

107TH CONGRESS
1ST SESSION

S. 705

To establish a health information technology grant program for hospitals and for skilled nursing facilities and home health agencies, and to require the Secretary of Health and Human Services to establish and implement a methodology under the medicare program for providing hospitals with reimbursement for costs incurred by such hospitals with respect to information technology systems.

IN THE SENATE OF THE UNITED STATES

APRIL 5, 2001

Mr. SCHUMER introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To establish a health information technology grant program for hospitals and for skilled nursing facilities and home health agencies, and to require the Secretary of Health and Human Services to establish and implement a methodology under the medicare program for providing hospitals with reimbursement for costs incurred by such hospitals with respect to information technology systems.

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

1 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

2 (a) SHORT TITLE.—This Act may be cited as the
3 “Health Information Technology and Quality Improve-
4 ment Act of 2001”.

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

Sec. 1. Short title; table of contents.

Sec. 2. Purpose.

Sec. 3. Health Information Technology Grant Program for hospitals.

Sec. 4. Continuing reimbursement for hospitals under part A of the Medicare
Program for Capital Costs of Information Technology.

Sec. 5. Health Information Technology Grant Program for skilled nursing fa-
cilities and home health agencies.

Sec. 6. Health Care Improvement Advisory Board.

Sec. 7. AHRQ studies of grant programs.

7 **SEC. 2. PURPOSE.**

8 It is the purpose of this Act to encourage the develop-
9 ment and use by hospitals, skilled nursing facilities, and
10 home health agencies of information technology that
11 can—

12 (1) reduce the incidence of medical errors;

13 (2) enhance the efficiency and quality of care of
14 our Nation’s health care system;

15 (3) strengthen medical privacy protections;

16 (4) disseminate best practices; and

17 (5) prepare America’s health care system for
18 the challenges presented by an aging population and
19 other challenges of the 21st century.

1 **SEC. 3. HEALTH INFORMATION TECHNOLOGY GRANT PRO-**2 **GRAM FOR HOSPITALS.**

3 (a) GRANTS.—

4 (1) IN GENERAL.—The Secretary of Health and
5 Human Services (in this section referred to as the
6 “Secretary”), acting through the Administrator of
7 the Health Care Financing Administration, shall es-
8 tablish a program to make grants to hospitals that
9 have submitted applications in accordance with sub-
10 section (b) for the purpose of assisting such hos-
11 pitals in offsetting costs related to—

12 (A) purchasing, developing, and imple-
13 menting health care information systems de-
14 signed to improve medical care and reduce ad-
15 verse events and health care complications re-
16 sulting from medical errors, including medica-
17 tion errors; and

18 (B) establishing data systems to comply
19 with—

20 (i) the administrative simplification
21 requirements of part C of title XI of the
22 Social Security Act (42 U.S.C. 1320d et
23 seq.); and

24 (ii) privacy requirements pursuant to
25 section 264 of the Health Insurance Port-

ability and Accountability Act of 1996 (42 U.S.C. 1320d-2 note).

14 (A) purchasing and installing computer
15 software and hardware and purchasing or les-
16 sing associated data communications facilities;

17 (B) making improvements to existing com-
18 puter software and hardware; and

19 (C) providing education and training of
20 hospital staff on computer information systems

21 (b) APPLICATION —

22 (1) IN GENERAL.—A hospital seeking a grant
23 under this section shall submit an application to the
24 Secretary at such time and in such form and man-
25 ner as the Secretary specifies.

(2) SPECIFIC INFORMATION.—An application submitted under paragraph (1) shall—

9 (C) provide assurances that any system
10 which is funded under the grant will meet the
11 standards established by the Health Care Im-
12 provement Advisory Board under section
13 6(c)(2).

14 (c) APPROVAL.—

15 (1) TIMEFRAME.—The Secretary shall either
16 approve or disapprove an application submitted
17 under subsection (b) within 90 days of receipt of
18 such application.

22 (A) CONSULT WITH AHRQ.—The Secretary
23 shall consult with the Agency for Healthcare
24 Research and Quality on the types of health
25 care information and data systems that are

1 likely to best achieve the purpose of the grants
2 (as described in subsection (a)(1)).

