

107TH CONGRESS  
1ST SESSION

# H. R. 2157

To address health care disparities in rural areas by amending title XVIII of the Social Security Act, the Public Health Service Act, and the Internal Revenue Code of 1986, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 13, 2001

Mr. MORAN of Kansas (for himself, Mr. MCINTYRE, Mr. BEREUTER, Mr. STENHOLM, Mr. BRADY of Texas, Mr. TANNER, Mr. NUSSLE, Mr. HILLIARD, Mr. POMEROY, Mr. STUPAK, Mrs. THURMAN, Mr. BASS, Mr. NETHERCUTT, Mr. WICKER, Mrs. EMERSON, Mr. KIND, Mr. PETERSON of Pennsylvania, Mr. SANDLIN, Mr. THUNE, Mr. SWEENEY, Mr. CARSON of Oklahoma, Mr. OBERSTAR, Mr. RAHALL, Mr. SKELTON, Mr. WATKINS of Oklahoma, Mr. GORDON, Mr. CRAMER, Mr. EHLERS, Mr. HOLDEN, Mr. LEWIS of Kentucky, Mr. McHUGH, Mr. FOLEY, Mr. HILLEARY, Mr. JONES of North Carolina, Mr. BOSWELL, Mr. GOODE, Ms. HOOLEY of Oregon, Mr. PICKERING, Mr. SHIMKUS, Mr. BAIRD, Mr. HAYES, Mr. PHELPS, Mr. TERRY, Mr. KENNEDY of Minnesota, Mr. PUTNAM, and Mr. Ross) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To address health care disparities in rural areas by amending title XVIII of the Social Security Act, the Public Health Service Act, and the Internal Revenue Code of 1986, and for other purposes.

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; REFERENCES TO BIPA; TABLE**  
 4 **OF CONTENTS.**

5       (a) **SHORT TITLE.**—This Act may be cited as the  
 6 “Rural Health Care Improvement Act of 2001”.

7       (b) **REFERENCES TO BIPA.**—In this Act, the term  
 8 “BIPA” means the Medicare, Medicaid, and SCHIP Ben-  
 9 efits Improvement and Protection Act of 2000 (114 Stat.  
 10 2763A–463 et seq.), as enacted into law by section 1(a)(6)  
 11 of Public Law 106–554.

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

See. 1. Short title; table of contents.

**TITLE I—RURAL MEDICARE REFORMS**

**Subtitle A—Rural Hospital Improvements**

Sec. 101. Fairness in the disproportionate share hospital (DSH) adjustment for rural hospitals.

Sec. 102. Establishing a single standardized amount under inpatient hospital prospective payment system.

Sec. 103. Hospital geographic reclassification for labor costs for all items and services reimbursed under prospective payment systems.

Sec. 104. Treatment of certain physician pathology services.

**Subtitle B—Rural Home Health Improvements**

Sec. 111. Elimination of 15 percent reduction in payment rates under the prospective payment system for home health services.

Sec. 112. Permanent increase for home health services furnished in a rural area.

**Subtitle C—Rural Health Clinic Improvements**

Sec. 121. Improvement in rural health clinic reimbursement.

Sec. 122. Exclusion of certain rural health clinic services and Federally qualified health center services from the prospective payment system for covered skilled nursing facility services.

TITLE II—RURAL GRANT AND LOAN PROGRAMS FOR INFRASTRUCTURE, TECHNOLOGY, AND TELEHEALTH

Sec. 201. Capital infrastructure revolving loan program.

Sec. 202. High technology acquisition grant and loan program.

Sec. 203. Establishment of telehealth resource centers.

TITLE III—NATIONAL HEALTH SERVICE CORPS TAX RELIEF

Sec. 301. Exclusion of certain amounts received under the National Health Service Corps Loan Repayment Program.

**1                   TITLE I—RURAL MEDICARE  
2                   REFORMS**

**3                   Subtitle A—Rural Hospital  
4                   Improvements**

**5    SEC. 101. FAIRNESS IN THE DISPROPORTIONATE SHARE  
6                   HOSPITAL (DSH) ADJUSTMENT FOR RURAL  
7                   HOSPITALS.**

**8                   (a) EQUALIZING DSH PAYMENT AMOUNTS.—**  
**9                   (1) IN GENERAL.—**Section 1886(d)(5)(F)(vii) of the Social Security Act (42 U.S.C. 1395ww(d)(5)(F)(vii)) is amended by inserting “, and, after October 1, 2001, for any other hospital described in clause (iv),” after “clause (iv)(I)”.

