

107TH CONGRESS  
1ST SESSION

# S. 1030

To improve health care in rural areas by amending title XVIII of the Social Security Act and the Public Health Service Act, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

JUNE 13, 2001

Mr. CONRAD (for himself, Mr. THOMAS, Mr. DASCHLE, Mr. ROBERTS, Mr. JOHNSON, Mr. JEFFORDS, Mr. CRAPO, Mr. ROCKEFELLER, Mr. HARKIN, Mr. DORGAN, Mr. WELLSTONE, Mr. BOND, Mr. HELMS, Mr. COCHRAN, Mr. EDWARDS, Mr. HUTCHINSON, Mr. DOMENICI, Mr. BURNS, Mr. BINGAMAN, and Mrs. LINCOLN) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To improve health care in rural areas by amending title XVIII of the Social Security Act and the Public Health Service Act, 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; TABLE OF CONTENTS.**

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

6 (b) TABLE OF CONTENTS.—The table of contents of  
7 this Act is as follows:

Sec. 1. Short title; table of contents.

## TITLE I—RURAL MEDICARE REFORMS

- Sec. 101. Medicare inpatient payment adjustment for low-volume hospitals.  
 Sec. 102. Fairness in the medicare disproportionate share hospital (DSH) adjustment for rural hospitals.  
 Sec. 103. Establishing a single standardized amount under the medicare inpatient hospital PPS.  
 Sec. 104. Hospital geographic reclassification for labor costs for all items and services reimbursed under medicare prospective payment systems.  
 Sec. 105. Treatment of certain physician pathology services under medicare.  
 Sec. 106. One-time opportunity of critical access hospitals to return to the medicare inpatient hospital PPS.

## 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—RURAL HEALTH CLINIC IMPROVEMENTS

- Sec. 301. Improvement in rural health clinic reimbursement under medicare.  
 Sec. 302. Exclusion of certain rural health clinic and Federally qualified health center services from the medicare PPS for skilled nursing facilities.

- 1       **TITLE I—RURAL MEDICARE**  
 2                   **REFORMS**  
 3       **SEC. 101. MEDICARE INPATIENT PAYMENT ADJUSTMENT**  
 4                   **FOR LOW-VOLUME HOSPITALS.**  
 5       Section 1886(d) of the Social Security Act (42 U.S.C.  
 6       1395ww(d)) is amended by adding at the end the following  
 7       new paragraph:  
 8       “(12) PAYMENT ADJUSTMENT FOR LOW-VOLUME  
 9       HOSPITALS.—  
 10       “(A) PAYMENT ADJUSTMENT.—  
 11       “(i) IN GENERAL.—Notwithstanding any  
 12       other provision of this section, for each cost re-  
 13       porting period (beginning with the cost report-

ing period that begins in fiscal year 2002), the Secretary shall provide for an additional payment amount to each low-volume hospital (as defined in clause (iii)) for discharges occurring during that cost reporting period to increase the amount paid to such hospital under this section for such discharges by the applicable percentage increase determined under clause (ii).

“(ii) APPLICABLE PERCENTAGE INCREASE.—The Secretary shall determine a percentage increase applicable under this paragraph that ensures that—

“(I) no percentage increase in payments under this paragraph exceeds 25 percent of the amount of payment that would otherwise be made to a low-volume hospital under this section for each discharge (but for this paragraph);

“(II) low-volume hospitals that have the lowest number of discharges during a cost reporting period receive the highest percentage increase in payments due to the application of this paragraph; and

1 “(III) the percentage increase in pay-  
2 ments due to the application of this para-  
3 graph is reduced as the number of dis-  
4 charges per cost reporting period increases.

