 2 21(i)(2)) is amended by striking “and” after
 3 “1857(f)(2),”.

4 (7) Section 1852 (42 U.S.C. 1395w–22) is
 5 amended—

6 (A) in subsection (a)(3)(A)—

7 (i) by striking the comma after “MSA
 8 plan”; and

9 (ii) by inserting a comma after “the
 10 coverage)”;

11 (B) in subsection (g)—

12 (i) in paragraph (1)(B), by inserting
 13 “or” after “in whole”; and

14 (ii) in paragraph (3)(B)(ii), by insert-
 15 ing a period at the end;

16 (C) in subsection (h)(2), by striking the
 17 comma and inserting a semicolon; and

18 (D) in subsection (k)(2)(C)(ii), by striking
 19 “balancing” and inserting “balance”.

20 (8) Section 1854(a) (42 U.S.C. 1395w–24(a))
 21 is amended—

22 (A) in paragraph (2)—

23 (i) in subparagraph (A), in the matter
 24 preceding clause (i), by inserting “section”
 25 before “1852(a)(1)(A)”; and

1 (ii) in subparagraph (B), in the mat-
 2 ter preceding clause (i), by inserting “sec-
 3 tion” after “described in”;

4 (B) in paragraph (3)—

5 (i) in subparagraph (A), by inserting
 6 “section” after “described in”; and

7 (ii) in subparagraph (B), by inserting
 8 “section” after “described in”; and

9 (C) in paragraph (4)—

10 (i) in the matter preceding subpara-
 11 graph (A), by inserting “section” after
 12 “described in”;

13 (ii) in subparagraph (A), in the mat-
 14 ter preceding clause (i), by inserting “sec-
 15 tion” after “described in”; and

16 (iii) in subparagraph (B), by inserting
 17 “section” after “described in”.

18 (9) Section 1861 (42 U.S.C. 1395x) is
 19 amended—

20 (A) in subsection (s)(2)(T)(ii), by striking
 21 the period and inserting a semicolon;

22 (B) in subsection (aa)(2)—

23 (i) in subparagraph (I), by striking
 24 the comma at the end and inserting a
 25 semicolon; and

1 (ii) by realigning subparagraph (I) so
 2 as to align the left margin of such sub-
 3 paragraph with the left margin of subpara-
 4 graph (H); and

5 (C) in subsection (ss)(1)(G)(i)—

6 (i) by striking “owed” and inserting
 7 “owned”; and

8 (ii) by striking “of” and inserting
 9 “or”.

10 (10) Section 1862(a)(7) (42 U.S.C.
 11 1395y(a)(7)) is amended by striking “subpara-
 12 graphs” and inserting “subparagraph”.

13 (11) Section 1866(a)(1) (42 U.S.C.
 14 1395cc(a)(1)) is amended—

15 (A) in subparagraph (I)(iii), by striking
 16 the semicolon and inserting a comma;

17 (B) in subparagraph (N)(iv), by striking
 18 “and” at the end;

19 (C) in subparagraph (O), by striking the
 20 semicolon at the end and inserting a comma;

21 (D) in subparagraph (Q), by striking the
 22 semicolon at the end and inserting a comma;
 23 and

24 (E) in subparagraph (R), by inserting “,
 25 and” at the end.

1 (12) Section 1882 (42 U.S.C. 1395ss) is
2 amended—

3 (A) in subsection (g)(1), by striking “or”
4 after “does not include”; and

5 (B) in subsection (s)(2)(D), in the matter
6 preceding clause (i), by inserting “section”
7 after “as defined in”.

8 (13) Section 1886 (42 U.S.C. 1395ww) is
9 amended—

10 (A) in subsection (b)—

11 (i) in paragraph (1), in the matter fol-
12 lowing subparagraph (C), by inserting a
13 comma after “paragraph (2)”; and

14 (ii) in paragraph (3)(B)(ii)—

15 (I) in subclause (VI) is amended
16 by striking the semicolon and insert-
17 ing a comma; and

18 (II) in subclause (VII) is amend-
19 ed by striking the semicolon and in-
20 serting a comma; and

21 (B) in subsection (d)—

22 (i) in paragraph (5)(F), by inserting a
23 comma after “1986”; and

24 (ii) in paragraph (9)(A)(ii), by insert-
25 ing a comma after “1987”.

1 (14) Section 1888(e)(4)(E) (42 U.S.C.
2 1395yy(e)(4)(E)) is amended—

3 (A) in clause (i) by striking “federal” and
4 inserting “Federal”; and

5 (B) in clause (ii), in the matter preceding
6 subclause (I), by striking “federal” each place
7 it appears and inserting “Federal”.

8 (15) Section 1895(b)(1) (42 U.S.C.
9 1395fff(b)(1)) is amended by striking “the this sec-
10 tion” and inserting “this section”.

11 (i) EFFECTIVE DATE.—Except as otherwise pro-
12 vided, the amendments made by this section shall take ef-
13 fect as if included in the enactment of the Balanced Budg-
14 et Act of 1997 (Public Law 105–33; 111 Stat. 251).

15 **SEC. 607. EXCLUSION FROM PAYGO SCORECARD.**

16 Any net deficit increase resulting from the enactment
17 of this Act shall not be counted for purposes of section
18 252 of the Balanced Budget and Emergency Deficit Con-
19 trol Act of 1985 (2 U.S.C. 902).

