

107TH CONGRESS  
2D SESSION

# H. R. 4988

To amend title XVIII of the Social Security Act to establish the Medicare Benefits Administration within the Department of Health and Human Services, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 21, 2002

Mr. TAUZIN 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 amend title XVIII of the Social Security Act to establish the Medicare Benefits Administration within the Department of Health and Human Services, 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,*

1 **TITLE VII—MEDICARE BENEFITS**  
2 **ADMINISTRATION**

3 **SEC. 701. ESTABLISHMENT OF MEDICARE BENEFITS AD-**  
4 **MINISTRATION.**

5 (a) IN GENERAL.—Title XVIII (42 U.S.C. 1395 et  
6 seq.), as amended by section 105, is amended by inserting  
7 after 1806 the following new section:

8 “MEDICARE BENEFITS ADMINISTRATION

9 “SEC. 1808. (a) ESTABLISHMENT.—There is estab-  
10 lished within the Department of Health and Human Serv-  
11 ices an agency to be known as the Medicare Benefits Ad-  
12 ministration.

13 “(b) ADMINISTRATOR; DEPUTY ADMINISTRATOR;  
14 CHIEF ACTUARY.—

15 “(1) ADMINISTRATOR.—

16 “(A) IN GENERAL.—The Medicare Bene-  
17 fits Administration shall be headed by an ad-  
18 ministrator to be known as the ‘Medicare Bene-  
19 fits Administrator’ (in this section referred to  
20 as the ‘Administrator’) who shall be appointed  
21 by the President, by and with the advice and  
22 consent of the Senate. The Administrator shall  
23 be in direct line of authority to the Secretary.

24 “(B) COMPENSATION.—The Administrator  
25 shall be paid at the rate of basic pay payable

1 for level III of the Executive Schedule under  
2 section 5314 of title 5, United States Code.

3 “(C) TERM OF OFFICE.—The Adminis-  
4 trator shall be appointed for a term of 5 years.  
5 In any case in which a successor does not take  
6 office at the end of an Administrator’s term of  
7 office, that Administrator may continue in of-  
8 fice until the entry upon office of such a suc-  
9 cessor. An Administrator appointed to a term of  
10 office after the commencement of such term  
11 may serve under such appointment only for the  
12 remainder of such term.

13 “(D) GENERAL AUTHORITY.—The Admin-  
14 istrator shall be responsible for the exercise of  
15 all powers and the discharge of all duties of the  
16 Administration, and shall have authority and  
17 control over all personnel and activities thereof.

18 “(E) RULEMAKING AUTHORITY.—The Ad-  
19 ministrator may prescribe such rules and regu-  
20 lations as the Administrator determines nec-  
21 essary or appropriate to carry out the functions  
22 of the Administration. The regulations pre-  
23 scribed by the Administrator shall be subject to  
24 the rulemaking procedures established under  
25 section 553 of title 5, United States Code.

1           “(F) AUTHORITY TO ESTABLISH ORGANI-  
2           ZATIONAL UNITS.—The Administrator may es-  
3           tablish, alter, consolidate, or discontinue such  
4           organizational units or components within the  
5           Administration as the Administrator considers  
6           necessary or appropriate, except as specified in  
7           this section.

8           “(G) AUTHORITY TO DELEGATE.—The Ad-  
9           ministrator may assign duties, and delegate, or  
10          authorize successive redelegations of, authority  
11          to act and to render decisions, to such officers  
12          and employees of the Administration as the Ad-  
13          ministrator may find necessary. Within the lim-  
14          itations of such delegations, redelegations, or  
15          assignments, all official acts and decisions of  
16          such officers and employees shall have the same  
17          force and effect as though performed or ren-  
18          dered by the Administrator.

19          “(2) DEPUTY ADMINISTRATOR.—

20                 “(A) IN GENERAL.—There shall be a Dep-  
21                 uty Administrator of the Medicare Benefits Ad-  
22                 ministration who shall be appointed by the  
23                 President, by and with the advice and consent  
24                 of the Senate.

1           “(B) COMPENSATION.—The Deputy Ad-  
2           ministrators shall be paid at the rate of basic  
3           pay payable for level IV of the Executive Sched-  
4           ule under section 5315 of title 5, United States  
5           Code.

