

106TH CONGRESS  
1ST SESSION

# S. 391

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

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## IN THE SENATE OF THE UNITED STATES

FEBRUARY 8, 1999

Mr. KERREY (for himself, Mr. BOND, Mr. KENNEDY, Mr. GORTON, Mr. GRAHAM, Mr. DEWINE, Mr. MOYNIHAN, Mr. DURBIN, Mr. INOUE, Mr. MACK, and Mrs. MURRAY) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

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

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

### 3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Children’s Hospitals  
5 Education and Research Act of 1999”.

### 6 **SEC. 2. PROGRAM OF PAYMENTS TO CHILDREN’S HOS-** 7 **PITALS THAT OPERATE GRADUATE MEDICAL** 8 **EDUCATION PROGRAMS.**

9 (a) PAYMENTS.—

1           (1) IN GENERAL.—The Secretary shall make  
 2           payments under this section to each children’s hos-  
 3           pital for each hospital cost reporting period under  
 4           the medicare program beginning in or after fiscal  
 5           year 2000 and before fiscal year 2004 for the—

6                   (A) direct expenses associated with operat-  
 7           ing approved medical residency training pro-  
 8           grams; and

9                   (B) indirect expenses associated with the  
 10          treatment of more severely ill patients and the  
 11          additional costs related to the teaching of resi-  
 12          dents.

13          (2) PAYMENT AMOUNTS.—Subject to paragraph  
 14          (3), the following amounts shall be payable under  
 15          this section to a children’s hospital for a cost report-  
 16          ing period described in paragraph (1):

17                   (A) DIRECT EXPENSES.—The amount de-  
 18          termined under subsection (b) for direct ex-  
 19          penses described in paragraph (1)(A).

20                   (B) INDIRECT EXPENSES.—The amount  
 21          determined under subsection (c) for indirect ex-  
 22          penses described in paragraph (1)(B)

23          (3) CAPPED AMOUNT.—

24                   (A) IN GENERAL.—The payments to chil-  
 25          dren’s hospitals established in this subsection

for cost reporting periods ending in any fiscal year shall not exceed the funds appropriated under subsection (e) for that fiscal year.

(B) PRO RATA REDUCTIONS OF PAYMENTS FOR DIRECT EXPENSES.—If the Secretary determines that the amount of funds appropriated under subsection (e)(1) for cost reporting periods ending in any fiscal year is insufficient to provide the total amount of payments otherwise due for such periods, the Secretary shall reduce each of the amounts payable under this section pursuant to paragraph (2)(A) for such period on a pro rata basis to reflect such shortfall.

(b) AMOUNT OF PAYMENT FOR DIRECT MEDICAL EDUCATION.—

(1) IN GENERAL.—The amount determined under this subsection for payments to a children's hospital for direct expenses relating to approved medical residency training programs for a cost reporting period beginning in or after fiscal year 2000 and before fiscal year 2004 is equal to the product of—

(A) the updated per resident amount for direct medical education, as determined under

1 paragraph (2), for the cost reporting period;  
2 and

3 (B) the number of full-time equivalent resi-  
4 dents in the hospital's approved medical resi-  
5 dency training programs (as determined under  
6 section 1886(h)(4) of the Social Security Act  
7 (42 U.S.C. 1395ww(h)(4))) for the cost report-  
8 ing period.

9 (2) UPDATED PER RESIDENT AMOUNT FOR DI-  
10 RECT MEDICAL EDUCATION.—The updated per resi-  
11 dent amount for direct medical education for a hos-  
12 pital for a cost reporting period ending in a fiscal  
13 year is an amount equal to the per resident amount  
14 for cost reporting periods ending during fiscal year  
15 1999 for the hospital involved (as determined by the  
16 Secretary using the methodology described in section  
17 1886(h)(2)(E)) of such Act (42 U.S.C.  
18 1395ww(h)(2)(E))) increased by the percentage in-  
19 crease in the Consumer Price Index for All Urban  
20 Consumers (United States city average) from fiscal  
21 year 1999 through the fiscal year involved.

22 (c) AMOUNT OF PAYMENT FOR INDIRECT MEDICAL  
23 EDUCATION.—

24 (1) IN GENERAL.—The amount determined  
25 under this subsection for payments to a children's

1 hospital for indirect expenses associated with the  
2 treatment of more severely ill patients and the addi-  
3 tional costs related to the teaching of residents for  
4 a cost reporting period beginning in or after fiscal  
5 year 2000 and before fiscal year 2004 is equal to  
6 an amount determined appropriate by the Secretary.