20 **TITLE VII—PROVISIONS RELAT-**
21 **ING TO MEDICAID AND SCHIP**

22 **SEC. 701. MEDICAID-RELATED BBA TECHNICALS.**

23 (a) CROSS-REFERENCE CORRECTIONS.—

1 (1) Section 1902(a)(10)(A)(ii)(XIV) (42 U.S.C.
2 1396a(a)(10)(A)(ii)(XIV)) is amended by striking
3 “1905(u)(2)(C)” and inserting “1905(u)(2)(B)”.

4 (2) Section 1903(f)(4) (42 U.S.C. 1396b(f)(4))
5 is amended, in the matter preceding subparagraph
6 (A), by striking “1905(p)(1), or 1905(u)” and in-
7 serting “1902(a)(10)(A)(ii)(XIII),
8 1902(a)(10)(A)(ii)(XIV), or 1905(p)(1)”.

9 (3) Section 1905(a)(15) (42 U.S.C.
10 1396d(a)(15)) is amended by striking
11 “1902(a)(31)(A)” and inserting “1902(a)(31)”.

12 (4) The amendments made by this subsection
13 shall take effect as if included in the enactment of
14 the Balanced Budget Act of 1997 (Public Law 105–
15 33; 111 Stat. 251).

16 (b) ELIMINATION OF DUPLICATIVE REQUIREMENTS
17 FOR EXTERNAL QUALITY REVIEW OF MEDICAID MAN-
18 AGED CARE ORGANIZATIONS.—

19 (1) Section 1902(a)(30) (42 U.S.C.
20 1396a(a)(30)) is amended—

21 (A) in subparagraph (A), by adding “and”
22 at the end;

23 (B) in subparagraph (B)(ii), by striking
24 “and” at the end; and

25 (C) by striking subparagraph (C).

1 (2) Section 1902(d) (42 U.S.C. 1396a(d)) is
2 amended—

3 (A) by striking “an entity which meets the
4 requirements of section 1152, as determined by
5 the Secretary, for the performance of the qual-
6 ity review functions described in subsection
7 (a)(30)(C), or”;

8 (B) by striking “(including quality review
9 functions described in subsection (a)(30)(C))”;
10 and

11 (C) by striking “entity or” each place it
12 appears.

13 (3) Section 1903 (42 U.S.C. 1396b) is
14 amended—

15 (A) in subsection (a)(3)(C)(i)—

16 (i) by striking “or quality review”;
17 and

18 (ii) by striking “or by an entity which
19 meets the requirements of section 1152, as
20 determined by the Secretary,”; and

21 (B) in subsection (m)(6)(B)—

22 (i) in clause (ii), by adding “and” at
23 the end;

24 (ii) in clause (iii), by striking “; and”
25 and inserting a period; and

1 (iii) by striking clause (iv).

2 (4) The amendments made by this subsection
3 apply as of such date as the Secretary of Health and
4 Human Services certifies to Congress that it is fully
5 implementing section 1932(c)(2) of the Social Secu-
6 rity Act (42 U.S.C. 1396u-2(c)(2)).

7 (c) MAKING ENHANCED MATCH UNDER SCHIP
8 PROGRAM INAPPLICABLE TO MEDICAID DSH PAY-
9 MENTS.—

10 (1) The last sentence of section 1905(b) (42
11 U.S.C. 1396d(b)) is amended by inserting “(other
12 than expenditures under section 1923)” after “with
13 respect to expenditures”.

14 (2) The amendment made by paragraph (1)
15 takes effect on October 1, 1999, and applies to ex-
16 penditures made on or after such date.

17 (d) MAKING DEFERMENT OF THE EFFECTIVE DATE
18 FOR OUTPATIENT DRUG AGREEMENTS OPTIONAL FOR
19 STATES.—

20 (1) Section 1927(a)(1) (42 U.S.C. 1396r-
21 8(a)(1)) is amended by striking “shall not be effec-
22 tive until” and inserting “shall become effective as
23 of the date on which the agreement is entered into
24 or, at State option, on any date thereafter on or be-
25 fore”.

1 (2) The amendment made by paragraph (1) ap-
 2 plies to agreements entered into on or after the date
 3 of enactment of this Act.

4 **SEC. 702. INCREASE IN DISPROPORTIONATE SHARE HOS-**
 5 **PITAL ALLOTMENT FOR CERTAIN STATES**
 6 **AND THE DISTRICT OF COLUMBIA.**

7 (a) IN GENERAL.—The table included in section
 8 1923(f)(2) (42 U.S.C. 1396r-4(f)(2)) is amended under
 9 each of the columns for FY 00, FY 01, and FY 02—

10 (1) at the line for the District of Columbia, by
 11 striking “23” and inserting “32”;

12 (2) at the line for Minnesota, by striking “16”
 13 and inserting “33”;

14 (3) at the line for New Mexico, by striking “5”
 15 and inserting “9”; and

16 (4) at the line for Wyoming, by striking “0”
 17 and inserting “.100”.

18 (b) EFFECTIVE DATE.—The amendments made by
 19 this section shall take effect on October 1, 1999, and ap-
 20 plies to expenditures made on or after such date.

