

108TH CONGRESS  
1ST SESSION

# H. R. 2175

To amend title XVIII of the Social Security Act to enhance beneficiary access in rural areas to quality health care services under the Medicare Program.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 20, 2003

Mr. SANDLIN (for himself, Mr. BERRY, Mr. MCINTYRE, Mr. ROSS, and Mr. TURNER of Texas) 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 enhance beneficiary access in rural areas to quality health care services under the Medicare Program.

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

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Rural Healthcare Ac-  
5       cess Improvement Act of 2003”.

1 **SEC. 2. EQUALIZING URBAN AND RURAL STANDARDIZED**  
2 **PAYMENT AMOUNTS UNDER THE MEDICARE**  
3 **INPATIENT HOSPITAL PROSPECTIVE PAY-**  
4 **MENT SYSTEM.**

5 (a) IN GENERAL.—Section 1886(d)(3)(A)(iv) of the  
6 Social Security Act (42 U.S.C. 1395ww(d)(3)(A)(iv)) is  
7 amended—

8 (1) by striking “(iv) For discharges” and in-  
9 serting “(iv)(I) Subject to subclause (II), for dis-  
10 charges”; and

11 (2) by adding at the end the following new sub-  
12 clause:

13 “(II) For discharges occurring in a fiscal year  
14 beginning with fiscal year 2004, the Secretary shall  
15 compute a standardized amount for hospitals located  
16 in any area within the United States and within  
17 each region equal to the standardized amount com-  
18 puted for the previous fiscal year under this sub-  
19 paragraph for hospitals located in a large urban area  
20 (or, beginning with fiscal year 2005, for hospitals lo-  
21 cated in any area) increased by the applicable per-  
22 centage increase under subsection (b)(3)(B)(i) for  
23 the fiscal year involved.”.

24 (b) CONFORMING AMENDMENTS.—

(1) COMPUTING DRG-SPECIFIC RATES.—Section 1886(d)(3)(D) of the Social Security Act (42 U.S.C. 1395ww(d)(3)(D)) is amended—

(A) in the heading, by striking “IN DIFFERENT AREAS”;

(B) in the matter preceding clause (i), by striking “, each of”;

(C) in clause (i)—

(i) in the matter preceding subclause (I), by inserting “for fiscal years before fiscal year 2004,” before “for hospitals”; and

(ii) in subclause (II), by striking “and” after the semicolon at the end;

(D) in clause (ii)—

(i) in the matter preceding subclause (I), by inserting “for fiscal years before fiscal year 2004,” before “for hospitals”; and

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

(E) by adding at the end the following new clause:

“(iii) for a fiscal year beginning after fiscal year 2003, for hospitals located in all areas, to the product of—

1 “(I) the applicable standardized  
 2 amount (computed under subparagraph  
 3 (A)), reduced under subparagraph (B),  
 4 and adjusted or reduced under subpara-  
 5 graph (C) for the fiscal year; and

6 “(II) the weighting factor (determined  
 7 under paragraph (4)(B)) for that diag-  
 8 nosis-related group.”.

9 (2) TECHNICAL CONFORMING SUNSET.—Section  
 10 1886(d)(3) of the Social Security Act (42 U.S.C.  
 11 1395ww(d)(3)) is amended—

12 (A) in the matter preceding subparagraph  
 13 (A), by inserting “, for fiscal years before fiscal  
 14 year 1997,” before “a regional adjusted DRG  
 15 prospective payment rate”; and

16 (B) in subparagraph (D), in the matter  
 17 preceding clause (i), by inserting “, for fiscal  
 18 years before fiscal year 1997,” before “a re-  
 19 gional DRG prospective payment rate for each  
 20 region,”.

21 **SEC. 3. FAIRNESS IN THE MEDICARE DISPROPORTIONATE**  
 22 **SHARE HOSPITAL (DSH) ADJUSTMENT FOR**  
 23 **RURAL HOSPITALS.**

24 (a) EQUALIZING DSH PAYMENT AMOUNTS.—

1           (1) IN GENERAL.—Section 1886(d)(5)(F)(vii)  
2       of the Social Security Act (42 U.S.C.  
3       1395ww(d)(5)(F)(vii)) is amended by inserting “,  
4       and, after October 1, 2003, for any other hospital  
5       described in clause (iv),” after “clause (iv)(I)” in the  
6       matter preceding subclause (I).