5 “(iii) LOW-VOLUME HOSPITAL DEFINED.—  
6 For purposes of this paragraph, the term ‘low-  
7 volume hospital’ means, for a cost reporting pe-  
8 riod, a subsection (d) hospital (as defined in  
9 paragraph (1)(B)) other than a critical access  
10 hospital (as defined in section 1861(mm)(1))  
11 that—

12 “(I) the Secretary determines—  
13 “(aa) had an average of less than  
14 800 discharges during the 3 most re-  
15 cent cost reporting periods for which  
16 data are available that precede the  
17 cost reporting period to which this  
18 paragraph applies; and

19 “(bb) is located at least 15 miles  
20 from a similar hospital; or

21 “(II) the Secretary deems meets the  
22 requirements of subclause (I) by reason of  
23 such factors as the Secretary determines  
24 appropriate, including the time required  
25 for an individual to travel to the nearest

1 alternative source of appropriate inpatient  
 2 care (taking into account the location of  
 3 such alternative source of inpatient care  
 4 and any weather or travel conditions that  
 5 may affect such travel time).

6 “(B) PROHIBITING CERTAIN REDUCTIONS.—  
 7 Notwithstanding subsection (e), the Secretary shall  
 8 not reduce the payment amounts under this section  
 9 to offset the increase in payments resulting from the  
 10 application of subparagraph (A).”.

11 **SEC. 102. FAIRNESS IN THE MEDICARE DISPROPOR-**  
 12 **TIONATE SHARE HOSPITAL (DSH) ADJUST-**  
 13 **MENT FOR RURAL HOSPITALS.**

14 (a) EQUALIZING DSH PAYMENT AMOUNTS.—

15 (1) IN GENERAL.—Section 1886(d)(5)(F)(vii)  
 16 of the Social Security Act (42 U.S.C.  
 17 1395ww(d)(5)(F)(vii)) is amended by inserting “,  
 18 and, after October 1, 2001, for any other hospital  
 19 described in clause (iv),” after “clause (iv)(I)”.

20 (2) CONFORMING AMENDMENTS.—Section  
 21 1886(d)(5)(F) of such Act (42 U.S.C.  
 22 1395ww(d)(5)(F)), as amended by section 211 of  
 23 the Medicare, Medicaid, and SCHIP Benefits Im-  
 24 provement and Protection Act of 2000 (114 Stat.

1       2763A–483), as enacted into law by section 1(a)(6)  
2       of Public Law 106–554, is amended—

3               (A) in clause (iv)—

4                       (i) in subclause (II), by inserting “or,  
5                       for discharges occurring on or after Octo-  
6                       ber 1, 2001, is equal to the percent deter-  
7                       mined in accordance with the applicable  
8                       formula described in clause (vii)” after  
9                       “clause (xiii)”;

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

16                      (iii) in subclause (IV), by inserting  
17                      “or, for discharges occurring on or after  
18                      October 1, 2001, is equal to the percent  
19                      determined in accordance with the applica-  
20                      ble formula described in clause (vii)” after  
21                      “clause (x) or (xi)”;

22                      (iv) in subclause (V), by inserting “or,  
23                      for discharges occurring on or after Octo-  
24                      ber 1, 2001, is equal to the percent deter-  
25                      mined in accordance with the applicable

1 formula described in clause (vii)” after  
 2 “clause (xi)”;

3 (v) in subclause (VI), by inserting  
 4 “or, for discharges occurring on or after  
 5 October 1, 2001, is equal to the percent  
 6 determined in accordance with the applica-  
 7 ble formula described in clause (vii)” after  
 8 “clause (x)”;

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

12 (C) in each of clauses (x), (xi), (xii), and  
 13 (xiii), by striking “For purposes” and inserting  
 14 “With respect to discharges occurring before  
 15 October 1, 2001, for purposes”.

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

19 **SEC. 103. ESTABLISHING A SINGLE STANDARDIZED**  
 20 **AMOUNT UNDER THE MEDICARE INPATIENT**  
 21 **HOSPITAL PPS.**

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

1 (1) in clause (iv), by inserting “and ending on  
 2 or before September 30, 2001,” after “October 1,  
 3 1995,”; and

4 (2) by redesignating clauses (v) and (vi) as  
 5 clauses (vii) and (viii), respectively, and inserting  
 6 after clause (iv) the following new clauses:

7 “(v) For discharges occurring in the fiscal year  
 8 beginning on October 1, 2001, the average standard-  
 9 ized amount for hospitals located in areas other than  
 10 a large urban area shall be equal to the average  
 11 standardized amount for hospitals located in a large  
 12 urban area.