6           “(C) TERM OF OFFICE.—The Deputy Ad-  
7           ministrators shall be appointed for a term of 5  
8           years. In any case in which a successor does not  
9           take office at the end of a Deputy Administra-  
10          tor’s term of office, such Deputy Administrator  
11          may continue in office until the entry upon of-  
12          fice of such a successor. A Deputy Adminis-  
13          trator appointed to a term of office after the  
14          commencement of such term may serve under  
15          such appointment only for the remainder of  
16          such term.

17          “(D) DUTIES.—The Deputy Administrator  
18          shall perform such duties and exercise such  
19          powers as the Administrator shall from time to  
20          time assign or delegate. The Deputy Adminis-  
21          trator shall be Acting Administrator of the Ad-  
22          ministration during the absence or disability of  
23          the Administrator and, unless the President  
24          designates another officer of the Government as

1 Acting Administrator, in the event of a vacancy  
2 in the office of the Administrator.

3 “(3) CHIEF ACTUARY.—

4 “(A) IN GENERAL.—There is established in  
5 the Administration the position of Chief Actu-  
6 ary. The Chief Actuary shall be appointed by,  
7 and in direct line of authority to, the Adminis-  
8 trator of such Administration. The Chief Actu-  
9 ary shall be appointed from among individuals  
10 who have demonstrated, by their education and  
11 experience, superior expertise in the actuarial  
12 sciences. The Chief Actuary may be removed  
13 only for cause.

14 “(B) COMPENSATION.—The Chief Actuary  
15 shall be compensated at the highest rate of  
16 basic pay for the Senior Executive Service  
17 under section 5382(b) of title 5, United States  
18 Code.

19 “(C) DUTIES.—The Chief Actuary shall  
20 exercise such duties as are appropriate for the  
21 office of the Chief Actuary and in accordance  
22 with professional standards of actuarial inde-  
23 pendence.

24 “(4) SECRETARIAL COORDINATION OF PROGRAM  
25 ADMINISTRATION.—The Secretary shall ensure ap-

1       appropriate coordination between the Administrator  
2       and the Administrator of the Centers for Medicare  
3       & Medicaid Services in carrying out the programs  
4       under this title.

5       “(c) DUTIES; ADMINISTRATIVE PROVISIONS.—

6               “(1) DUTIES.—

7                       “(A) GENERAL DUTIES.—The Adminis-  
8       trator shall carry out parts C and D,  
9       including—

10                      “(i) negotiating, entering into, and en-  
11       forcing, contracts with plans for the offer-  
12       ing of Medicare+Choice plans under part  
13       C, including the offering of qualified pre-  
14       scription drug coverage under such plans;  
15       and

16                      “(ii) negotiating, entering into, and  
17       enforcing, contracts with PDP sponsors for  
18       the offering of prescription drug plans  
19       under part D.

20                      “(B) OTHER DUTIES.—The Administrator  
21       shall carry out any duty provided for under  
22       part C or part D, including demonstration  
23       projects carried out in part or in whole under  
24       such parts, the programs of all-inclusive care  
25       for the elderly (PACE program) under section

1 1894, the social health maintenance organiza-  
2 tion (SHMO) demonstration projects (referred  
3 to in section 4104(c) of the Balanced Budget  
4 Act of 1997), and through a Medicare+Choice  
5 project that demonstrates the application of  
6 capitation payment rates for frail elderly medi-  
7 care beneficiaries through the use of a inter-  
8 disciplinary team and through the provision of  
9 primary care services to such beneficiaries by  
10 means of such a team at the nursing facility in-  
11 volved).

12 “(C) PRESCRIPTION DRUG CARD.—The  
13 Administrator shall carry out section 1807 (re-  
14 lating to the medicare prescription drug dis-  
15 count card endorsement program).

16 “(D) NONINTERFERENCE.—In carrying  
17 out its duties with respect to the provision of  
18 qualified prescription drug coverage to bene-  
19 ficiaries under this title, the Administrator may  
20 not—

21 “(i) require a particular formulary or  
22 institute a price structure for the reim-  
23 bursement of covered outpatient drugs;

24 “(ii) interfere in any way with nego-  
25 tiations between PDP sponsors and



1 Medicare+Choice organizations and drug  
2 manufacturers, wholesalers, or other sup-  
3 pliers of covered outpatient drugs; and

4 “(iii) otherwise interfere with the  
5 competitive nature of providing such cov-  
6 erage through such sponsors and organiza-  
7 tions.

8 “(E) ANNUAL REPORTS.—Not later March  
9 31 of each year, the Administrator shall submit  
10 to Congress and the President a report on the  
11 administration of parts C and D during the  
12 previous fiscal year.