7           (2) CONFORMING AMENDMENTS.—Section  
8       1886(d)(5)(F) of the Social Security Act (42 U.S.C.  
9       1395ww(d)(5)(F)) is amended—

10           (A) in clause (iv)—

11               (i) in subclause (II)—

12                   (I) by inserting “and before Oc-  
13                   tober 1, 2003,” after “April 1,  
14                   2001,”; and

15                   (II) by inserting “or, for dis-  
16                   charges occurring on or after October  
17                   1, 2003, is equal to the percent deter-  
18                   mined in accordance with the applica-  
19                   ble formula described in clause (vii)”  
20                   after “clause (xiii)”;

21               (ii) in subclause (III)—

22                   (I) by inserting “and before Oc-  
23                   tober 1, 2003,” after “April 1,  
24                   2001,”; and

1 (II) by inserting “or, for dis-  
2 charges occurring on or after October  
3 1, 2003, is equal to the percent deter-  
4 mined in accordance with the applica-  
5 ble formula described in clause (vii)”  
6 after “clause (xii)”;

7 (iii) in subclause (IV)—

8 (I) by inserting “and before Oc-  
9 tober 1, 2003,” after “April 1,  
10 2001,”; and

11 (II) by inserting “or, for dis-  
12 charges occurring on or after October  
13 1, 2003, is equal to the percent deter-  
14 mined in accordance with the applica-  
15 ble formula described in clause (vii)”  
16 after “clause (x) or (xi)”;

17 (iv) in subclause (V)—

18 (I) by inserting “and before Oc-  
19 tober 1, 2003,” after “April 1,  
20 2001,”; and

21 (II) by inserting “or, for dis-  
22 charges occurring on or after October  
23 1, 2003, is equal to the percent deter-  
24 mined in accordance with the applica-

1 ble formula described in clause (vii)”  
 2 after “clause (xi)”;  
 3 (v) in subclause (VI)—

4 (I) by inserting “and before Oc-  
 5 tober 1, 2003,” after “April 1,  
 6 2001,”; and

7 (II) by inserting “or, for dis-  
 8 charges occurring on or after October  
 9 1, 2003, is equal to the percent deter-  
 10 mined in accordance with the applica-  
 11 ble formula described in clause (vii)”  
 12 after “clause (x)”;

13 (B) in clause (viii), by striking “The for-  
 14 mula” and inserting “For discharges occurring  
 15 before October 1, 2003, the formula”; and

16 (C) in each of clauses (x), (xi), (xii), and  
 17 (xiii), by striking “For purposes” and inserting  
 18 “With respect to discharges occurring before  
 19 October 1, 2003, for purposes”.

20 (b) EFFECTIVE DATE.—The amendments made by  
 21 this section shall apply with respect to discharges occur-  
 22 ring on or after October 1, 2003.

1 **SEC. 4. MEDICARE INPATIENT HOSPITAL PAYMENT AD-**  
 2 **JUSTMENT FOR LOW-VOLUME HOSPITALS.**

3 Section 1886(d) of the Social Security Act (42 U.S.C.  
 4 1395ww(d)) is amended by adding at the end the following  
 5 new paragraph:

6 “(12) PAYMENT ADJUSTMENT FOR LOW-VOL-  
 7 UME HOSPITALS.—

8 “(A) PAYMENT ADJUSTMENT.—

9 “(i) IN GENERAL.—Notwithstanding  
 10 any other provision of this section, for each  
 11 cost reporting period (beginning with the  
 12 cost reporting period that begins in fiscal  
 13 year 2005), the Secretary shall provide for  
 14 an additional payment amount to each low-  
 15 volume hospital (as defined in clause (iii))  
 16 for discharges occurring during that cost  
 17 reporting period to increase the amount  
 18 paid to such hospital under this section for  
 19 such discharges by the applicable percent-  
 20 age increase determined under clause (ii).

21 “(ii) APPLICABLE PERCENTAGE IN-  
 22 CREASE.—The Secretary shall determine a  
 23 percentage increase applicable under this  
 24 paragraph that ensures that—

25 “(I) no percentage increase in  
 26 payments under this paragraph ex-



ceeds 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

“(III) the percentage increase in payments due to the application of this paragraph is reduced as the number of discharges per cost reporting period increases.