21 **SEC. 703. MAKING MEDICAID DSH TRANSITION RULE PER-**
 22 **MANENT.**

23 (a) IN GENERAL.—Section 4721(e) of the Balanced
 24 Budget Act of 1997 (42 U.S.C. 1396r-4 note) is
 25 amended—

1 (1) in the matter before paragraph (1), by
 2 striking “1923(g)(2)(A)” and “1396r-4(g)(2)(A)”
 3 and inserting “1923(g)(2)” and “1396r-4(g)(2)”,
 4 respectively;

5 (2) in paragraphs (1) and (2)—

6 (A) by striking “, and before July 1,
 7 1999”; and

8 (B) by striking “in such section” and in-
 9 serting “in subparagraph (A) of such section”;
 10 and

11 (3) by striking “and” at the end of paragraph
 12 (1), by striking the period at the end of paragraph
 13 (2) and inserting “; and”, and by adding at the end
 14 the following:

15 “(3) effective for State fiscal years that begin
 16 on or after July 1, 1999, ‘or (b)(1)(B)’ were in-
 17 serted in section 1923(g)(2)(B)(ii)(I) after
 18 ‘(b)(1)(A)’.”.

19 (b) EFFECTIVE DATE.—The amendments made by
 20 this section shall take effect as if included in the enact-
 21 ment of section 4721(e) of the Balanced Budget Act of
 22 1997 (Public Law 105–33; 110 Stat. 514).

1 **SEC. 704. INCREASED ALLOTMENTS FOR TERRITORIES**
 2 **UNDER THE STATE CHILDREN'S HEALTH IN-**
 3 **SURANCE PROGRAM.**

4 Section 2104(c)(4)(B) (42 U.S.C. 1397dd(c)(4)(B))
 5 is amended by inserting “, \$34,200,000 for each of fiscal
 6 years 2000 and 2001, \$25,200,000 for each of fiscal years
 7 2002 through 2004, \$32,400,000 for each of fiscal years
 8 2005 and 2006, and \$40,000,000 for fiscal year 2007”
 9 before the period.

10 **SEC. 705. REMOVAL OF FISCAL YEAR LIMITATION ON CER-**
 11 **TAIN TRANSITIONAL ADMINISTRATIVE COSTS**
 12 **ASSISTANCE.**

13 (a) IN GENERAL.—Section 1931(h) (42 U.S.C.
 14 1396u–1(h)) is amended—

15 (1) in paragraph (3), by striking “and ending
 16 with fiscal year 2000”; and

17 (2) by striking paragraph (4).

18 (b) EFFECTIVE DATE.—The amendments made by
 19 this section shall take effect as if included in the enact-
 20 ment of section 114 of the Personal Responsibility and
 21 Work Opportunity Reconciliation Act of 1996 (Public Law
 22 104–193; 110 Stat. 2177).

23 **SEC. 706. STABILIZING THE SCHIP ALLOTMENT FORMULA.**

24 (a) IN GENERAL.—Section 2104(b) (42 U.S.C.
 25 1397dd(b)) is amended—

26 (1) in paragraph (2)(A)—

1 (A) in clause (i), by striking “through
2 2000” and inserting “and 1999”; and

3 (B) in clause (ii), by striking “2001” and
4 inserting “2000”;

5 (2) by amending paragraph (4) to read as fol-
6 lows:

7 “(4) FLOORS AND CEILINGS IN STATE ALLOT-
8 MENTS.—

9 “(A) IN GENERAL.—The proportion of the
10 allotment under this subsection for a subsection
11 (b) State (as defined in subparagraph (D)) for
12 fiscal year 2000 and each fiscal year thereafter
13 shall be subject to the following floors and ceil-
14 ings:

15 “(i) FLOOR OF \$2,000,000.—A floor
16 equal to \$2,000,000 divided by the total of
17 the amount available under this subsection
18 for all such allotments for the fiscal year.

19 “(ii) ANNUAL FLOOR OF 10 PERCENT
20 BELOW PRECEDING FISCAL YEAR’S PRO-
21 PORTION.—A floor of 90 percent of the
22 proportion for the State for the preceding
23 fiscal year.

24 “(iii) CUMULATIVE FLOOR OF 30 PER-
25 CENT BELOW THE FY 1999 PROPORTION.—

1 A floor of 70 percent of the proportion for
2 the State for fiscal year 1999.

3 “(iv) CUMULATIVE CEILING OF 45
4 PERCENT ABOVE FY 1999 PROPORTION.—A
5 ceiling of 145 percent of the proportion for
6 the State for fiscal year 1999.

7 “(B) RECONCILIATION.—

8 “(i) ELIMINATION OF ANY DEFICIT BY
9 ESTABLISHING A PERCENTAGE INCREASE
10 CEILING FOR STATES WITH HIGHEST AN-
11 NUAL PERCENTAGE INCREASES.—To the
12 extent that the application of subpara-
13 graph (A) would result in the sum of the
14 proportions of the allotments for all sub-
15 section (b) States exceeding 1.0, the Sec-
16 retary shall establish a maximum percent-
17 age increase in such proportions for all
18 subsection (b) States for the fiscal year in
19 a manner so that such sum equals 1.0.