13 “(2) STAFF.—

14 “(A) IN GENERAL.—The Administrator,  
15 with the approval of the Secretary, may employ,  
16 without regard to chapter 31 of title 5, United  
17 States Code, other than sections 3110 and  
18 3112, such officers and employees as are nec-  
19 essary to administer the activities to be carried  
20 out through the Medicare Benefits Administra-  
21 tion. The Administrator shall employ staff with  
22 appropriate and necessary expertise in negoti-  
23 ating contracts in the private sector.

24 “(B) FLEXIBILITY WITH RESPECT TO COM-  
25 PENSATION.—

1           “(i) IN GENERAL.—The staff of the  
2           Medicare Benefits Administration shall,  
3           subject to clause (ii), be paid without re-  
4           gard to the provisions of chapter 51 (other  
5           than section 5101) and chapter 53 (other  
6           than section 5301) of such title (relating to  
7           classification and schedule pay rates).

8           “(ii) MAXIMUM RATE.—In no case  
9           may the rate of compensation determined  
10          under clause (i) exceed the rate of basic  
11          pay payable for level IV of the Executive  
12          Schedule under section 5315 of title 5,  
13          United States Code.

14          “(C) LIMITATION ON FULL-TIME EQUIVA-  
15          LENT STAFFING FOR CURRENT CMS FUNCTIONS  
16          BEING TRANSFERRED.—The Administrator may  
17          not employ under this paragraph a number of  
18          full-time equivalent employees, to carry out  
19          functions that were previously conducted by the  
20          Centers for Medicare & Medicaid Services and  
21          that are conducted by the Administrator by rea-  
22          son of this section, that exceeds the number of  
23          such full-time equivalent employees authorized  
24          to be employed by the Centers for Medicare &

1 Medicaid Services to conduct such functions as  
2 of the date of the enactment of this Act.

3 “(3) REDELEGATION OF CERTAIN FUNCTIONS  
4 OF THE CENTERS FOR MEDICARE & MEDICAID SERV-  
5 ICES.—

6 “(A) IN GENERAL.—The Secretary, the  
7 Administrator, and the Administrator of the  
8 Centers for Medicare & Medicaid Services shall  
9 establish an appropriate transition of responsi-  
10 bility in order to redelegate the administration  
11 of part C from the Secretary and the Adminis-  
12 trator of the Centers for Medicare & Medicaid  
13 Services to the Administrator as is appropriate  
14 to carry out the purposes of this section.

15 “(B) TRANSFER OF DATA AND INFORMA-  
16 TION.—The Secretary shall ensure that the Ad-  
17 ministrator of the Centers for Medicare & Med-  
18 icaid Services transfers to the Administrator of  
19 the Medicare Benefits Administration such in-  
20 formation and data in the possession of the Ad-  
21 ministrator of the Centers for Medicare & Med-  
22 icaid Services as the Administrator of the Medi-  
23 care Benefits Administration requires to carry  
24 out the duties described in paragraph (1).

1           “(C) CONSTRUCTION.—Insofar as a re-  
2           sponsibility of the Secretary or the Adminis-  
3           trator of the Centers for Medicare & Medicaid  
4           Services is redelegated to the Administrator  
5           under this section, any reference to the Sec-  
6           retary or the Administrator of the Centers for  
7           Medicare & Medicaid Services in this title or  
8           title XI with respect to such responsibility is  
9           deemed to be a reference to the Administrator.

10       “(d) OFFICE OF BENEFICIARY ASSISTANCE.—

11           “(1) ESTABLISHMENT.—The Secretary shall es-  
12       tablish within the Medicare Benefits Administration  
13       an Office of Beneficiary Assistance to coordinate  
14       functions relating to outreach and education of  
15       medicare beneficiaries under this title, including the  
16       functions described in paragraph (2). The Office  
17       shall be separate operating division within the Ad-  
18       ministration.

19           “(2) DISSEMINATION OF INFORMATION ON  
20       BENEFITS AND APPEALS RIGHTS.—

21           “(A) DISSEMINATION OF BENEFITS INFOR-  
22       MATION.—The Office of Beneficiary Assistance  
23       shall disseminate, directly or through contract,  
24       to medicare beneficiaries, by mail, by posting on  
25       the Internet site of the Medicare Benefits Ad-

1           ministration and through a toll-free telephone  
2           number, information with respect to the fol-  
3           lowing:

4                   “(i) Benefits, and limitations on pay-  
5                   ment (including cost-sharing, stop-loss pro-  
6                   visions, and formulary restrictions) under  
7                   parts C and D.