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

“(I) the Secretary determines had an average of less than 2,000 dis-

1 charges (determined with respect to  
2 all patients and not just individuals  
3 receiving benefits under this title)  
4 during the 3 most recent cost report-  
5 ing periods for which data are avail-  
6 able that precede the cost reporting  
7 period to which this paragraph ap-  
8 plies; and

9 “(II) is located at least 15 miles  
10 from a similar hospital (or is deemed  
11 by the Secretary to be so located by  
12 reason of such factors as the Sec-  
13 retary determines appropriate, includ-  
14 ing the time required for an individual  
15 to travel to the nearest alternative  
16 source of appropriate inpatient care  
17 (taking into account the location of  
18 such alternative source of inpatient  
19 care and any weather or travel condi-  
20 tions that may affect such travel  
21 time)).

22 “(B) PROHIBITING CERTAIN REDUC-  
23 TIONS.—Notwithstanding subsection (e), the  
24 Secretary shall not reduce the payment  
25 amounts under this section to offset the in-

1           crease in payments resulting from the applica-  
2           tion of subparagraph (A).”.

3 **SEC. 5. ADJUSTMENT TO THE MEDICARE INPATIENT HOS-**  
4 **PITAL PPS WAGE INDEX TO REVISE THE**  
5 **LABOR-RELATED SHARE OF SUCH INDEX.**

6           (a) IN GENERAL.—Section 1886(d)(3)(E) of the So-  
7 cial Security Act (42 U.S.C. 1395ww(d)(3)(E)) is amend-  
8 ed—

9           (1) by striking “WAGE LEVELS.—The Sec-  
10 retary” and inserting “WAGE LEVELS.—

11           “(i) IN GENERAL.—Except as provided in  
12 clause (ii), the Secretary”; and

13           (2) by adding at the end the following new  
14 clause:

15           “(ii) ALTERNATIVE PROPORTION TO BE  
16 ADJUSTED BEGINNING IN FISCAL YEAR 2004.—

17           “(I) IN GENERAL.—Except as pro-  
18 vided in subclause (II), for discharges oc-  
19 ccurring on or after October 1, 2003, the  
20 Secretary shall substitute ‘62 percent’ for  
21 the proportion described in the first sen-  
22 tence of clause (i).

23           “(II) HOLD HARMLESS FOR CERTAIN  
24 HOSPITALS.—If the application of sub-  
25 clause (I) would result in lower payments

1 to a hospital than would otherwise be  
 2 made, then this subparagraph shall be ap-  
 3 plied as if this clause had not been en-  
 4 acted.”.

5 (b) WAIVING BUDGET NEUTRALITY.—Section  
 6 1886(d)(3)(E) of the Social Security Act (42 U.S.C.  
 7 1395ww(d)(3)(E)), as amended by subsection (a), is  
 8 amended by adding at the end of clause (i) the following  
 9 new sentence: “The Secretary shall apply the previous sen-  
 10 tence for any period as if the amendments made by section  
 11 5(a) of the Rural Healthcare Access Improvement Act of  
 12 2003 had not been enacted.”.

13 **SEC. 6. ONE-YEAR EXTENSION OF HOLD HARMLESS PROVI-**  
 14 **SIONS FOR SMALL RURAL HOSPITALS AND**  
 15 **TEMPORARY TREATMENT OF CERTAIN SOLE**  
 16 **COMMUNITY HOSPITALS TO LIMIT DECLINE**  
 17 **IN PAYMENT UNDER THE OPD PPS.**

18 (a) HOLD HARMLESS PROVISIONS.—Section  
 19 1833(t)(7)(D)(i) of the Social Security Act (42 U.S.C.  
 20 1395l(t)(7)(D)(i)) is amended—

- 21 (1) in the heading, by striking “SMALL” and in-  
 22 serting “CERTAIN”;
- 23 (2) by inserting “or a sole community hospital  
 24 (as defined in section 1886(d)(5)(D)(iii)) located in  
 25 a rural area” after “100 beds”; and

1 (3) by striking “2004” and inserting “2005”.

2 (b) EFFECTIVE DATE.—The amendment made by  
3 subsection (a)(2) shall apply with respect to payment for  
4 OPD services furnished on and after January 1, 2004.