**14                   (2) CONFORMING AMENDMENTS.—**Section 1886(d)(5)(F) of such Act (42 U.S.C. 1395ww(d)(5)(F)), as amended by section 211 of BIPA (114 Stat. 2763A–483), is amended—

**18                   (A) in clause (iv)—**  
**19                   (i) in subclause (II), by inserting “or,**  
**20                   for discharges occurring on or after Octo-**

5 (ii) in subclause (III), by inserting  
6 “or, for discharges occurring on or after  
7 October 1, 2001, is equal to the percent  
8 determined in accordance with the applica-  
9 ble formula described in clause (vii)” after  
10 “clause (xii)”;

11 (iii) in subclause (IV), by inserting  
12 “or, for discharges occurring on or after  
13 October 1, 2001, is equal to the percent  
14 determined in accordance with the applica-  
15 ble formula described in clause (vii)” after  
16 “clause (x) or (xi)”;

17 (iv) in subclause (V), by inserting “or,  
18 for discharges occurring on or after Octo-  
19 ber 1, 2001, is equal to the percent deter-  
20 mined in accordance with the applicable  
21 formula described in clause (vii)” after  
22 “clause (xi)” ; and

23 (v) in subclause (VI), by inserting  
24 "or, for discharges occurring on or after  
25 October 1, 2001, is equal to the percent

4 (B) in clause (viii), by striking “The for-  
5 mula” and inserting “For discharges occurring  
6 before October 1, 2001, the formula”; and

11 (b) EFFECTIVE DATE.—The amendments made by  
12 this section shall apply with respect to discharges occur-  
13 ring on or after October 1, 2001.

14 SEC. 102. ESTABLISHING A SINGLE STANDARDIZED  
15 AMOUNT UNDER INPATIENT HOSPITAL PRO-  
16 SPECTIVE PAYMENT SYSTEM.

17 (a) IN GENERAL.—Section 1886(d)(3)(A) of the So-  
18 cial Security Act (42 U.S.C. 1395ww(d)(3)(A)) is  
19 amended—

23 (2) by redesignating clauses (v) and (vi) as  
24 clauses (vii) and (viii), respectively, and inserting  
25 after clause (iv) the following new clauses:

1                         “(v) For discharges occurring in the fiscal year  
2 beginning on October 1, 2001, the average standard-  
3 ized amount for hospitals located in areas other than  
4 a large urban area shall be equal to the average  
5 standardized amount for hospitals located in a large  
6 urban area.

7                         “(vi) For discharges occurring in a fiscal year  
8 beginning on or after October 1, 2002, the Secretary  
9 shall compute an average standardized amount for  
10 hospitals located in all areas within the United  
11 States equal to the average standardized amount  
12 computed under clause (v) or this clause for the pre-  
13 vious fiscal year increased by the applicable percent-  
14 age increase under subsection (b)(3)(B)(i) for the  
15 fiscal year involved.”.

16 (b) CONFORMING AMENDMENTS.—

17                         (1)                         UPDATE                         FACTOR.—Section  
18 1886(b)(3)(B)(i)(XVII) of the Social Security Act  
19 (42 U.S.C. 1395ww(b)(3)(B)(i)(XVII)) is amended  
20 by striking “for hospitals in all areas,” and inserting  
21 “for hospitals located in a large urban area.”.

22                         (2) COMPUTING DRG-SPECIFIC RATES.—

23                         (A) IN GENERAL.—Section 1886(d)(3)(D)  
24 of such Act (42 U.S.C. 1395ww(d)(3)(D)) is  
25 amended—

1 (i) in the heading by striking “IN DIFFERENT AREAS”;

2

3 (ii) in the matter preceding clause

4 (i)—

5 (I) by inserting “for fiscal years  
6 before fiscal year 1997” before “a re-  
7 gional DRG prospective payment rate  
8 for each region;” and

9 (II) by striking “each of which  
10 is”;

11 (iii) in clause (i)—

12 (I) by inserting “for fiscal years  
13 before fiscal year 2002,” after “(i);”  
14 and

15 (II) by striking “and” at the end;