8                   “(ii) Benefits, and limitations on pay-  
9                   ment under parts A and B, including in-  
10                  formation on medicare supplemental poli-  
11                  cies under section 1882.

12          Such information shall be presented in a man-  
13          ner so that medicare beneficiaries may compare  
14          benefits under parts A, B, D, and medicare  
15          supplemental policies with benefits under  
16          Medicare+Choice plans under part C.

17          “(B) DISSEMINATION OF APPEALS RIGHTS  
18          INFORMATION.—The Office of Beneficiary As-  
19          sistance shall disseminate to medicare bene-  
20          ficiaries in the manner provided under subpara-  
21          graph (A) a description of procedural rights (in-  
22          cluding grievance and appeals procedures) of  
23          beneficiaries under the original medicare fee-  
24          for-service program under parts A and B, the  
25          Medicare+Choice program under part C, and

1 the Voluntary Prescription Drug Benefit Pro-  
2 gram under part D.

3 “(e) MEDICARE POLICY ADVISORY BOARD.—

4 “(1) ESTABLISHMENT.—There is established  
5 within the Medicare Benefits Administration the  
6 Medicare Policy Advisory Board (in this section re-  
7 ferred to the ‘Board’). The Board shall advise, con-  
8 sult with, and make recommendations to the Admin-  
9 istrator of the Medicare Benefits Administration  
10 with respect to the administration of parts C and D,  
11 including the review of payment policies under such  
12 parts.

13 “(2) REPORTS.—

14 “(A) IN GENERAL.—With respect to mat-  
15 ters of the administration of parts C and D, the  
16 Board shall submit to Congress and to the Ad-  
17 ministrator of the Medicare Benefits Adminis-  
18 tration such reports as the Board determines  
19 appropriate. Each such report may contain such  
20 recommendations as the Board determines ap-  
21 propriate for legislative or administrative  
22 changes to improve the administration of such  
23 parts, including the topics described in subpara-  
24 graph (B). Each such report shall be published  
25 in the Federal Register.

1           “(B) TOPICS DESCRIBED.—Reports re-  
2           quired under subparagraph (A) may include the  
3           following topics:

4                   “(i) FOSTERING COMPETITION.—Rec-  
5                   ommendations or proposals to increase  
6                   competition under parts C and D for serv-  
7                   ices furnished to medicare beneficiaries.

8                   “(ii) EDUCATION AND ENROLL-  
9                   MENT.—Recommendations for the im-  
10                  provement to efforts to provide medicare  
11                  beneficiaries information and education on  
12                  the program under this title, and specifi-  
13                  cally parts C and D, and the program for  
14                  enrollment under the title.

15                  “(iii) IMPLEMENTATION OF RISK-AD-  
16                  JUSTMENT.—Evaluation of the implemen-  
17                  tation under section 1853(a)(3)(C) of the  
18                  risk adjustment methodology to payment  
19                  rates under that section to  
20                  Medicare+Choice organizations offering  
21                  Medicare+Choice plans that accounts for  
22                  variations in per capita costs based on  
23                  health status and other demographic fac-  
24                  tors.

1                   “(iv) DISEASE MANAGEMENT PRO-  
2                   GRAMS.—Recommendations on the incor-  
3                   poration of disease management programs  
4                   under parts C and D.

5                   “(v) RURAL ACCESS.—Recommendations to improve competition and access to  
6                   plans under parts C and D in rural areas.

8                   “(C) MAINTAINING INDEPENDENCE OF  
9                   BOARD.—The Board shall directly submit to  
10                  Congress reports required under subparagraph  
11                  (A). No officer or agency of the United States  
12                  may require the Board to submit to any officer  
13                  or agency of the United States for approval,  
14                  comments, or review, prior to the submission to  
15                  Congress of such reports.

16                  “(3) DUTY OF ADMINISTRATOR OF MEDICARE  
17                  BENEFITS ADMINISTRATION.—With respect to any  
18                  report submitted by the Board under paragraph  
19                  (2)(A), not later than 90 days after the report is  
20                  submitted, the Administrator of the Medicare Bene-  
21                  fits Administration shall submit to Congress and the  
22                  President an analysis of recommendations made by  
23                  the Board in such report. Each such analysis shall  
24                  be published in the Federal Register.

25                  “(4) MEMBERSHIP.—



1           “(A) APPOINTMENT.—Subject to the suc-  
2           ceeding provisions of this paragraph, the Board  
3           shall consist of seven members to be appointed  
4           as follows:

5                   “(i) Three members shall be ap-  
6                   pointed by the President.