5 **SEC. 7. CRITICAL ACCESS HOSPITAL (CAH) IMPROVE-**  
6 **MENTS.**

7 (a) PERMITTING HOSPITALS TO ALLOCATE SWING  
8 BEDS AND ACUTE CARE INPATIENT BEDS SUBJECT TO  
9 A TOTAL LIMIT OF 25 BEDS.—

10 (1) IN GENERAL.—Section 1820(c)(2)(B)(iii) of  
11 the Social Security Act (42 U.S.C. 1395i–  
12 4(c)(2)(B)(iii)) is amended to read as follows:

13 “(iii) provides not more than a total  
14 of 25 extended care service beds (pursuant  
15 to an agreement under subsection (f)) or  
16 acute care inpatient beds (meeting such  
17 standards as the Secretary may establish)  
18 for providing inpatient care for a period  
19 that does not exceed, as determined on an  
20 annual, average basis, 96 hours per pa-  
21 tient;”.

22 (2) CONFORMING AMENDMENT.—Section  
23 1820(f) of the Social Security Act (42 U.S.C.  
24 1395i–4(f)) is amended by striking “and the number

1 of beds used at any time for acute care inpatient  
2 services does not exceed 15 beds”.

3 (b) ELIMINATION OF THE ISOLATION TEST FOR  
4 COST-BASED CAH AMBULANCE SERVICES.—

5 (1) IN GENERAL.—Section 1834(l)(8) of the  
6 Social Security Act (42 U.S.C. 1395m(l)(8)), as  
7 added by section 205(a) of the Medicare, Medicaid,  
8 and SCHIP Benefits Improvement and Protection  
9 Act of 2000 (114 Stat. 2763A–482), as enacted into  
10 law by section 1(a)(6) of Public Law 106–554 (114  
11 Stat. 2763), is amended by striking the comma at  
12 the end of subparagraph (B) and all that follows  
13 and inserting a period.

14 (2) TECHNICAL CORRECTION.—Section 1834(l)  
15 of the Social Security Act (42 U.S.C. 1395m(l)) is  
16 amended by redesignating paragraph (8), as added  
17 by section 221(a) of the Medicare, Medicaid, and  
18 SCHIP Benefits Improvement and Protection Act of  
19 2000 (114 Stat. 2763A–486), as enacted into law by  
20 section 1(a)(6) of Public Law 106–554 (114 Stat.  
21 2763), as paragraph (9).

22 (c) COVERAGE OF COSTS FOR CERTAIN EMERGENCY  
23 ROOM ON-CALL PROVIDERS.—

1           (1) IN GENERAL.—Section 1834(g)(5) of the  
2       Social Security Act (42 U.S.C. 1395m(g)(5)) is  
3       amended—

4           (A) in the heading—

5                 (i) by inserting “CERTAIN” before  
6                 “EMERGENCY”; and

7                 (ii) by striking “PHYSICIANS” and in-  
8                 serting “PROVIDERS”;

9           (B) by striking “emergency room physi-  
10       cians who are on-call (as defined by the Sec-  
11       retary)” and inserting “physicians, physician  
12       assistants, nurse practitioners, and clinical  
13       nurse specialists who are on-call (as defined by  
14       the Secretary) to provide emergency services”;  
15       and

16           (C) by striking “physicians’ services” and  
17       inserting “services covered under this title”.

18       (2) EFFECTIVE DATE.—The amendments made  
19       by paragraph (1) shall apply with respect to costs  
20       incurred for services provided on or after January 1,  
21       2004.

22       (d) AUTHORIZATION OF PERIODIC INTERIM PAY-  
23       MENT (PIP).—

1           (1) IN GENERAL.—Section 1815(e)(2) of the  
2       Social Security Act (42 U.S.C. 1395g(e)(2)) is  
3       amended—

4           (A) in subparagraph (C), by striking  
5       “and” after the semicolon at the end;

6           (B) in subparagraph (D), by adding “and”  
7       after the semicolon at the end; and

8           (C) by inserting after subparagraph (D)  
9       the following new subparagraph:  
10       “(E) inpatient critical access hospital services,”.

11       (2) EFFECTIVE DATE.—The amendments made  
12       by paragraph (1) shall apply with respect to pay-  
13       ments for inpatient critical access hospital services  
14       furnished on or after January 1, 2004.