16 (iv) in clause (ii)—

17 (I) by inserting “for fiscal years  
18 before fiscal year 2002,” after “(ii);”  
19 and

20 (II) by striking the period at the  
21 end and inserting “; and”; and

22 (v) by adding at the end the following  
23 new clause:

1                     “(iii) for a fiscal year beginning after fiscal  
2                     year 2001, for hospitals located in all areas, to  
3                     the product of—

4                     “(I) the applicable average standard-  
5                     ized amount (computed under subparagraph  
6                     (A)), reduced under subparagraph  
7                     (B), and adjusted or reduced under sub-  
8                     paragraph (C) for the fiscal year; and

9                     “(II) the weighting factor (determined  
10                     under paragraph (4)(B)) for that diag-  
11                     nosis-related group.”.

12                     (B) TECHNICAL CONFORMING SUNSET.—  
13                     Section 1886(d)(3) of such Act (42 U.S.C.  
14                     1395ww(d)(3)) is amended in the matter pre-  
15                     ceding subparagraph (A) by inserting “for fiscal  
16                     years before fiscal year 1997” before “a re-  
17                     gional DRG prospective payment rate”.

18 **SEC. 103. HOSPITAL GEOGRAPHIC RECLASSIFICATION FOR**  
19                     **LABOR COSTS FOR ALL ITEMS AND SERVICES**  
20                     **REIMBURSED UNDER PROSPECTIVE PAY-**  
21                     **MENT SYSTEMS.**

22                     Section 1886(d)(10)(D) of the Social Security Act  
23                     (42 U.S.C. 1395ww(d)(10)(D)), as amended by section  
24                     304(a) of BIPA (114 Stat. 2763A–494), is amended by  
25                     adding at the end the following new clause:

1       “(vii)(I) Any decision of the Board to reclassify a  
2 subsection (d) hospital for purposes of the adjustment fac-  
3 tor described in subparagraph (C)(i)(II) for fiscal year  
4 2001 or any fiscal year thereafter shall apply for purposes  
5 of adjusting payments for variations in costs that are at-  
6 tributable to wages and wage-related costs for PPS-reim-  
7 bursed items and services.

8        “(II) For purposes of subclause (I), the term ‘PPS-  
9 reimbursed items and services’ means, for the fiscal year  
10 for which the Board has made a decision described in such  
11 subclause, each item and service for which payment is  
12 made under this title on a prospective basis and adjusted  
13 for variations in costs that are attributable to wages or  
14 wage-related costs that is furnished by the hospital to  
15 which such decision applies, or by a provider-based entity  
16 or department of that hospital (as determined by the Sec-  
17 retary).”.

## 18 SEC. 104. TREATMENT OF CERTAIN PHYSICIAN PATHOLOGY

19 SERVICES.

20 (a) IN GENERAL.—Section 1848(i) of the Social Se-  
21 curity Act (42 U.S.C. 1395w-4(i)) is amended by adding  
22 at the end the following new paragraph:

23           “(4) TREATMENT OF CERTAIN PHYSICIAN PA-  
24           THOLOGY SERVICES.—

1                     “(A) IN GENERAL.—With respect to serv-  
2                     ices furnished on or after January 1, 2001, if  
3                     an independent laboratory furnishes the tech-  
4                     nical component of a physician pathology serv-  
5                     ice to a fee-for-service medicare beneficiary who  
6                     is an inpatient or outpatient of a covered hos-  
7                     pital, the Secretary shall treat such component  
8                     as a service for which payment shall be made  
9                     to the laboratory under this section and not as  
10                    an inpatient hospital service for which payment  
11                    is made to the hospital under section 1886(d)  
12                    or as a hospital outpatient service for which  
13                    payment is made to the hospital under section  
14                    1834(t).

15                    “(B) DEFINITIONS.—In this paragraph:

16                    “(i) COVERED HOSPITAL.—

17                    “(I) IN GENERAL.—The term  
18                    ‘covered hospital’ means, with respect  
19                    to an inpatient or outpatient, a hos-  
20                    pital that had an arrangement with  
21                    an independent laboratory that was in  
22                    effect as of July 22, 1999, under  
23                    which a laboratory furnished the tech-  
24                    nical component of physician pathol-  
25                    ogy services to fee-for-service medi-

1 care beneficiaries who were hospital  
2 inpatients or outpatients, respectively,  
3 and submitted claims for payment for  
4 such component to a carrier with a  
5 contract under section 1842 and not  
6 to the hospital.