7                   “(ii) Two members shall be appointed  
8                   by the Speaker of the House of Represent-  
9                   atives, with the advice of the chairmen and  
10                  the ranking minority members of the Com-  
11                  mittees on Ways and Means and on En-  
12                  ergy and Commerce of the House of Rep-  
13                  resentatives.

14                  “(iii) Two members shall be appointed  
15                  by the President pro tempore of the Senate  
16                  with the advice of the chairman and the  
17                  ranking minority member of the Senate  
18                  Committee on Finance.

19           “(B) QUALIFICATIONS.—The members  
20           shall be chosen on the basis of their integrity,  
21           impartiality, and good judgment, and shall be  
22           individuals who are, by reason of their edu-  
23           cation and experience in health care benefits  
24           management, exceptionally qualified to perform  
25           the duties of members of the Board.

1           “(C) PROHIBITION ON INCLUSION OF FED-  
2           ERAL EMPLOYEES.—No officer or employee of  
3           the United States may serve as a member of  
4           the Board.

5           “(5) COMPENSATION.—Members of the Board  
6           shall receive, for each day (including travel time)  
7           they are engaged in the performance of the functions  
8           of the board, compensation at rates not to exceed  
9           the daily equivalent to the annual rate in effect for  
10          level IV of the Executive Schedule under section  
11          5315 of title 5, United States Code.

12          “(6) TERMS OF OFFICE.—

13               “(A) IN GENERAL.—The term of office of  
14               members of the Board shall be 3 years.

15               “(B) TERMS OF INITIAL APPOINTEES.—As  
16               designated by the President at the time of ap-  
17               pointment, of the members first appointed—

18                       “(i) one shall be appointed for a term  
19                       of 1 year;

20                       “(ii) three shall be appointed for  
21                       terms of 2 years; and

22                       “(iii) three shall be appointed for  
23                       terms of 3 years.

1           “(C) REAPPOINTMENTS.—Any person ap-  
2           pointed as a member of the Board may not  
3           serve for more than 8 years.

4           “(D) VACANCY.—Any member appointed  
5           to fill a vacancy occurring before the expiration  
6           of the term for which the member’s predecessor  
7           was appointed shall be appointed only for the  
8           remainder of that term. A member may serve  
9           after the expiration of that member’s term until  
10          a successor has taken office. A vacancy in the  
11          Board shall be filled in the manner in which the  
12          original appointment was made.

13          “(7) CHAIR.—The Chair of the Board shall be  
14          elected by the members. The term of office of the  
15          Chair shall be 3 years.

16          “(8) MEETINGS.—The Board shall meet at the  
17          call of the Chair, but in no event less than three  
18          times during each fiscal year.

19          “(9) DIRECTOR AND STAFF.—

20                 “(A) APPOINTMENT OF DIRECTOR.—The  
21                 Board shall have a Director who shall be ap-  
22                 pointed by the Chair.

23                 “(B) IN GENERAL.—With the approval of  
24                 the Board, the Director may appoint, without  
25                 regard to chapter 31 of title 5, United States

1 Code, such additional personnel as the Director  
2 considers appropriate.

3 “(C) FLEXIBILITY WITH RESPECT TO COM-  
4 PENSATION.—

5 “(i) IN GENERAL.—The Director and  
6 staff of the Board shall, subject to clause  
7 (ii), be paid without regard to the provi-  
8 sions of chapter 51 and chapter 53 of such  
9 title (relating to classification and schedule  
10 pay rates).

11 “(ii) MAXIMUM RATE.—In no case  
12 may the rate of compensation determined  
13 under clause (i) exceed the rate of basic  
14 pay payable for level IV of the Executive  
15 Schedule under section 5315 of title 5,  
16 United States Code.

17 “(D) ASSISTANCE FROM THE ADMINIS-  
18 TRATOR OF THE MEDICARE BENEFITS ADMINIS-  
19 TRATION.—The Administrator of the Medicare  
20 Benefits Administration shall make available to  
21 the Board such information and other assist-  
22 ance as it may require to carry out its func-  
23 tions.

24 “(10) CONTRACT AUTHORITY.—The Board may  
25 contract with and compensate government and pri-

1 vate agencies or persons to carry out its duties  
2 under this subsection, without regard to section  
3 3709 of the Revised Statutes (41 U.S.C. 5).