15       (e) EXCLUSION OF NEW CAHS FROM PPS HOS-  
16       PITAL WAGE INDEX CALCULATION.—Section  
17       1886(d)(3)(E)(i) of the Social Security Act (42 U.S.C.  
18       1395ww(d)(3)(E)(i)), as amended by section 5, is amend-  
19       ed by inserting after the first sentence the following new  
20       sentence: “In calculating the hospital wage levels under  
21       the preceding sentence applicable with respect to cost re-  
22       porting periods beginning on or after January 1, 2004,  
23       the Secretary shall exclude the wage levels of any hospital  
24       that became a critical access hospital prior to the cost re-



1 porting period for which such hospital wage levels are cal-  
 2 culated.”.

3 **SEC. 8. TEMPORARY INCREASE FOR HOME HEALTH SERV-**  
 4 **ICES FURNISHED IN A RURAL AREA.**

5 (a) IN GENERAL.—In the case of home health serv-  
 6 ices furnished in a rural area (as defined in section  
 7 1886(d)(2)(D) of the Social Security Act (42 U.S.C.  
 8 1395ww(d)(2)(D))) on or after October 1, 2003, and be-  
 9 fore October 1, 2005, the Secretary of Health and Human  
 10 Services shall increase the payment amount otherwise  
 11 made under section 1895 of such Act (42 U.S.C. 1395fff)  
 12 for such services by 10 percent.

13 (b) WAIVING BUDGET NEUTRALITY.—The Secretary  
 14 of Health and Human Services shall not reduce the stand-  
 15 ard prospective payment amount (or amounts) under sec-  
 16 tion 1895 of the Social Security Act (42 U.S.C. 1395fff)  
 17 applicable to home health services furnished during a pe-  
 18 riod to offset the increase in payments resulting from the  
 19 application of subsection (a).

20 (c) NO EFFECT ON SUBSEQUENT PERIODS.—The  
 21 payment increase provided under subsection (a) for a pe-  
 22 riod under such subsection, shall not apply to episodes and  
 23 visits ending after such period, and shall not be taken into  
 24 account in calculating the payment amounts applicable for  
 25 episodes and visits occurring after such period.

1 **SEC. 9. TEMPORARY INCREASE IN PAYMENTS FOR CERTAIN**  
2 **SERVICES FURNISHED BY SMALL RURAL**  
3 **HOSPITALS UNDER MEDICARE PROSPECTIVE**  
4 **PAYMENT SYSTEM FOR HOSPITAL OUT-**  
5 **PATIENT DEPARTMENT SERVICES.**

6 (a) INCREASE.—

7 (1) IN GENERAL.—In the case of an applicable  
8 covered OPD service (as defined in paragraph (2))  
9 that is furnished by a hospital described in para-  
10 graph (7)(D)(i) of section 1833(t) of the Social Se-  
11 curity Act (42 U.S.C. 1395l(t)) on or after January  
12 1, 2004, and before January 1, 2007, the Secretary  
13 of Health and Human Services (in this section re-  
14 ferred to as the “Secretary”) shall increase the  
15 medicare OPD fee schedule amount (as determined  
16 under paragraph (4)(A) of such section) that is ap-  
17 plicable for such service in that year (determined  
18 without regard to any increase under this section in  
19 a previous year) by 5 percent.

20 (2) APPLICABLE COVERED OPD SERVICES DE-  
21 FINED.—For purposes of this section, the term “ap-  
22 plicable covered OPD service” means a covered clinic  
23 or emergency room visit that is classified within the  
24 groups of covered OPD services (as defined in para-  
25 graph (1)(B) of section 1833(t) of the Social Secu-

1        rity Act (42 U.S.C. 1395l(t))) established under  
2        paragraph (2)(B) of such section.

3        (b) NO EFFECT ON COPAYMENT AMOUNT.—The Sec-  
4        retary shall compute the copayment amount for applicable  
5        covered OPD services under section 1833(t)(8)(A) of the  
6        Social Security Act (42 U.S.C. 1395l(t)(8)(A)) as if this  
7        section had not been enacted.

8        (c) NO EFFECT ON INCREASE UNDER HOLD HARM-  
9        LESS OR OUTLIER PROVISIONS.—The Secretary shall  
10       apply the temporary hold harmless provision under para-  
11       graph (7)(D)(i) of section 1833(t) of the Social Security  
12       Act (42 U.S.C. 1395l(t)) and the outlier provision under  
13       paragraph (5) of such section as if this section had not  
14       been enacted.