7 (2) FACTORS.—In determining the amount  
8 under paragraph (1), the Secretary shall—

9 (A) take into account variations in case  
10 mix among children's hospitals and the number  
11 of full-time equivalent residents in the hospitals'  
12 approved medical residency training programs  
13 for the cost reporting period; and

14 (B) assure that the aggregate of the pay-  
15 ments for indirect expenses associated with the  
16 treatment of more severely ill patients and the  
17 additional costs related to the teaching of resi-  
18 dents under this section in a fiscal year are  
19 equal to the amount appropriated for such ex-  
20 penses in such year under subsection (e)(2).

21 (d) MAKING OF PAYMENTS.—

22 (1) INTERIM PAYMENTS.—The Secretary shall  
23 estimate, before the beginning of each cost reporting  
24 period for a hospital for which the payments may be  
25 made under this section, the amounts of the pay-

1       ments for such period and shall (subject to para-  
2       graph (2)) make the payments of such amounts in  
3       26 equal interim installments during such period.

4               (2) WITHHOLDING.—The Secretary shall with-  
5       hold up to 25 percent from each interim installment  
6       paid under paragraph (1).

7               (3) RECONCILIATION.—At the end of each such  
8       period, the hospital shall submit to the Secretary  
9       such information as the Secretary determines to be  
10      necessary to determine the percent (if any) of the  
11      total amount withheld under paragraph (2) that is  
12      due under this section for the hospital for the pe-  
13      riod. Based on such determination, the Secretary  
14      shall recoup any overpayments made, or pay any  
15      balance due. The amount so determined shall be  
16      considered a final intermediary determination for  
17      purposes of applying section 1878 of the Social Se-  
18      curity Act (42 U.S.C. 1395oo) and shall be subject  
19      to review under that section in the same manner as  
20      the amount of payment under section 1886(d) of  
21      such Act (42 U.S.C. 1395ww(d)) is subject to review  
22      under such section.

23              (e) LIMITATION ON EXPENDITURES.—

24                      (1) DIRECT MEDICAL EDUCATION.—

(A) IN GENERAL.—Subject to subparagraph (B), there are hereby appropriated, out of any money in the Treasury not otherwise appropriated, for payments under this section for direct expenses relating to approved medical residency training programs for cost reporting periods beginning in—

(i) fiscal year 2000, \$35,000,000;

(ii) fiscal year 2001, \$95,000,000;

(iii) fiscal year 2002, \$95,000,000;

and

(iv) fiscal year 2003, \$95,000,000.

(B) CARRYOVER OF EXCESS.—If the amount of payments under this section for cost reporting periods beginning in fiscal year 2000, 2001, or 2002 is less than the amount provided under this paragraph for such payments for such periods, then the amount available under this paragraph for cost reporting periods beginning in the following fiscal year shall be increased by the amount of such difference.

(2) INDIRECT MEDICAL EDUCATION.—There are hereby appropriated, out of any money in the Treasury not otherwise appropriated, for payments under this section for indirect expenses associated

1 with the treatment of more severely ill patients and  
 2 the additional costs related to the teaching of resi-  
 3 dents for cost reporting periods beginning in—

4 (A) fiscal year 2000, \$65,000,000;

5 (B) fiscal year 2001, \$190,000,000;

6 (C) fiscal year 2002, \$190,000,000; and

7 (D) fiscal year 2003, \$190,000,000.

8 (f) RELATION TO MEDICARE AND MEDICAID PAY-  
 9 MENTS.—Notwithstanding any other provision of law,  
 10 payments under this section to a hospital for a cost report-  
 11 ing period—

12 (1) are in lieu of any amounts otherwise pay-  
 13 able to the hospital under section 1886(h) or  
 14 1886(d)(5)(B) of the Social Security Act (42 U.S.C.  
 15 1395ww(h); 1395ww(d)(5)B)) to the hospital for  
 16 such cost reporting period, but

17 (2) shall not affect the amounts otherwise pay-  
 18 able to such hospitals under a State medicaid plan  
 19 under title XIX of such Act (42 U.S.C. 1396 et  
 20 seq.).

21 (g) DEFINITIONS.—In this section:

22 (1) APPROVED MEDICAL RESIDENCY TRAINING  
 23 PROGRAM.—The term “approved medical residency  
 24 training program” has the meaning given such term



1 in section 1886(h)(5)(A) of the Social Security Act  
2 (42 U.S.C. 1395ww(h)(5)(A)).

3 (2) CHILDREN’S HOSPITAL.—The term “chil-  
4 dren’s hospital” means a hospital described in sec-  
5 tion 1886(d)(1)(B)(iii) of the Social Security Act  
6 (42 U.S.C. 1395ww(d)(1)(B)(iii)).

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

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

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