20 “(ii) ALLOCATION OF SURPLUS
21 THROUGH PRO RATA INCREASE.—To the
22 extent that the application of subpara-
23 graph (A) would result in the sum of the
24 proportions of the allotments for all sub-
25 section (b) States being less than 1.0, the

1 proportions of such allotments (as com-
 2 puted before the application of floors under
 3 clauses (i), (ii), and (iii) of subparagraph
 4 (A)) for all subsection (b) States shall be
 5 increased in a pro rata manner (but not to
 6 exceed the ceiling established under sub-
 7 paragraph (A)(iv)) so that (after the appli-
 8 cation of such floors and ceiling) such sum
 9 equals 1.0.

10 “(C) CONSTRUCTION.—This paragraph
 11 shall not be construed as applying to (or taking
 12 into account) amounts of allotments redistrib-
 13 uted under subsection (f).

14 “(D) DEFINITIONS.—In this paragraph:

15 “(i) PROPORTION OF ALLOTMENT.—
 16 The term ‘proportion’ means, with respect
 17 to the allotment of a subsection (b) State
 18 for a fiscal year, the amount of the allot-
 19 ment of such State under this subsection
 20 for the fiscal year divided by the total of
 21 the amount available under this subsection
 22 for all such allotments for the fiscal year.

23 “(ii) SUBSECTION (b) STATE.—The
 24 term ‘subsection (b) State’ means one of

1 the 50 States or the District of Colum-
2 bia.”;

3 (3) in paragraph (2)(B), by striking “the fiscal
4 year” and inserting “the calendar year in which
5 such fiscal year begins”; and

6 (4) in paragraph (3)(B), by striking “the fiscal
7 year involved” and inserting “the calendar year in
8 which such fiscal year begins”.

9 (b) EFFECTIVE DATE.—The amendments made by
10 this section apply to allotments determined under title
11 XXI of the Social Security Act (42 U.S.C. 1397aa et seq.)
12 for fiscal year 2000 and each fiscal year thereafter.

13 **SEC. 707. IMPROVED DATA COLLECTION AND EVALUA-**
14 **TIONS OF THE SCHIP PROGRAM.**

15 (a) FUNDING FOR RELIABLE ANNUAL STATE-BY-
16 STATE ESTIMATES ON THE NUMBER OF CHILDREN WHO
17 DO NOT HAVE HEALTH INSURANCE COVERAGE.—Section
18 2108 (42 U.S.C. 1397hh) is amended by adding at the
19 end the following:

20 “(c) ADJUSTMENT TO CURRENT POPULATION SUR-
21 VEY TO INCLUDE STATE-BY-STATE DATA RELATING TO
22 CHILDREN WITHOUT HEALTH INSURANCE COVERAGE.—

23 “(1) IN GENERAL.—The Secretary of Com-
24 merce shall make appropriate adjustments to the an-
25 nual Current Population Survey conducted by the

1 Bureau of the Census in order to produce statis-
 2 tically reliable annual State data on the number of
 3 low-income children who do not have health insur-
 4 ance coverage, so that real changes in the
 5 uninsurance rates of children can reasonably be de-
 6 tected. The Current Population Survey should
 7 produce data under this subsection that categorizes
 8 such children by family income, age, and race or eth-
 9 nicity. The adjustments made to produce such data
 10 shall include, where appropriate, expanding the sam-
 11 ple size used in the State sampling units, expanding
 12 the number of sampling units in a State, and an ap-
 13 propriate verification element.

14 “(2) APPROPRIATION.—Out of any money in
 15 the Treasury of the United States not otherwise ap-
 16 propriated, there are appropriated \$10,000,000 for
 17 fiscal year 2000 and each fiscal year thereafter for
 18 the purpose of carrying out this subsection.”.

19 (b) FUNDING FOR CHILDREN’S HEALTH CARE AC-
 20 CESS AND UTILIZATION STATE-BY-STATE DATA.—Section
 21 2108 (42 U.S.C. 1397hh), as amended by subsection (a),
 22 is amended by adding at the end the following:

23 “(d) COLLECTION OF CHILDREN’S HEALTH CARE
 24 ACCESS AND UTILIZATION STATE-LEVEL DATA.—

1 “(1) IN GENERAL.—The Secretary, acting
2 through the National Center for Health Statistics
3 (in this subsection referred to as the ‘Center’), shall
4 collect data on children’s health insurance through
5 the State and Local Area Integrated Telephone Sur-
6 vey (SLAITS) for the 50 States and the District of
7 Columbia. Sufficient data shall be collected so as to
8 provide reliable, annual, State-by-State information
9 on the health care access and utilization of children
10 in low-income households, and to allow for compari-
11 sons between demographic subgroups categorized
12 with respect to family income, age, and race or eth-
13 nicity.

14 “(2) SURVEY DESIGN AND CONTENT.—

15 “(A) IN GENERAL.—In carrying out para-
16 graph (1), the Secretary, acting through the
17 Center—

18 “(i) shall obtain input from appro-
19 priate sources, including States, in design-
20 ing the survey and making content deci-
21 sions; and

22 “(ii) at the request of a State, may
23 collect additional data to assist with a
24 State’s evaluation of the program estab-
25 lished under this title.