15       (d) WAIVING BUDGET NEUTRALITY AND NO REVI-  
16       SION OR ADJUSTMENTS.—The Secretary shall not make  
17       any revision or adjustment under subparagraph (A), (B),  
18       or (C) of section 1833(t)(9) of the Social Security Act (42  
19       U.S.C. 1395l(t)(9)) because of the application of sub-  
20       section (a)(1).

21       (e) NO EFFECT ON PAYMENTS AFTER INCREASE PE-  
22       RIOD ENDS.—The Secretary shall not take into account  
23       any payment increase provided under subsection (a)(1) in  
24       determining payments for covered OPD services (as de-  
25       fined in paragraph (1)(B) of section 1833(t) of the Social

1 Security Act (42 U.S.C. 1395l(t))) under such section that  
2 are furnished after January 1, 2007.

3 (f) FINDINGS.—The Congress finds the following:

4 (1) The medicare program has a responsibility  
5 to pay enough for beneficial new technologies in  
6 order to ensure that medicare beneficiaries have ac-  
7 cess to care; however, such program must also be a  
8 prudent purchaser of health care items and services.

9 (2) The 2003 Medicare Hospital Outpatient  
10 Prospective Payment System Regulation may have  
11 resulted in limiting beneficiary access to care.

12 (3) A methodology should be developed under  
13 the medicare outpatient prospective payment system  
14 under section 1833(t) of the Social Security Act (42  
15 U.S.C. 1395l(t)) with appropriate resources and  
16 such methodology should be implemented January 1,  
17 2004. This will ensure that all hospitals are appro-  
18 priately reimbursed for the drugs and biologics that  
19 are used in the outpatient setting which in turn will  
20 ensure patient access to new technologies.

21 (g) TECHNICAL AMENDMENT.—Section  
22 1833(t)(2)(B) (42 U.S.C. 1395l(t)(2)(B)) is amended by  
23 inserting “(and periodically revise such groups pursuant  
24 to paragraph (9)(A))” after “establish groups”.

1 **SEC. 10. TEMPORARY INCREASE FOR GROUND AMBULANCE**  
2 **SERVICES FURNISHED IN A RURAL AREA.**

3 Section 1834(l) of the Social Security Act (42 U.S.C.  
4 1395m(l)), as amended by section 7(b)(2), is amended by  
5 adding at the end the following new paragraph:

6 “(10) TEMPORARY INCREASE FOR GROUND AM-  
7 BULANCE SERVICES FURNISHED IN A RURAL  
8 AREA.—

9 “(A) IN GENERAL.—Notwithstanding any  
10 other provision of this subsection, in the case of  
11 ground ambulance services furnished on or  
12 after January 1, 2004, and before January 1,  
13 2007, for which the transportation originates in  
14 a rural area described in paragraph (9) or in a  
15 rural census tract described in such paragraph,  
16 the fee schedule established under this section  
17 shall provide that the rate for the service other-  
18 wise established, after application of any in-  
19 crease under such paragraph, shall be increased  
20 by 5 percent.

21 “(B) APPLICATION OF INCREASED PAY-  
22 MENTS AFTER 2006.—The increased payments  
23 under subparagraph (A) shall not be taken into  
24 account in calculating payments for services  
25 furnished on or after the period specified in  
26 such subparagraph.”.

1 **SEC. 11. 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 furnished by a physician  
 24 or practitioner not affiliated with a rural  
 25 health clinic or a Federally qualified health  
 26 center.”.

1 (b) EFFECTIVE DATE.—The amendments made by  
2 subsection (a) shall apply to services furnished on or after  
3 January 1, 2004.

4 **SEC. 12. MEDICARE INCENTIVE PAYMENT PROGRAM IM-**  
5 **PROVEMENTS.**

6 (a) PROCEDURES FOR SECRETARY, AND NOT PHYSI-  
7 CIANS, TO DETERMINE WHEN BONUS PAYMENTS UNDER  
8 MEDICARE INCENTIVE PAYMENT PROGRAM SHOULD BE  
9 MADE.—Section 1833(m) of the Social Security Act (42  
10 U.S.C. 1395l(m)) is amended—

11 (1) by inserting “(1)” after “(m)”; and

12 (2) by adding at the end the following new  
13 paragraph:

14 “(2) The Secretary shall establish procedures under  
15 which the Secretary, and not the physician furnishing the  
16 service, is responsible for determining when a payment is  
17 required to be made under paragraph (1).”.