1                             “(III) A program of all-inclusive  
2                             care for the elderly (PACE) under  
3                             section 1894.

4                             “(IV) A social health mainte-  
5                             nance organization (SHMO) dem-  
6                             onstration project established under  
7                             section 4018(b) of the Omnibus  
8                             Budget Reconciliation Act of 1987  
9                             (Public Law 100–203).”.

10                             (b) CONFORMING AMENDMENT.—Section 542 of  
11                             BIPA (114 Stat. 2763A–550) is repealed.

12                             (c) EFFECTIVE DATES.—The amendments made by  
13                             this section shall take effect as if included in the enact-  
14                             ment of BIPA.

15                             **Subtitle B—Rural Home Health  
16                             Improvements**

17                             **SEC. 111. ELIMINATION OF 15 PERCENT REDUCTION IN  
18                             PAYMENT RATES UNDER THE PROSPECTIVE  
19                             PAYMENT SYSTEM FOR HOME HEALTH SERV-  
20                             ICES.**

21                             (a) IN GENERAL.—Section 1895(b)(3)(A) of the So-  
22                             cial Security Act (42 U.S.C. 1395fff(b)(3)(A)), as amend-  
23                             ed by section 501(a) of BIPA (114 Stat. 2763A–529) is  
24                             amended to read as follows:

1                     “(A) INITIAL BASIS.—Under such system  
2                     the Secretary shall provide for computation of  
3                     a standard prospective payment amount (or  
4                     amounts) as follows:

5                     “(i) Such amount (or amounts) shall  
6                     initially be based on the most current au-  
7                     dited cost report data available to the Sec-  
8                     retary and shall be computed in a manner  
9                     so that the total amounts payable under  
10                    the system for fiscal year 2001 shall be  
11                    equal to the total amount that would have  
12                    been made if the system had not been in  
13                    effect and if section 1861(v)(1)(L)(ix) had  
14                    not been enacted.

15                    “(ii) For fiscal year 2002 and for  
16                    each subsequent fiscal year, such amount  
17                    (or amounts) shall be equal to the amount  
18                    (or amounts) determined under this para-  
19                    graph for the previous fiscal year, updated  
20                    under subparagraph (B).

21                    Each such amount shall be standardized in a  
22                    manner that eliminates the effect of variations  
23                    in relative case mix and area wage adjustments  
24                    among different home health agencies in a  
25                    budget neutral manner consistent with the case

1           mix and wage level adjustments provided under  
2           paragraph (4)(A). Under the system, the Sec-  
3           retary may recognize regional differences or dif-  
4           ferences based upon whether or not the services  
5           or agency are in an urbanized area.”.

6           (b) ELIMINATION OF REPORT.—Section 302(c) of the  
7   Medicare, Medicaid, and SCHIP Balanced Budget Refine-  
8   ment Act of 1999 (Appendix F, 113 Stat. 1501A–360),  
9   as enacted into law by section 1000(a)(6) of Public Law  
10 106–113, and as amended by section 501(b) of BIPA (114  
11 Stat. 2763A–529), is repealed.

12           (c) EFFECTIVE DATE.—The amendments made by  
13 this section shall take effect as if included in the amend-  
14 ments made by section 501 of BIPA (114 Stat. 2763A–  
15 529) .

16 **SEC. 112. PERMANENT INCREASE FOR HOME HEALTH**  
17 **SERVICES FURNISHED IN A RURAL AREA.**

18           (a) IN GENERAL.—Section 1895 of the Social Secu-  
19 rity Act (42 U.S.C. 1395fff), as amended by section 504  
20 of BIPA (114 Stat. 2763A–531), is amended by adding  
21 at the end the following new subsection:

22           “(f) INCREASE FOR SERVICES FURNISHED IN A  
23 RURAL AREA.—

24           “(1) IN GENERAL.—In the case of home health  
25 services furnished in a rural area (as defined in sec-

1       tion 1886(d)(2)(D)) on or after April 1, 2001, the  
2       Secretary shall increase the payment amount other-  
3       wise made under this section for such services by 10  
4       percent.