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

22 (b) CONFORMING AMENDMENTS.—

23 (1) UPDATE FACTOR.—Section  
 24 1886(b)(3)(B)(i)(XVII) of the Social Security Act  
 25 (42 U.S.C. 1395ww(b)(3)(B)(i)(XVII)) is amended



1 by striking “for hospitals in all areas,” and inserting  
 2 “for hospitals located in a large urban area,”.

3 (2) COMPUTING DRG-SPECIFIC RATES.—

4 (A) IN GENERAL.—Section 1886(d)(3)(D)  
 5 of such Act (42 U.S.C. 1395ww(d)(3)(D)) is  
 6 amended—

7 (i) in the heading, by striking “IN  
 8 DIFFERENT AREAS”;

9 (ii) in the matter preceding clause  
 10 (i)—

11 (I) by inserting “, for fiscal years  
 12 before fiscal year 1997,” before “a re-  
 13 gional DRG prospective payment rate  
 14 for each region,”; and

15 (II) by striking “each of which  
 16 is”;

17 (iii) in clause (i)—

18 (I) in the matter preceding sub-  
 19 clause (I), by inserting “for fiscal  
 20 years before fiscal year 2002,” before  
 21 “for hospitals”; and

22 (II) in subclause (II), by striking  
 23 “and” after the semicolon at the end;  
 24 (iv) in clause (ii)—

1 (I) in the matter preceding sub-  
 2 clause (I), by inserting “for fiscal  
 3 years before fiscal year 2002,” before  
 4 “for hospitals”; and

5 (II) in subclause (II), by striking  
 6 the period at the end and inserting “;  
 7 and”; and

8 (v) by adding at the end the following  
 9 new clause:

10 “(iii) for a fiscal year beginning after fiscal  
 11 year 2001, for hospitals located in all areas, to  
 12 the product of—

13 “(I) the applicable average standard-  
 14 ized amount (computed under subpara-  
 15 graph (A)), reduced under subparagraph  
 16 (B), and adjusted or reduced under sub-  
 17 paragraph (C) for the fiscal year; and

18 “(II) the weighting factor (determined  
 19 under paragraph (4)(B)) for that diag-  
 20 nosis-related group.”.

21 (B) TECHNICAL CONFORMING SUNSET.—  
 22 Section 1886(d)(3) of such Act (42 U.S.C.  
 23 1395ww(d)(3)) is amended in the matter pre-  
 24 ceding subparagraph (A), by inserting “, for  
 25 fiscal years before fiscal year 1997,” before “a

1 regional adjusted DRG prospective payment  
 2 rate”.

3 **SEC. 104. HOSPITAL GEOGRAPHIC RECLASSIFICATION FOR**  
 4 **LABOR COSTS FOR ALL ITEMS AND SERVICES**  
 5 **REIMBURSED UNDER MEDICARE PROSPEC-**  
 6 **TIVE PAYMENT SYSTEMS.**

7 Section 1886(d)(10)(D) of the Social Security Act  
 8 (42 U.S.C. 1395ww(d)(10)(D)), as amended by section  
 9 304(a) of the Medicare, Medicaid, and SCHIP Benefits  
 10 Improvement and Protection Act of 2000 (114 Stat.  
 11 2763A–494), as enacted into law by section 1(a)(6) of  
 12 Public Law 106–554, is amended by adding at the end  
 13 the following new clause:

14 “(vii)(I) Any decision of the Board to reclassify a  
 15 subsection (d) hospital for purposes of the adjustment fac-  
 16 tor described in subparagraph (C)(i)(II) for fiscal year  
 17 2001 or any fiscal year thereafter shall apply for purposes  
 18 of adjusting payments for variations in costs that are at-  
 19 tributable to wages and wage-related costs for PPS-reim-  
 20 bursed items and services.