1 “(B) REIMBURSEMENT OF COSTS OF ADDI-
 2 TIONAL DATA.—A State shall reimburse the
 3 Center for services provided under subpara-
 4 graph (A)(ii).

5 “(3) APPROPRIATION.—Out of any money in
 6 the Treasury of the United States not otherwise ap-
 7 propriated, there are appropriated \$9,000,000 for
 8 fiscal year 2000 and each fiscal year thereafter for
 9 the purpose of carrying out this subsection.”.

10 (c) FEDERAL EVALUATION OF STATE CHILDREN’S
 11 HEALTH INSURANCE PROGRAMS.—Section 2108 (42
 12 U.S.C. 1397hh), as amended by subsections (a) and (b),
 13 is amended—

14 (1) by redesignating subsections (c) and (d) as
 15 subsection (d) and (e), respectively; and

16 (2) by inserting after subsection (b) the fol-
 17 lowing:

18 “(c) FEDERAL EVALUATION.—

19 “(1) IN GENERAL.—The Secretary, directly or
 20 through contracts or interagency agreements, shall
 21 conduct an independent evaluation of 10 States with
 22 approved child health plans.

23 “(2) SELECTION OF STATES.—In selecting
 24 States for the evaluation conducted under this sub-
 25 section, the Secretary shall choose 10 States that

1 utilize diverse approaches to providing child health
2 assistance, represent various geographic areas (in-
3 cluding a mix of rural and urban areas), and contain
4 a significant portion of uncovered children.

5 “(3) MATTERS INCLUDED.—In addition to the
6 elements described in subsection (b)(1), the evalua-
7 tion conducted under this subsection shall include,
8 but is not limited to, the following:

9 “(A) Surveys of the target population (en-
10 rollees, disenrollees, and individuals eligible for
11 but not enrolled in the program under this
12 title).

13 “(B) Evaluation of effective and ineffective
14 outreach and enrollment practices with respect
15 to children (for both the program under this
16 title and the medicaid program under title
17 XIX), and identification of enrollment barriers
18 and key elements of effective outreach and en-
19 rollment practices, including practices that have
20 successfully enrolled hard-to-reach populations
21 such as children who are eligible for medical as-
22 sistance under title XIX but have not been en-
23 rolled previously in the medicaid program under
24 that title.

1 “(C) Evaluation of the extent to which
2 State medicaid eligibility practices and proce-
3 dures under the medicaid program under title
4 XIX are a barrier to the enrollment of children
5 under that program, and the extent to which
6 coordination (or lack of coordination) between
7 that program and the program under this title
8 affects the enrollment of children under both
9 programs.

10 “(D) An assessment of the effect of cost-
11 sharing on utilization, enrollment, and coverage
12 retention.

13 “(E) Evaluation of disenrollment or other
14 retention issues, such as switching to private
15 coverage, failure to pay premiums, or barriers
16 in the recertification process.

17 “(4) SUBMISSION TO CONGRESS.—Not later
18 than December 31, 2001, the Secretary shall submit
19 to Congress the results of the evaluation conducted
20 under this subsection.

21 “(5) FUNDING.—Out of any money in the
22 Treasury of the United States not otherwise appro-
23 priated, there are appropriated \$10,000,000 for fis-
24 cal year 2000 for the purpose of conducting the eval-
25 uation authorized under this subsection. Amounts

1 appropriated under this paragraph shall remain
 2 available without fiscal year limitation.”.

3 (d) INSPECTOR GENERAL AUDIT AND GAO REPORT
 4 ON ENROLLEES ELIGIBLE FOR MEDICAID.—Section 2108
 5 (42 U.S.C. 1397hh), as amended by subsection (c), is
 6 amended by adding at the end the following:

7 “(f) INSPECTOR GENERAL AUDIT AND GAO RE-
 8 PORT.—

9 “(1) AUDIT.—Beginning with fiscal year 2000,
 10 and every third fiscal year thereafter, the Secretary,
 11 through the Inspector General of the Department of
 12 Health and Human Services, shall audit a sample
 13 from among the States described in paragraph (2)
 14 in order to—

15 “(A) determine the number, if any,
 16 of enrollees under the plan under this title who
 17 are eligible for medical assistance under title
 18 XIX (other than as optional targeted
 19 low-income children under section
 20 1902(a)(10)(A)(ii)(XIV)); and

21 “(B) assess the progress made in reducing
 22 the number of targeted uncovered low-income
 23 children relative to the goals established in the
 24 State child health plan, as reported to the Sec-
 25 retary in accordance with subsection (a)(2).

1 “(2) STATE DESCRIBED.—A State described in
 2 this paragraph is a State with an approved State
 3 child health plan under this title that does not, as
 4 part of such plan, provide health benefits coverage
 5 under the State’s medicaid program under title XIX.

6 “(3) MONITORING AND REPORT FROM GAO.—
 7 The Comptroller General of the United States shall
 8 monitor the audits conducted under this subsection
 9 and, not later than March 1 of each fiscal year after
 10 a fiscal year in which an audit is conducted under
 11 this subsection, shall submit a report to Congress on
 12 the results of the audit conducted during the prior
 13 fiscal year.”.