5           “(2) WAIVER OF BUDGET NEUTRALITY.—The  
6       Secretary shall not reduce the standard prospective  
7       payment amount (or amounts) under this section ap-  
8       plicable to home health services furnished during a  
9       period to offset the increase in payments resulting  
10      from the application of paragraph (1).”.

11       (b) CONFORMING AMENDMENT.—Section 508 of  
12 BIPA (114 Stat. 2763A–533) is repealed.

13       (c) EFFECTIVE DATE.—The amendments made by  
14 this section shall take effect as if included in the enact-  
15 ment of BIPA.

## 16       **Subtitle C—Rural Health Clinic 17                    Improvements**

### 18       **SEC. 121. IMPROVEMENT IN RURAL HEALTH CLINIC REIM- 19                    BURSEMENT.**

20       Section 1833(f) of the Social Security Act (42 U.S.C.  
21 1395l(f)) is amended—

22           (1) in paragraph (1), by striking “, and” at the  
23       end and inserting a semicolon;

24           (2) in paragraph (2)—

(A) by striking “in a subsequent year” and inserting “in 1989 through 2001”; and

3 (B) by striking the period at the end and  
4 inserting a semicolon; and

5 (3) by adding at the end the following new  
6 paragraphs:

7                   “(3) in 2002, at \$79 per visit; and

8                   “(4) in a subsequent year, at the limit estab-  
9                   lished under this subsection for the previous year in-  
10                  creased by the percentage increase in the MEI (as  
11                  so defined) applicable to primary care services (as so  
12                  defined) furnished as of the first day of that year.”.

13 SEC. 122. EXCLUSION OF CERTAIN RURAL HEALTH CLINIC  
14 SERVICES AND FEDERALLY QUALIFIED  
15 HEALTH CENTER SERVICES FROM THE PRO-  
16 SPECTIVE PAYMENT SYSTEM FOR COVERED  
17 SKILLED NURSING FACILITY SERVICES.

18 (a) IN GENERAL.—Section 1888(e) of the Social Se-  
19 curity Act (42 U.S.C. 1395vv(e)) is amended—

23 (2) by adding at the end of paragraph (2)(A)  
24 the following new clause:

1                             “(iv) EXCLUSION OF CERTAIN RURAL  
2                             HEALTH CLINIC SERVICES AND FEDER-  
3                             ALLY QUALIFIED HEALTH CENTER SERV-  
4                             ICES.—Services described in this clause  
5                             are—

6                             “(I) rural health clinic services  
7                             (as defined in section 1861(aa)(1))  
8                             that would be described in clause (ii)  
9                             if such services were not furnished by  
10                            an individual affiliated with a rural  
11                            health clinic; and

12                            “(II) Federally qualified health  
13                            center services (as defined in section  
14                            1861(aa)(3)) that would be described  
15                            in clause (ii) if such services were not  
16                            furnished by an individual affiliated  
17                            with a Federally qualified health cen-  
18                            ter.”.

19                            (b) EFFECTIVE DATE.—The amendments made by  
20                            subsection (a) shall apply to services furnished on or after  
21                            January 1, 2002.

1   **TITLE II—RURAL GRANT AND**  
2   **LOAN PROGRAMS FOR INFRA-**  
3   **STRUCTURE, TECHNOLOGY,**  
4   **AND TELEHEALTH**

5   **SEC. 201. CAPITAL INFRASTRUCTURE REVOLVING LOAN**  
6                   **PROGRAM.**

7       (a) IN GENERAL.—Part A of title XVI of the Public  
8   Health Service Act (42 U.S.C. 300q et seq.) is amended  
9   by adding at the end the following new section:

10   “CAPITAL INFRASTRUCTURE REVOLVING LOAN PROGRAM  
11                   “SEC. 1603. (a) AUTHORITY TO MAKE AND GUAR-  
12   ANTEE LOANS.—

13                   “(1) AUTHORITY TO MAKE LOANS.—The Sec-  
14   retary may make loans from the fund established  
15   under section 1602(d) to any rural entity for  
16   projects for capital improvements, including—

17                   “(A) the acquisition of land necessary for  
18   the capital improvements;

19                   “(B) the renovation or modernization of  
20   any building;

21                   “(C) the acquisition or repair of fixed or  
22   major movable equipment; and

23                   “(D) such other project expenses as the  
24   Secretary determines appropriate.