3 (B) CONSULT WITH BOARD.—The Sec-
4 retary shall consult with the Health Care Im-
5 provement Advisory Board established under
6 section 6 on—

7 (i) the types of health care informa-
8 tion and data systems that are likely to
9 best achieve the purpose of the grants (as
10 described in subsection (a)(1));
11 (ii) how such systems can best be
12 used in order to achieve such purpose; and
13 (iii) which types of systems meet the
14 standards established by the Board under
15 section 6(c)(2) of such section.

16 (C) EQUITABLE DISTRIBUTION OF
17 GRANTS.—The Secretary shall ensure that
18 grants are equitably distributed among different
19 types of hospitals, using measures of equity
20 that the Secretary determines will lead to the
21 maximum improvement in health care delivery
22 for the maximum number of individuals.

23 (D) RESERVE 20 PERCENT OF GRANT
24 FUNDS FOR RURAL HOSPITALS.—

1 (i) IN GENERAL.—Subject to clause
2 (ii), the Secretary shall ensure that at least
3 20 percent of the funds available for mak-
4 ing grants under this section are used for
5 making grants to rural hospitals.

6 (ii) RURAL HOSPITAL DEFINED.—For
7 purposes of clause (i), the term “rural hos-
8 pital” means a hospital that—

9 (I) is located in a rural area (as
10 such term is defined for purposes of
11 section 1886(d) of the Social Security
12 Act (42 U.S.C. 1395ww(d)));

13 (II) is located in an area des-
14 ignated by any law or regulation of
15 the State as a rural area; or

16 (III) is designated by the State
17 as a rural hospital.

18 (ii) AVAILABILITY OF RESERVE
19 FUNDS IF LIMITED NUMBER OF RURAL
20 HOSPITALS APPLY FOR GRANTS.—If the
21 Secretary estimates that the amount of
22 funds reserved under clause (i) for hos-
23 pitals described in such clause will be
24 greater than the amount of funds provided
25 to such hospitals under this section, the

6 (E) SPECIAL CONSIDERATION TO CERTAIN
7 HOSPITALS.—The Secretary shall give special
8 consideration to—

9 (i) hospitals that are in financial need
10 (as demonstrated by low or negative oper-
11 ating surpluses, based on the hospital's
12 most recently audited financial state-
13 ments);

21 (iii) not-for-profit hospitals;
22 (iv) publicly sponsored hospitals; and
23 (v) hospitals that will use funds pro-
24 vided under the grant to establish systems
25 that will provide access to information

1 across different provider settings, such as
2 skilled nursing facilities and home health
3 agencies.

4 (d) MULTIYEAR FUNDING.—Subject to subsections
5 (a)(2) and (i), the Secretary may provide a grant under
6 this section that provides funding to a hospital in multiple
7 years as long as the Secretary finds that such funding is
8 necessary in order for the hospital to achieve the purposes
9 for which the funding is provided.

10 (e) LIMITATION ON AMOUNT OF GRANT.—A grant
11 awarded under this section may not exceed an amount
12 equal to 80 percent of the costs of the health care informa-
13 tion or data systems for which the hospital is seeking
14 funding.

15 (f) INFORMATION AND ASSISTANCE.—

23 (A) publication of information on the grant
24 program in the Federal Register; and

(B) fiscal intermediaries under the medi-care program.

3 (2) ASSISTANCE FOR CERTAIN HOSPITALS.—

4 (A) IN GENERAL.—The Secretary shall
5 provide hospitals described in clauses (i), (ii),
6 (iii), and (iv) of subsection (c)(2)(E) with such
7 technical assistance as the Secretary determines
8 appropriate to ensure that such hospitals are
9 able to successfully apply for grants under this
10 section.

11 (B) CONTRACTS.—

12 (i) IN GENERAL.—The Secretary may
13 contract with private entities in order to
14 provide the assistance under subparagraph
15 (A).

16 (ii) FUNDING.—There are authorized
17 to be appropriated for the purpose of en-
18 tering into contracts under this subpara-
19 graph \$10 000 000

20 (g) HOSPITAL REQUIRED TO FURNISH SECRETARY
21 WITH INFORMATION.—A hospital receiving a grant under
22 this section shall furnish the Secretary with such informa-
23 tion as the Secretary may require to—

24 (1) evaluate the project for which the grant is
25 made; and

5 (h) REPORTS.—

11 (2) CONTENTS.—A report submitted pursuant
12 to paragraph (1) shall include information on—

13 (A) the number of grants made;

14 (B) the nature of the projects for which
15 funding is provided under the grant program;

16 (C) the distribution of grant recipients
17 among different types of hospitals; and

18 (D) such other matters as the Secretary
19 determines appropriate.