14 (e) COORDINATION OF DATA COLLECTION WITH
 15 DATA REQUIREMENTS UNDER THE MATERNAL AND
 16 CHILD HEALTH SERVICES BLOCK GRANT.—Subpara-
 17 graphs (C)(ii) and (D)(ii) of section 506(a)(2) (42 U.S.C.
 18 706(a)(2)) are each amended by inserting “or the State
 19 plan under title XXI” after “title XIX”.

20 (f) COORDINATION OF DATA SURVEYS AND RE-
 21 PORTS.—The Secretary of Health and Human Services,
 22 through the Assistant Secretary for Planning and Evalua-
 23 tion, shall establish a clearinghouse for the consolidation
 24 and coordination of all Federal databases and reports re-
 25 garding children’s health.

1 **SEC. 708. GRANTS TO STATES FOR ITEMS AND SERVICES**
 2 **PROVIDED BY FEDERALLY-QUALIFIED**
 3 **HEALTH CENTERS AND RURAL HEALTH CLIN-**
 4 **ICS.**

5 (a) ESTABLISHMENT.—

6 (1) IN GENERAL.—Beginning with fiscal year
 7 2001, the Secretary shall award a grant to a State
 8 described in paragraph (2) for payment for items
 9 and services provided by Federally-qualified health
 10 centers and rural health clinics located in the
 11 State—

12 (A) to individuals who are not eligible for
 13 medical assistance under the State plan under
 14 title XIX of the Social Security Act (42 U.S.C.
 15 1396 et seq.); and

16 (B) that would be considered medical as-
 17 sistance under the State plan under such title
 18 if such items and services were provided to an
 19 individual eligible for such assistance.

20 (2) STATE DESCRIBED.—

21 (A) IN GENERAL.—A State described in
 22 this paragraph is a State that has not elected
 23 to provide payment for Federally-qualified
 24 health center services and rural health clinic
 25 services provided under the State plan under
 26 title XIX of the Social Security Act, or under

1 a waiver of such plan approved under section
2 1115 of that Act (42 U.S.C. 1315), in accord-
3 ance with the phase-out of the reasonable cost
4 basis for payment for such services provided in
5 section 1902(a)(13)(C) of the Social Security
6 Act (42 U.S.C. 1396a(a)(13)(C)), as amended
7 by section 4712(a) of the Balanced Budget Act
8 of 1997 (Public Law 105–33; 111 Stat. 508).

9 (B) EXCEPTION.—In the case of a State
10 that, as of October 1, 1999, has elected to pro-
11 vide payment for 95 percent of the costs of
12 Federally-qualified health center services and
13 rural health clinic services furnished during fis-
14 cal year 2000 under such State plan or waiver,
15 in accordance with section 1902(a)(13)(C) of
16 the Social Security Act (as so amended), the
17 State shall be considered to be a State de-
18 scribed in subparagraph (A) if the State reverts
19 to providing payment for 100 percent of the
20 costs of such services under such State plan or
21 waiver during fiscal years 2001 through 2003.

22 (3) APPLICATION.—A State shall submit an ap-
23 plication for a grant under this section at such time,
24 in such manner, and containing, in addition to the

1 methodology required under subsection (c)(1), such
 2 information as the Secretary may determine.

3 (b) AMOUNT OF GRANTS.—

4 (1) BASED ON NUMBER OF LOW-INCOME INDIVIDUALS.—
 5

6 (A) IN GENERAL.—Out of funds appropriated under subsection (d) for each of fiscal
 7 years 2001 through 2003, the Secretary shall,
 8 subject to paragraphs (2) and (3), allot to each
 9 State eligible for a grant under this section for
 10 the fiscal year an amount equal to the ratio
 11 of—
 12

13 (i) the number of low-income individuals
 14 in the State for the fiscal year; to

15 (ii) the total number of such individuals
 16 in all such States for the fiscal year.

17 (B) DETERMINATION OF NUMBER OF LOW-INCOME INDIVIDUALS.—For purposes of sub-
 18 paragraph (A), a determination of the number
 19 of low-income individuals for a State for a fiscal
 20 year shall be made on the basis of the arithmetic
 21 average of the number of such individuals,
 22 as reported and defined in the 3 most recent
 23 March supplements to the Current Population
 24 Survey of the Bureau of the Census be-
 25

1 fore the beginning of the calendar year in which
 2 such fiscal year begins.

3 (2) MINIMUM AMOUNT.—In no case shall the
 4 amount of a grant to a State under this section for
 5 any fiscal year be less than \$400,000.

6 (3) RECONCILIATION.—The Secretary shall
 7 make pro rata adjustments as necessary to the allot-
 8 ments determined under this subsection in order to
 9 comply with the requirement of paragraph (2).

10 (4) NO MATCHING REQUIREMENT.—Nothing in
 11 this section shall be construed as requiring a State
 12 to expend or provide funds in order to receive funds
 13 under a grant made under this section.

14 (5) 3-YEAR AVAILABILITY OF AMOUNTS ALLOT-
 15 TED.—Amounts allotted to a State under a grant
 16 made under this section for a fiscal year shall re-
 17 main available for expenditure by the State through
 18 the end of the second succeeding fiscal year.