25                   “(2) AUTHORITY TO GUARANTEE LOANS.—

1                   “(A) IN GENERAL.—The Secretary may  
2                   guarantee the payment of principal and interest  
3                   for loans made to rural entities for projects for  
4                   any capital improvement described in paragraph  
5                   (1) to any non-Federal lender.

6                   “(B) INTEREST SUBSIDIES.—In the case  
7                   of a guarantee of any loan made to a rural enti-  
8                   ty under subparagraph (A), the Secretary may  
9                   pay to the holder of such loan and for and on  
10                   behalf of the project for which the loan was  
11                   made, amounts sufficient to reduce by not more  
12                   than 3 percent of the net effective interest rate  
13                   otherwise payable on such loan.

14                  “(b) AMOUNT OF LOAN.—The principal amount of  
15                  a loan directly made or guaranteed under subsection (a)  
16                  for a project for capital improvement may not exceed  
17                  \$5,000,000.

18                  “(c) FUNDING LIMITATIONS.—

19                  “(1) GOVERNMENT CREDIT SUBSIDY EXPO-  
20                  SURE.—The total of the Government credit subsidy  
21                  exposure under the Credit Reform Act of 1990 scor-  
22                  ing protocol with respect to the loans outstanding at  
23                  any time with respect to which guarantees have been  
24                  issued, or which have been directly made, under sub-  
25                  section (a) may not exceed \$50,000,000 per year.

1               “(2) TOTAL AMOUNTS.—Subject to paragraph  
2               (1), the total of the principal amount of all loans di-  
3               rectly made or guaranteed under subsection (a) may  
4               not exceed \$250,000,000 per year.

5               “(d) CAPITAL ASSESSMENT AND PLANNING  
6 GRANTS.—

7               “(1) NONREPAYABLE GRANTS.—Subject to  
8               paragraph (2), the Secretary may make a grant to  
9               a rural entity, in an amount not to exceed \$50,000,  
10               for purposes of capital assessment and business  
11               planning.

12               “(2) LIMITATION.—The cumulative total of  
13               grants awarded under this subsection may not ex-  
14               ceed \$2,500,000 per year.

15               “(e) TERMINATION OF AUTHORITY.—The Secretary  
16               may not directly make or guarantee any loan under sub-  
17               section (a) or make a grant under subsection (d) after  
18               September 30, 2006.”.

19               (b) RURAL ENTITY DEFINED.—Section 1624 of the  
20               Public Health Service Act (42 U.S.C. 300s-3) is amended  
21               by adding at the end the following new paragraph:

22               “(15)(A) The term ‘rural entity’ includes—

23               “(i) a rural health clinic, as defined in sec-  
24               tion 1861(aa)(2) of the Social Security Act;

1                   “(ii) any medical facility with at least 1,  
2                   but less than 50 beds that is located in—

3                   “(I) a county that is not part of a  
4                   metropolitan statistical area; or

5                   “(II) a rural census tract of a metro-  
6                   politan statistical area (as determined  
7                   under the most recent modification of the  
8                   Goldsmith Modification, originally pub-  
9                   lished in the Federal Register on February  
10                   27, 1992 (57 Fed. Reg. 6725));

11                   “(iii) a hospital that is classified as a  
12                   rural, regional, or national referral center under  
13                   section 1886(d)(5)(C) of the Social Security  
14                   Act; and

15                   “(iv) a hospital that is a sole community  
16                   hospital (as defined in section  
17                   1886(d)(5)(D)(iii) of the Social Security Act).

18                   “(B) For purposes of subparagraph (A), the  
19                   fact that a clinic, facility, or hospital has been geo-  
20                   graphically reclassified under the medicare program  
21                   under title XVIII of the Social Security Act shall not  
22                   preclude a hospital from being considered a rural en-  
23                   tity under clause (i) or (ii) of subparagraph (A).”.

1 (c) CONFORMING AMENDMENTS.—Section 1602 of  
2 the Public Health Service Act (42 U.S.C. 300q-2) is  
3 amended—

4 (1) in subsection (b)(2)(D), by inserting “or  
5 1603(a)(2)(B)” after “1601(a)(2)(B)”; and

6 (2) in subsection (d)—

10 (B) in paragraph (2)(A), by inserting “or  
11 1603(a)(2)(B)” after “1601(a)(2)(B)”.