21 “(II) For purposes of subclause (I), the term ‘PPS-  
 22 reimbursed items and services’ means, for the fiscal year  
 23 for which the Board has made a decision described in such  
 24 subclause, each item and service for which payment is  
 25 made under this title on a prospective basis and adjusted

1 for variations in costs that are attributable to wages or  
 2 wage-related costs that is furnished by the hospital to  
 3 which such decision applies, or by a provider-based entity  
 4 or department of that hospital (as determined by the Sec-  
 5 retary).”.

6 **SEC. 105. TREATMENT OF CERTAIN PHYSICIAN PATHOLOGY**  
 7 **SERVICES UNDER MEDICARE.**

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

11 “(4) TREATMENT OF CERTAIN PHYSICIAN PA-  
 12 THOLOGY SERVICES.—

13 “(A) IN GENERAL.—With respect to serv-  
 14 ices furnished on or after January 1, 2001, if  
 15 an independent laboratory furnishes the tech-  
 16 nical component of a physician pathology serv-  
 17 ice to a fee-for-service medicare beneficiary who  
 18 is an inpatient or outpatient of a covered hos-  
 19 pital, the Secretary shall treat such component  
 20 as a service for which payment shall be made  
 21 to the laboratory under this section and not as  
 22 an inpatient hospital service for which payment  
 23 is made to the hospital under section 1886(d)  
 24 or as a hospital outpatient service for which

1 payment is made to the hospital under section  
2 1834(t).

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

4 “(i) COVERED HOSPITAL.—

5 “(I) IN GENERAL.—The term  
6 ‘covered hospital’ means, with respect  
7 to an inpatient or outpatient, a hos-  
8 pital that had an arrangement with  
9 an independent laboratory that was in  
10 effect as of July 22, 1999, under  
11 which a laboratory furnished the tech-  
12 nical component of physician pathol-  
13 ogy services to fee-for-service medi-  
14 care beneficiaries who were hospital  
15 inpatients or outpatients, respectively,  
16 and submitted claims for payment for  
17 such component to a carrier with a  
18 contract under section 1842 and not  
19 to the hospital.

20 “(II) CHANGE IN OWNERSHIP  
21 DOES NOT AFFECT DETERMINA-  
22 TION.—A change in ownership with  
23 respect to a hospital on or after the  
24 date referred to in subclause (I) shall  
25 not affect the determination of wheth-

1                   er such hospital is a covered hospital  
2                   for purposes of such subclause.

3                   “(ii)   FEE-FOR-SERVICE    MEDICARE  
4                   BENEFICIARY.—The   term   ‘fee-for-service  
5                   medicare beneficiary’ means an individual  
6                   who is entitled to benefits under part A, or  
7                   enrolled under this part, or both, but who  
8                   is not enrolled in any of the following:

9                               “(I)   A   Medicare+Choice   plan  
10                              under part C.

11                             “(II) A plan offered by an eligi-  
12                             ble organization under section 1876.

13                             “(III) A program of all-inclusive  
14                             care for the elderly (PACE) under  
15                             section 1894.

16                             “(IV) A social health mainte-  
17                             nance organization (SHMO) dem-  
18                             onstration project established under  
19                             section 4018(b) of the Omnibus  
20                             Budget Reconciliation Act of 1987  
21                             (Public Law 100–203).”.

22           (b) CONFORMING AMENDMENT.—Section 542 of the  
23 Medicare, Medicaid, and SCHIP Benefits Improvement  
24 and Protection Act of 2000 (114 Stat. 2763A–550), as

1 enacted into law by section 1(a)(6) of Public Law 106–  
2 554, is repealed.

3 (c) EFFECTIVE DATES.—The amendments made by  
4 this section shall take effect as if included in the enact-  
5 ment of the Medicare, Medicaid, and SCHIP Benefits Im-  
6 provement and Protection Act of 2000 (114 Stat. 2763A–  
7 463 et seq.), as enacted into law by section 1(a)(6) of Pub-  
8 lic Law 106–554.