19 (c) LIMITATIONS ON USE OF FUNDS.—

20 (1) IN GENERAL.—Subject to paragraph (2),
 21 funds provided to a State under a grant made under
 22 this section for any fiscal year—

23 (A) shall be distributed among all the Fed-
 24 erally-qualified health centers and rural health
 25 clinics located in the State in accordance with

a methodology approved in advance by the Secretary that imposes a uniform criteria for such distribution, based on factors such as size of caseload and treatment costs; and

(B) may only be used for payment for items and services described in subsection (a)(1).

(2) STATE OPTION TO RETAIN FUNDS FOR ADMINISTRATIVE COSTS.—A State that receives a grant under this section for a fiscal year may retain up to 15 percent of the amount allotted to the State for the fiscal year for administrative expenditures incurred by the State with respect to Federally-qualified health centers and rural health clinics located in the State.

(d) APPROPRIATION.—Out of any funds in the Treasury not otherwise appropriated, there is authorized to be appropriated and there is appropriated to make grants under this section \$25,000,000 for each of fiscal years 2001 through 2003.

(e) DEFINITIONS.—In this section:

(1) FEDERALLY-QUALIFIED HEALTH CENTER; FEDERALLY-QUALIFIED HEALTH CENTER SERVICES.—The terms “Federally-qualified health center” and “Federally-qualified health center services”

1 have the meanings given those terms in section
2 1905(l)(2) of the Social Security Act (42 U.S.C.
3 1396d(l)(2)).

4 (2) RURAL HEALTH CLINIC; RURAL HEALTH
5 CLINIC SERVICES.—The terms “rural health clinic”
6 and “rural health clinic services” have the meanings
7 given those terms in section 1905(l)(1) of the Social
8 Security Act (42 U.S.C. 1396d(l)(1)).

9 (3) SECRETARY.—The term ‘Secretary’ means
10 the Secretary of Health and Human Services.

11 (f) GAO STUDY AND REPORT.—

12 (1) STUDY.—The Comptroller General of the
13 United States shall conduct a study to determine the
14 impact on Federally-qualified health centers and
15 rural health clinics of the phase-out of the reason-
16 able cost basis for payment for Federally-qualified
17 health center services and rural health clinic services
18 provided in section 1902(a)(13)(C) of the Social Se-
19 curity Act (42 U.S.C. 1396a(a)(13)(C)), as amended
20 by section 4712(a) of the Balanced Budget Act of
21 1997 (Public Law 105–33; 111 Stat. 508).

22 (2) REPORT.—Beginning with November 1,
23 2000, and annually thereafter through November 1,
24 2003, the Comptroller General shall submit a report
25 to Congress on the results of the study conducted

1 under this subsection, together with any rec-
 2 ommendations for legislation that the Comptroller
 3 General determines to be appropriate as a result of
 4 such study.

5 **SEC. 709. ADDITIONAL TECHNICAL CORRECTIONS.**

6 (a) Section 1902(a)(64) (42 U.S.C. 1396a(a)(64)) is
 7 amended by adding “and” at the end.

8 (b) Section 1902(j) (42 U.S.C. 1396a(j)) is amended
 9 by striking “of of” and inserting “of”.

10 (c) Section 1902(l) (42 U.S.C. 1396a(l)) is
 11 amended—

12 (1) in paragraph (1)(C), by striking “children
 13 children” and inserting “children”;

14 (2) in paragraph (3), in the matter preceding
 15 subparagraph (A), by striking the first comma after
 16 “(a)(10)(A)(i)(VII)”;

17 (3) in paragraph (4)(B), by inserting a comma
 18 after “(a)(10)(A)(i)(IV)”.

19 (d) Section 1902(v) (42 U.S.C. 1396a(v)) is amended
 20 by striking “(1)”.

21 (e) Section 1903(b)(4) (42 U.S.C. 1396b(b)(4)) is
 22 amended, in the matter preceding subparagraph (A), by
 23 inserting “of” after “for the use”.

24 (f) The left margins of clauses (i) and (ii) of section
 25 1903(d)(3)(B) (42 U.S.C. 1396b(d)(3)(B)) are each re-

1 aligned so as to align with the left margin of section
2 1903(d)(3)(A).

3 (g) Section 1903(f)(2) (42 U.S.C. 1396b(f)(2)) is
4 amended by striking the extra period at the end.

5 (h) Section 1903(i)(14) (1396b(i)(14)) is amended by
6 adding “or” after the semicolon.

7 (i) Section 1903(m)(2)(A) (42 U.S.C.
8 1396b(m)(2)(A)) is amended—

9 (1) in clause (vi), by striking the semicolon the
10 first place it appears; and

11 (2) by redesignating the clause (xi) added by
12 section 4701(c)(3) of the Balanced Budget Act of
13 1997 (Public Law 105–33; 111 Stat. 493) as clause
14 (xii).

15 (j) Section 1903(o) (42 U.S.C. 1396b(o)) is amended
16 by striking “1974))” and inserting “1974”).

17 (k) Section 1903(w) (42 U.S.C. 1396b(w)) is
18 amended—

19 (1) in paragraph (1)(B), by striking “puroses”
20 and inserting “purposes”;

21 (2) in paragraph (3)(B), by inserting a comma
22 after “(D)”;

23 (3) by realigning the left margin of clause (viii)
24 in paragraph (7)(A) so as to align with the left mar-
25 gin of clause (vii) of that paragraph.+

1 (l) Section 1905(b)(1) (42 U.S.C. 1396d(b)(1)) is
 2 amended by striking “per centum,,” and inserting “per
 3 centum,”.