12 SEC. 202. HIGH TECHNOLOGY ACQUISITION GRANT AND  
13 LOAN PROGRAM.

14 Subpart I of part D of title III of the Public Health  
15 Service Act (42 U.S.C. 241 et seq.), as amended by section  
16 1501 of the Children's Health Act of 2000 (Public Law  
17 106-310; 114 Stat. 1146), is amended by adding at the  
18 end the following section:

19 "SEC. 330I. HIGH TECHNOLOGY ACQUISITION GRANT AND  
20 LOAN PROGRAM.

21        "(a) ESTABLISHMENT OF PROGRAM.—The Sec-  
22 retary, acting through the Director of the Office of Rural  
23 Health Policy of the Health Resources and Services Ad-  
24 ministration, shall establish a high technology acquisition  
25 grant and loan program for the purpose of—

1           “(1) improving the quality of health care in  
2       rural areas through the acquisition of advanced med-  
3       ical technology;

4           “(2) fostering the development of the networks  
5       described in section 330A;

6           “(3) promoting resource sharing between urban  
7       and rural facilities; and

8           “(4) improving patient safety and outcomes  
9       through the acquisition of high technology, including  
10      software, information services, and staff training.

11          “(b) GRANTS AND LOANS.—Under the program es-  
12       tablished under subsection (a), the Secretary, acting  
13       through the Director of the Office of Rural Health Policy,  
14       may award grants and make loans to any eligible entity  
15       (as defined in subsection (d)(1)) for any costs incurred  
16       by the eligible entity in acquiring eligible equipment and  
17       services (as defined in subsection (d)(2)).

18          “(c) LIMITATIONS.—

19           “(1) IN GENERAL.—Subject to paragraph (2),  
20       the total amount of grants and loans made under  
21       this section to an eligible entity may not exceed  
22       \$100,000.

23          “(2) FEDERAL SHARING.—

24           “(A) GRANTS.—The amount of any grant  
25       awarded under this section may not exceed 70

1 percent of the costs to the eligible entity in ac-  
2 quiring eligible equipment and services.

3 “(B) LOANS.—The amount of any loan  
4 made under this section may not exceed 90 per-  
5 cent of the costs to the eligible entity in acquir-  
6 ing eligible equipment and services.

7 “(d) DEFINITIONS.—In this section:

8 “(1) ELIGIBLE ENTITY.—The term ‘eligible en-  
9 tity’ means a hospital, health center, or any other  
10 entity that the Secretary determines is appropriate  
11 that is located in a rural area or region.

12 “(2) ELIGIBLE EQUIPMENT AND SERVICES.—  
13 The term ‘eligible equipment and services’  
14 includes—

15 “(A) unit dose distribution systems;

16 “(B) software, information services, and  
17 staff training;

18 “(C) wireless devices to transmit medical  
19 orders;

20 “(D) clinical health care informatics sys-  
21 tems, including bar code systems designed to  
22 avoid medication errors and patient tracking  
23 systems;

24 “(E) telemedicine technology; and

1                   “(F) any other technology that improves  
2                   the quality of health care provided in rural  
3                   areas including systems to improve privacy and  
4                   address administrative simplification needs.

5                   “(e) AUTHORIZATION OF APPROPRIATIONS.—For the  
6                   purpose of carrying out this section there are authorized  
7                   to be appropriated such sums as may be necessary for  
8                   each of the fiscal years 2002 through 2007.”.

9 **SEC. 203. ESTABLISHMENT OF TELEHEALTH RESOURCE**

10                   **CENTERS.**

11                   Subpart I of part D of title III of the Public Health  
12 Service Act (42 U.S.C. 254b et seq.), as amended by sec-  
13 tion 202, is amended by adding at the end the following:

14 **“SEC. 330J. TELEHEALTH RESOURCE CENTERS.**

15                   “(a) PROGRAM AUTHORIZED.—The Secretary, acting  
16 through the Director of the Office for the Advancement  
17 of Telehealth of the Health Resources and Services Ad-  
18 ministration, shall award grants to eligible entities to es-  
19 tablish telehealth resource centers in accordance with this  
20 section.

21                   “(b) DEFINITIONS.—In this section:

22                   “(1) ELIGIBLE ENTITY.—The term ‘eligible en-  
23 tity’ means a public or nonprofit private entity.