20 (j) FUNDING.—

1 1817 of the Social Security Act (42 U.S.C. 1395i)
2 of an amount not to exceed \$355,000,000.

8 SEC. 4. CONTINUING REIMBURSEMENT FOR HOSPITALS
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11

9 **UNDER PART A OF THE MEDICARE PROGRAM**
10 **FOR CAPITAL COSTS OF INFORMATION TECH-**
11 **NOLOGY.**

12 Title XVIII of the Social Security Act (42 U.S.C.
13 1395 et seq.) is amended by adding at the end the fol-
14 lowing new section:

15 "REIMBURSEMENT FOR HOSPITALS UNDER PART A FOR
16 CAPITAL COSTS OF INFORMATION TECHNOLOGY
17 "SEC. 1897. (a) ESTABLISHMENT OF METHOD-
18 OLOGY.—

19 “(1) IN GENERAL.—Based on the results of the
20 health information technology grant program under
21 section 3 of the Health Information Technology and
22 Quality Improvement Act of 2001, the Secretary,
23 acting through the Administrator of the Health Care
24 Financing Administration, shall establish a method-
25 ology for providing all hospitals with reimbursement
26 for costs, including the costs described in section

1 3(a)(4) of the Health Information Technology and
2 Quality Improvement Act of 2001, incurred by such
3 hospitals with respect to information technology sys-
4 tems.

5 “(2) CONSULTATION.—The Secretary shall con-
6 sult with the Health Care Improvement Advisory
7 Board (established under section 6 of such Act) and
8 the Agency for Healthcare Research and Quality in
9 establishing the methodology under paragraph (1).

10 “(b) IMPLEMENTATION.—By not later than 60 days
11 after the completion of the grant program described in
12 subsection (a)(1), the Secretary shall implement the meth-
13 odology established under such subsection.

14 “(c) PAYMENTS.—Payments to hospitals by reason of
15 the implementation of the methodology established under
16 subsection (a)(1) shall be made from the Federal Hospital
17 Insurance Trust Fund under section 1817.

18 “(d) REPORT TO CONGRESS.—Not later than 60 days
19 after the Secretary implements the payment methodology
20 under this section, the Secretary shall submit a report to
21 the Committee on Ways and Means of the House of Rep-
22 resentatives and the Committee on Finance of the Senate
23 that contains a detailed description of the establishment
24 and implementation of such methodology, including the

1 basis used by the Secretary in establishing such method-
2 ology.”.

3 **SEC. 5. HEALTH INFORMATION TECHNOLOGY GRANT PRO-**

4 **GRAM FOR SKILLED NURSING FACILITIES**
5 **AND HOME HEALTH AGENCIES.**

6 (a) GRANTS.—

7 (1) IN GENERAL.—The Secretary of Health and
8 Human Services (in this section referred to as the
9 “Secretary”), acting through the Administrator of
10 the Health Care Financing Administration, shall es-
11 tablish a program to make grants to qualified enti-
12 ties that have submitted applications in accordance
13 with subsection (b) for the purpose of assisting such
14 qualified entities in offsetting costs related to—

15 (A) purchasing, developing, and imple-
16 menting health care information systems de-
17 signed to improve medical care and reduce ad-
18 verse events and health care complications re-
19 sulting from medical errors, including medica-
20 tion errors; and

21 (B) establishing data systems to comply
22 with—

23 (i) the administrative simplification
24 requirements of part C of title XI of the

1 Social Security Act (42 U.S.C. 1320d et
2 seq.); and

3 (ii) privacy requirements pursuant to
4 section 264 of the Health Insurance Port-
5 ability and Accountability Act of 1996 (42
6 U.S.C. 1320d-2 note).