9 **SEC. 106. ONE-TIME OPPORTUNITY OF CRITICAL ACCESS**  
10 **HOSPITALS TO RETURN TO THE MEDICARE**  
11 **INPATIENT HOSPITAL PPS.**

12 (a) IN GENERAL.—Notwithstanding section 1814(l)  
13 of the Social Security Act (42 U.S.C. 1395f(l)), the Sec-  
14 retary of Health and Human Services (in this section re-  
15 ferred to as the “Secretary”) shall pay each critical access  
16 hospital having an application approved under subsection  
17 (b)(2) under the prospective payment system for inpatient  
18 hospital services under section 1886(d) of such Act (42  
19 U.S.C. 1395ww(d)) rather than under such section  
20 1814(l).

21 (b) ONE-TIME APPLICATION AND APPROVAL.—

22 (1) APPLICATION.—Not later than the date  
23 that is 6 months after the date of enactment of this  
24 Act, each eligible critical access hospital (as defined  
25 in subsection (c)) that desires to receive payment

1       under the prospective payment system for inpatient  
2       hospital services under section 1886(d) of the Social  
3       Security Act (42 U.S.C. 1395ww(d)) instead of re-  
4       ceiving payment of the reasonable costs for such  
5       services under section 1814(l) of such Act (42  
6       U.S.C. 1395f(l)) shall submit an application to the  
7       Secretary in such manner and containing such infor-  
8       mation as the Secretary may require.

9               (2) APPROVAL.—Not later than the date that is  
10       3 months after the date on which the Secretary re-  
11       ceives the application submitted under paragraph  
12       (1), the Secretary shall approve or deny the applica-  
13       tion.

14       (c) ELIGIBLE CRITICAL ACCESS HOSPITAL DE-  
15       FINED.—In this section, the term “eligible critical access  
16       hospital” means a critical access hospital (as defined in  
17       section 1861(mm)(1) of the Social Security Act (42  
18       U.S.C. 1395x(mm)(1))) that received payments under the  
19       prospective payment system for inpatient hospital services  
20       under section 1886(d) of such Act (42 U.S.C. 1395ww(d))  
21       prior to its designation as a critical access hospital under  
22       section 1820(c)(2) of such Act (42 U.S.C. 1395i–4(c)(2)).



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)—

7 (A) in paragraph (1)(C), by striking “sec-  
 8 tion 1601(a)(2)(B)” and inserting “sections  
 9 1601(a)(2)(B) and 1603(a)(2)(B)”; and

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—RURAL HEALTH CLINIC IMPROVEMENTS**

## **SEC. 301. IMPROVEMENT IN RURAL HEALTH CLINIC REIM- BURSEMENT UNDER MEDICARE.**

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

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

(2) in paragraph (2)—

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

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

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

“(3) in 2002, at \$79 per visit; and

“(4) in a subsequent year, at the limit established under this subsection for the previous year increased by the percentage increase in the MEI (as so defined) applicable to primary care services (as so defined) furnished as of the first day of that year.”.

1 **SEC. 302. EXCLUSION OF CERTAIN RURAL HEALTH CLINIC**  
 2 **AND FEDERALLY QUALIFIED HEALTH CEN-**  
 3 **TER SERVICES FROM THE MEDICARE PPS**  
 4 **FOR SKILLED NURSING FACILITIES.**

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

7 (1) in paragraph (2)(A)(i)(II), by striking  
 8 “clauses (ii) and (iii)” and inserting “clauses (ii),  
 9 (iii), and (iv)”; and

10 (2) by adding at the end of paragraph (2)(A)  
 11 the following new clause:

12 “(iv) EXCLUSION OF CERTAIN RURAL  
 13 HEALTH CLINIC AND FEDERALLY QUALI-  
 14 FIED HEALTH CENTER SERVICES.—Serv-  
 15 ices described in this clause are—

16 “(I) rural health clinic services  
 17 (as defined in paragraph (1) of sec-  
 18 tion 1861(aa)); and

19 “(II) Federally qualified health  
 20 center services (as defined in para-  
 21 graph (3) of such section);

22 that would be described in clause (ii) if  
 23 such services were not furnished by an in-  
 24 dividual affiliated with a rural health clinic  
 25 or a Federally qualified health center.”.

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

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