24                   “(2) TELEHEALTH.—The term ‘telehealth’  
25 means the use of electronic information and tele-

1       communications technologies to support long-dis-  
2       tance clinical health care, patient and professional  
3       health-related education, public health, and health  
4       administration.

5       “(c) AMOUNT.—Each entity that receives a grant  
6       under subsection (a) shall receive an amount not to exceed  
7       \$1,500,000.

8       “(d) EQUITABLE DISTRIBUTION.—In awarding  
9       grants under subsection (a), the Secretary shall ensure,  
10      to the greatest extent possible, that such grants are equi-  
11      tably distributed among the geographical regions of the  
12      United States.

13       “(e) PREFERENCE.—In awarding grants under sub-  
14      section (a), the Secretary shall give preference to eligible  
15      entities that have a demonstrated record of providing or  
16      supporting the provision of health care services for popu-  
17      lations in rural areas.

18       “(f) USE OF FUNDS.—An entity that receives a grant  
19      under subsection (a) shall use funds from such grant to  
20      establish a telehealth resource center that shall—

21           “(1) provide technical assistance, training, and  
22           support to health care providers and a range of  
23           health care entities that provide or will provide tele-  
24           health services for a medically underserved commu-  
25           nity, including hospitals, ambulatory care entities,

1 long-term care facilities, public health clinics, and  
2 schools;

3 “(2) provide for the dissemination of informa-  
4 tion and research findings related to the use of tele-  
5 health technologies;

6 “(3) provide for the dissemination of informa-  
7 tion regarding the latest developments in health  
8 care;

9 “(4) conduct evaluations to determine the best  
10 application of telehealth technologies to meet the  
11 health care needs of the medically underserved com-  
12 munity;

13 “(5) promote the integration of clinical infor-  
14 mation systems with other telehealth technologies;

15 “(6) foster the use of telehealth technologies to  
16 provide health care information and education for  
17 health care professionals and consumers in a more  
18 effective manner; and

19 “(7) provide timely and appropriate evaluations  
20 to the Office for the Advancement of Telehealth on  
21 lessons learned and best telehealth practices in any  
22 areas served.

23 “(g) COLLABORATION.—In providing the services de-  
24 scribed in subsection (f)(5), such entity shall collaborate,  
25 if feasible, with private and public organizations and cen-

1   ters or programs that receive Federal assistance and pro-  
2   vide telehealth services.

3       “(h) APPLICATION.—An entity that desires a grant  
4   under subsection (a) shall submit an application to the  
5   Secretary at such time, in such manner, and containing  
6   such information as the Secretary may require,  
7   including—

8           “(1) a description of the manner in which the  
9   entity shall establish and administer a telehealth re-  
10   source center to meet the requirements of this sub-  
11   section; and

12           “(2) a description of the manner in which the  
13   activities carried out by such center will meet the  
14   health care needs of individuals in rural commu-  
15   nities.

16       “(i) REPORT.—Not later than 5 years after the date  
17   of enactment of this section, the Secretary shall submit  
18   to the appropriate committees of Congress a report on  
19   each activity funded with a grant under this section.

20       “(j) AUTHORIZATION OF APPROPRIATIONS.—There  
21   are authorized to be appropriated to carry out this  
22   section—

23           “(1) for fiscal year 2002, \$30,000,000; and

24           “(2) for fiscal years 2003 through 2008, such  
25   sums as may be necessary.”.

## **TITLE III—NATIONAL HEALTH SERVICE CORPS TAX RELIEF**

3 SEC. 301. EXCLUSION OF CERTAIN AMOUNTS RECEIVED  
4 UNDER THE NATIONAL HEALTH SERVICE  
5 CORPS LOAN REPAYMENT PROGRAM.

6 (a) IN GENERAL.—Paragraph (2) of section 117(c)  
7 of the Internal Revenue Code of 1986 (relating to the ex-  
8 ceptions) is amended by striking “or” at the end of sub-  
9 paragraph (A), by redesignating subparagraph (B) as sub-  
10 paragraph (C), and by inserting after subparagraph (A)  
11 the following new subparagraph:

15 (b) EFFECTIVE DATE.—The amendments made by  
16 subsection (a) shall apply to amounts received in taxable  
17 years beginning after December 31, 2001.

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