14 (A) a skilled nursing facility (as defined in
15 section 1819(a) of the Social Security Act (42
16 U.S.C. 1395i-3(e)); and

23 (A) purchasing and installing computer
24 software and hardware and purchasing or leas-
25 ing associated data communications facilities;

5 (b) APPLICATION.—

10 (2) SPECIFIC INFORMATION.—An application
11 submitted under paragraph (1) shall—

12 (A) specify the amount of funding re-
13 quested under the grant; and

14 (B) specify the manner in which the qual-
15 fied entity will use such funding to achieve the
16 purpose of the grant (as described in subsection
17 (a)(1)).

18 (c) APPROVAL.—

7 (B) EQUITABLE REGIONAL DISTRIBUTION
8 OF GRANTS.—The Secretary shall ensure that
9 grants are equitably distributed among qualified
10 entities located in different regions.

11 (C) SPECIAL CONSIDERATION TO CERTAIN
12 QUALIFIED ENTITIES.—The Secretary shall give
13 special consideration to—

14 (i) qualified entities that are in finan-
15 cial need (as demonstrated by low or nega-
16 tive operating surpluses, based on the enti-
17 ty's most recently audited financial state-
18 ments);

3 (iii) home health agencies that have a
4 majority of patients that reside in an area
5 that is designated as a health professional
6 shortage area or a medically underserved
7 area;

8 (iv) not-for-profit qualified entities;
9 and

10 (v) publicly sponsored qualified enti-
11 ties.

12 (d) MULTIYEAR FUNDING.—Subject to subsections
13 (a)(2) and (i), the Secretary may provide a grant under
14 this section that provides funding to a qualified entity in
15 multiple years as long as the Secretary finds that such
16 funding is necessary in order for the qualified entity to
17 achieve the purposes for which the funding is provided.

18 (e) LIMITATION ON AMOUNT OF GRANT.—A grant
19 awarded under this section may not exceed an amount
20 equal to 80 percent of the costs of the health care informa-
21 tion and data systems for which the qualified entity is
22 seeking funding.

23 (f) FURNISHING INFORMATION ON THE PROGRAM TO
24 QUALIFIED ENTITIES.—The Secretary shall ensure that

- 1 information on the grant program under this section is
- 2 made available to qualified entities through—

7 (g) QUALIFIED ENTITY REQUIRED TO FURNISH
8 SECRETARY WITH INFORMATION.—A qualified entity re-
9 ceiving a grant under this section shall furnish the Sec-
10 retary with such information as the Secretary may require
11 to—

12 (1) evaluate the project for which the grant is
13 made; and

18 (h) REPORTS.—

19 (1) INTERIM REPORTS.—

20 (A) IN GENERAL.—Not later than 12
21 months and 24 months after the Secretary im-
22 plements the grant program under this section,
23 the Secretary shall submit a report to the Com-
24 mittee on Ways and Means of the House of
25 Representatives and the Committee on Finance

1 of the Senate on the grant program established
2 under this section.

3 (B) CONTENTS.—A report submitted pur-
4 suant to subparagraph (A) shall include infor-
5 mation on—

6 (i) the number of grants made;

7 (ii) the nature of the projects for
8 which funding is provided under the grant
9 program;

10 (iii) the regional distribution of grant
11 recipients; and

12 (iv) such other matters as the Sec-
13 retary deems appropriate.

22 (i) FUNDING.—

23 (1) IN GENERAL.—Subject to paragraph (2),
24 for purposes of carrying out this section, the Sec-
25 retary shall provide for the transfer from the Fed-

1 eral Hospital Insurance Trust Fund under section
2 1817 of the Social Security Act (42 U.S.C. 1395i)
3 of an amount not to exceed \$33,000,000.

4 (2) LIMITATION ON ADMINISTRATIVE EXPENSES.—The Secretary may not expend more than
5 \$3,000,000 of the amount transferred under paragraph (1) to pay the costs of administering the
6 grant program under this section.

9 **SEC. 6. HEALTH CARE IMPROVEMENT ADVISORY BOARD.**

10 (a) ESTABLISHMENT.—Not later than 60 days after
11 the date of enactment of this Act, the Secretary of Health
12 and Human Services shall establish a board to be known
13 as the Health Care Improvement Advisory Board (in this
14 section referred to as the “Board”).

15 (b) MEMBERSHIP.—The Secretary of Health and
16 Human Services shall ensure that the Board is composed
17 of the following individuals:

18 (1) Experts in health information technology.
19 (2) Experts in health care quality improvement.
20 (3) Experts in medical records privacy and security.