4 (m) Section 1905(l)(2)(B) (42 U.S.C.
 5 1936d(l)(2)(B)) is amended by striking “a entity” and in-
 6 serting “an entity”.

7 (n) The heading for section 1910 (42 U.S.C. 1396i)
 8 is amended by striking “OF” the first place it appears.

9 (o) Section 1915 (42 U.S.C. 1396n) is amended—

10 (1) in subsection (b), by striking
 11 “1902(a)(13)(E)” and inserting “1902(a)(13)(C)”;

12 (2) in the last sentence of subsection
 13 (d)(5)(B)(iii), by striking “75” and inserting “65”;
 14 and

15 (3) in subsection (h), by striking “90 day” and
 16 inserting “90 days”.

17 (p) Section 1919 (42 U.S.C. 1396r) is amended—

18 (1) in subsection (b)(3)(C)(i)(I), by striking
 19 “not later than” the first place it appears; and

20 (2) in subsection (d)(4)(A), by striking “1124”
 21 and inserting “1124)”.

22 (q) Section 1920(b)(2)(D)(i)(I) (42 U.S.C. 1396r-
 23 1(b)(2)(D)(i)(I)) is amended by striking “329, 330, or
 24 340” and inserting “330 or 330A”.

1 (r) Section 1920A(d)(1)(B) (42 U.S.C. 1396r–
 2 1a(d)(1)(B)) is amended by striking “a entity” and insert-
 3 ing “an entity”.

4 (s) Section 1923(c)(3)(B) (42 U.S.C. 1396r–
 5 4(c)(3)(B)) is amended by striking “patients.” and insert-
 6 ing “patients,”.

7 (t) Section 1925 (42 U.S.C. 1396r–6) is amended—

8 (1) in subsection (a)(3)(C), by striking “(i)(VI)
 9 (i)(VII),,” and inserting “(i)(VI), (i)(VII),”; and

10 (2) in subsection (b)(3)(C)(i), by striking
 11 “(i)(IV) (i)(VI) (i)(VII),,” and inserting “(i)(IV),
 12 (i)(VI), (i)(VII),”.

13 (u) Section 1927 (42 U.S.C. 1396r–8) is amended—

14 (1) in subsection (g)(2)(A)(ii)(II)(cc), by strik-
 15 ing “individuals” and inserting “individual’s”;

16 (2) in subsection (i)(1), by striking “the the”
 17 and inserting “the”; and

18 (3) in subsection (k)(7)—

19 (A) in subparagraph (A)(iv), by striking
 20 “distributers” and inserting “distributors”; and

21 (B) in subparagraph (C)(i), by striking
 22 “pharmaceutically” and inserting “pharma-
 23 ceutically”.

24 (v) Section 1929 (42 U.S.C. 1396t) is amended—

1 (1) in subsection (c)(2), by realigning the left
 2 margins of clauses (i) and (ii) of subparagraph (E)
 3 so as to align with the left margins of clauses (i)
 4 and (ii) of subparagraph (F) of that subsection;

5 (2) in subsection (k)(1)(A)(i), by striking “set-
 6 tings,” and inserting “settings),”; and

7 (3) in subsection (l), by striking “State wide-
 8 ness” and inserting “Statewideness”.

9 (w) Section 1932 (42 U.S.C. 1396u–2) is amended—
 10 (1) in subsection (c)(2)(C), by inserting “part”
 11 before “C of title XVIII”; and

12 (2) in subsection (d)—

13 (A) in paragraph (1)(C)(ii), by striking
 14 “Act” and inserting “Regulation”; and

15 (B) in paragraph (2)(B), by striking
 16 “1903(t)(3)” and inserting “1905(t)(3)”.

17 (x) Section 1933(b)(4) (42 U.S.C. 1396u–3(b)(4)) is
 18 amended by inserting “a” after “for a month in”.

19 (y) Section 2104(b)(3)(B) (42 U.S.C.
 20 1397dd(b)(3)(B)) is amended by striking “States.” and
 21 inserting “States,”.

22 (z) Section 2105(d)(2)(B)(iii) (42 U.S.C.
 23 1397ee(d)(2)(B)(iii)) is amended by inserting “in” after
 24 “described”.

1 (aa) Section 2109(a) (42 U.S.C.1397ii(a)) is
2 amended—

3 (1) in paragraph (1), by striking “title II” and
4 inserting “title I”; and

5 (2) in paragraph (2), by inserting “)” before
6 the period.

7 (bb)(1) The section 1908 (42 U.S.C. 1396g–1) that
8 relates to required laws relating to medical child support
9 is redesignated as section 1908A.

10 (2) Section 1902(a)(60) (42 U.S.C. 1396b(a)(60)) is
11 amended by striking “1908” and inserting “1908A”.

12 (cc) Effective October 1, 2003, section 1915(b) (42
13 U.S.C. 1396n(b)) is amended, in the matter preceding
14 paragraph (1), by striking “sections 1902(a)(13)(C) and”
15 and inserting “section”.

16 (dd) Except as otherwise provided, the amendments
17 made by this section shall take effect on the date of enact-
18 ment of this Act.