4 “(f) FUNDING.—There is authorized to be appro-  
5 priated, in appropriate part from the Federal Hospital In-  
6 surance Trust Fund and from the Federal Supplementary  
7 Medical Insurance Trust Fund (including the Medicare  
8 Prescription Drug Account), such sums as are necessary  
9 to carry out this section.”.

10 (b) EFFECTIVE DATE.—

11 (1) IN GENERAL.—The amendment made by  
12 subsection (a) shall take effect on the date of the en-  
13 actment of this Act.

14 (2) TIMING OF INITIAL APPOINTMENTS.—The  
15 Administrator and Deputy Administrator of the  
16 Medicare Benefits Administration may not be ap-  
17 pointed before March 1, 2003.

18 (3) DUTIES WITH RESPECT TO ELIGIBILITY DE-  
19 TERMINATIONS AND ENROLLMENT.—The Adminis-  
20 trator of the Medicare Benefits Administration shall  
21 carry out enrollment under title XVIII of the Social  
22 Security Act, make eligibility determinations under  
23 such title, and carry out part C of such title for  
24 years beginning or after January 1, 2005.

1           (4) TRANSITION.—Before the date the Adminis-  
2           trator of the Medicare Benefits Administration is  
3           appointed and assumes responsibilities under this  
4           section and section 1807 of the Social Security Act,  
5           the Secretary of Health and Human Services shall  
6           provide for the conduct of any responsibilities of  
7           such Administrator that are otherwise provided  
8           under law.

9           (c) MISCELLANEOUS ADMINISTRATIVE PROVI-  
10          SIONS.—

11           (1) ADMINISTRATOR AS MEMBER OF THE  
12          BOARD OF TRUSTEES OF THE MEDICARE TRUST  
13          FUNDS.—Section 1817(b) and section 1841(b) (42  
14          U.S.C. 1395i(b), 1395t(b)) are each amended by  
15          striking “and the Secretary of Health and Human  
16          Services, all ex officio,” and inserting “the Secretary  
17          of Health and Human Services, and the Adminis-  
18          trator of the Medicare Benefits Administration, all  
19          ex officio,”.

20           (2) INCREASE IN GRADE TO EXECUTIVE LEVEL  
21          III FOR THE ADMINISTRATOR OF THE CENTERS FOR  
22          MEDICARE & MEDICAID SERVICES; LEVEL FOR MEDI-  
23          CARE BENEFITS ADMINISTRATOR.—

1 (A) IN GENERAL.—Section 5314 of title 5,  
2 United States Code, by adding at the end the  
3 following:

4 “Administrator of the Centers for Medi-  
5 care & Medicaid Services.

6 “Administrator of the Medicare Benefits  
7 Administration.”.

8 (B) CONFORMING AMENDMENT.—Section  
9 5315 of such title is amended by striking “Ad-  
10 ministrator of the Health Care Financing Ad-  
11 ministration.”.

12 (C) EFFECTIVE DATE.—The amendments  
13 made by this paragraph take effect on January  
14 1, 2003.

15 **SEC. 702. PHARMACY GRANT PROGRAM.**

16 (a) IN GENERAL.—The Administrator of the Medi-  
17 care Benefits Administration shall establish a grant pro-  
18 gram to assist pharmacies in implementing the new pre-  
19 scription drug benefit under part D of title XVIII of the  
20 Social Security Act.

21 (b) USE OF FUNDS.—Grants may be provided under  
22 the program to assist pharmacies—

23 (1) in complying with requirements relating to  
24 electronic prescribing;

25 (2) in prospective drug utilization review; and

1           (3) in developing innovative medication therapy  
2       management programs using information tech-  
3       nology.

4       (c) CONDITION FOR RECEIPT.—A pharmacy shall not  
5       be awarded a grant under the program unless the phar-  
6       macy demonstrates how it will operate a program that will  
7       work effectively with patients to reduce adverse drug reac-  
8       tions and medical errors.

9       (d) PRIORITIES.—In awarding grants under the pro-  
10      gram, the Administrator shall take into account and give  
11      priority to the needs of small and rural pharmacies and  
12      to pharmacies which service underserved areas.

13      (e) APPROPRIATION.—For the purpose of making  
14      grants under this section, there is appropriated, out of any  
15      money in the Treasury not otherwise appropriated,  
16      \$150,000,000 for each of the fiscal years 2004 through  
17      2007. The appropriation under the preceding sentence for  
18      a fiscal year is made on October 1 of the fiscal year. No  
19      grant shall be awarded under this section before January  
20      1, 2004.

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