22 (4) Experts from hospitals (as defined in section 1861(e) of the Social Security Act (42 U.S.C. 1395x(e)) with experience in the successful develop-

1 ment and implementation of health information tech-
2 nologies.

3 (5) A representative from the Health Care Fi-
4 nancing Administration.

5 (6) A representative from the Agency for
6 Healthcare Research and Quality.

7 (7) A representative from the National Library
8 of Medicine.

9 (8) A representative from the National Council
10 for Vital Health Statistics.

11 (c) DUTIES.—

12 (1) ADVISE.—The Board shall advise the Sec-
13 etary of Health and Human Services on—

14 (A) the types of health care information
15 and data systems that are likely to best achieve
16 the purpose of the grants to hospitals made
17 under section 3;

18 (B) how such systems can best be used in
19 order to achieve such purpose; and

20 (C) the establishment of a methodology for
21 providing hospitals with reimbursement for
22 costs incurred by such hospitals with respect to
23 information technology systems pursuant to sec-
24 tion 1897 of the Social Security Act (as added
25 by section 4).

- 7 (A) common medical terminology;
- 8 (B) records security; and
- 9 (C) storage and transmission of data.

10 (d) TERMINATION.—The Board shall terminate 60
11 days after the date that the Secretary of Health and
12 Human Services implements the methodology described in
13 subsection (c)(1)(C).

14 (e) FUNDING.—For purposes of carrying out this sec-
15 tion, the Secretary shall provide for the transfer from the
16 Federal Hospital Insurance Trust Fund under section
17 1817 of the Social Security Act (42 U.S.C. 1395i) of an
18 amount not to exceed \$17,000,000.

19 SEC. 7. AHRQ STUDIES OF GRANT PROGRAMS.

20 (a) STUDY AND REPORT ON HOSPITAL GRANT PRO-
21 GRAM.—

22 (1) STUDY.—

23 (A) IN GENERAL.—The Agency for
24 Healthcare Research and Quality shall conduct

1 a study of the grant program conducted under
2 section 3.

3 (B) EVALUATION.—The study conducted
4 under subparagraph (A) shall include an eval-
5 uation of—

6 (i) the technology employed by recipi-
7 ents of grants under section 3;

8 (ii) the impact such grants have had
9 on medical errors, patient safety, privacy,
10 and quality of care; and

11 (iii) the characteristics that are com-
12 mon to—

13 (I) effective and efficient systems
14 and applications; and

15 (II) systems and applications
16 that are easily implemented and read-
17 ily accepted by health care providers
18 and patients.

19 (2) REPORT.—Not later than the end of the
20 third year of the 5-year period referred to in section
21 3(a)(2), the Agency for Healthcare Research and
22 Quality shall submit a report to the Secretary of
23 Health and Human Services, the Committee on
24 Ways and Means of the House of Representatives,
25 and the Committee on Finance of the Senate on the

1 study conducted under subsection (a), together with
2 recommendations on the establishment of a method-
3 ology for providing hospitals with reimbursement for
4 costs incurred by such hospitals with respect to in-
5 formation technology systems pursuant to section
6 1897 of the Social Security Act (as added by section
7 4).

8 (3) FUNDING.—There is authorized to be ap-
9 propriated \$5,000,000 for the purposes of con-
10 ducting the study under paragraph (1) and submit-
11 ting the report described in paragraph (2).

12 (b) STUDY AND REPORT ON SKILLED NURSING FA-
13 CILITY AND HOME HEALTH AGENCY GRANT PROGRAM.—

14 (1) STUDY.—

15 (A) IN GENERAL.—The Agency for
16 Healthcare Research and Quality shall conduct
17 a study of the grant program conducted under
18 section 5.

19 (B) EVALUATION.—The study conducted
20 under subparagraph (A) shall include an eval-
21 uation of—

22 (i) the technology employed by recipi-
23 ents of grants under section 5;

1 (ii) the impact such grants have had
2 on medical errors, patient safety, privacy,
3 and quality of care; and

6 (I) effective and efficient systems

7 and applications; and

8 (II) systems and applications
9 that are easily implemented and read-
10 ily accepted by health care providers
11 and patients.