18 (b) EDUCATIONAL PROGRAM REGARDING THE MEDI-  
19 CARE INCENTIVE PAYMENT PROGRAM.—The Secretary  
20 shall establish and implement an ongoing educational pro-  
21 gram to provide education to physicians under the medi-  
22 care program on the medicare incentive payment program  
23 under section 1833(m) of the Social Security Act (42  
24 U.S.C. 1395l(m)).

1 (c) ONGOING STUDY AND ANNUAL REPORT ON THE  
2 MEDICARE INCENTIVE PAYMENT PROGRAM.—

3 (1) ONGOING STUDY.—The Secretary shall con-  
4 duct an ongoing study on the medicare incentive  
5 payment program under section 1833(m) of the So-  
6 cial Security Act (42 U.S.C. 1395l(m)). Such study  
7 shall focus on whether such program increases the  
8 access of medicare beneficiaries who reside in an  
9 area that is designated (under section 332(a)(1)(A)  
10 of the Public Health Service Act (42 U.S.C.  
11 254e(a)(1)(A))) as a health professional shortage  
12 area to physicians' services under the medicare pro-  
13 gram.

14 (2) ANNUAL REPORTS.—Not later than 1 year  
15 after the date of enactment of this Act, and annually  
16 thereafter, the Secretary shall submit to Congress a  
17 report on the study conducted under paragraph (1),  
18 together with recommendations for such legislation  
19 and administrative action as the Secretary considers  
20 appropriate.

21 **SEC. 13. TWO-YEAR TREATMENT OF CERTAIN CLINICAL DI-**  
22 **AGNOSTIC LABORATORY TESTS FURNISHED**  
23 **BY A SOLE COMMUNITY HOSPITAL.**

24 Notwithstanding subsections (a)(1)(D) and (h) of  
25 section 1833 of the Social Security Act (42 U.S.C. 1395l)



1 and section 1834(d)(1) of such Act (42 U.S.C.  
 2 1395m(d)(1)), in the case of a clinical diagnostic labora-  
 3 tory test covered under part B of title XVIII of such Act  
 4 that is furnished in 2004 or 2005 by a sole community  
 5 hospital (as defined in section 1886(d)(5)(D)(iii) of such  
 6 Act (42 U.S.C. 1395ww(d)(5)(D)(iii))) as part of services  
 7 provided to patients of the hospital, the following rules  
 8 shall apply:

9 (1) PAYMENT BASED ON REASONABLE COSTS.—

10 The amount of payment for such test shall be 100  
 11 percent of the reasonable costs of the hospital in fur-  
 12 nishing such test.

13 (2) NO BENEFICIARY COST-SHARING.—No coin-  
 14 surance, deductible, copayment, or other cost-shar-  
 15 ing otherwise applicable under such part B shall  
 16 apply with respect to such test.

17 **SEC. 14. ESTABLISHMENT OF FLOOR ON GEOGRAPHIC AD-**  
 18 **JUSTMENTS OF PAYMENTS FOR PHYSICIANS’**  
 19 **SERVICES.**

20 Section 1848(e)(1) of the Social Security Act (42  
 21 U.S.C. 1395w-4(e)(1)) is amended—

22 (1) in subparagraph (A), by striking “subpara-  
 23 graphs (B) and (C)” and inserting “subparagraphs  
 24 (B), (C), and (E)”; and

1           (2) by adding at the end the following new sub-  
2 paragraph:

3                   “(E) FLOOR FOR PRACTICE EXPENSE,  
4 MALPRACTICE, AND WORK GEOGRAPHIC INDI-  
5 CES.—For purposes of payment for services  
6 furnished on or after January 1, 2004, after  
7 calculating the practice expense, malpractice,  
8 and work geographic indices in clauses (i), (ii),  
9 and (iii) of subparagraph (A) and in subpara-  
10 graph (B), the Secretary shall increase any  
11 such index to 1.00 for any locality for which  
12 such index is less than 1.00.”.

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