

108TH CONGRESS  
1ST SESSION

# S. 172

To amend title XVIII of the Social Security Act to improve the access of medicare beneficiaries to services in rural hospitals and critical access hospitals, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

JANUARY 15, 2003

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

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## A BILL

To amend title XVIII of the Social Security Act to improve the access of medicare beneficiaries to services in rural hospitals and critical access hospitals, 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; AMEND-**  
4 **MENTS TO THE SOCIAL SECURITY ACT.**

5 (a) SHORT TITLE.—This Act may be cited as the  
6 “Rural Health Care Equity Act of 2003”.

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

- Sec. 1. Short title; table of contents.
- Sec. 2. Permitting hospitals to allocate swing beds and acute care inpatient beds subject to a total limit of 25 beds.
- Sec. 3. Elimination of isolation test for cost-based CAH ambulance services.
- Sec. 4. Adjustment to wage index.
- Sec. 5. Establishing a single standardized amount under medicare inpatient hospital PPS.
- Sec. 6. Restoring full market basket update for inpatient PPS hospitals.
- Sec. 7. Freezing indirect medical education (IME) adjustment percentage at 6.5 percent.
- Sec. 8. Establishment of rural community hospital (RCH) program.
- Sec. 9. Removing barriers to establishment of distinct part units by RCH and CAH facilities.
- Sec. 10. Improvements to medicare critical access hospital (CAH) program.
- Sec. 11. 5-year extension of the authorization for appropriations grant program.
- Sec. 12. GAO study on wage indexing and placement of hospitals in MSAs.

1 (c) AMENDMENTS TO THE SOCIAL SECURITY ACT.—

2 Except as otherwise specifically provided, whenever in this  
 3 Act an amendment is expressed in terms of an amendment  
 4 to, or repeal of, a section or other provision, the reference  
 5 shall be considered a reference to that section or other  
 6 provision of the Social Security Act.

7 **SEC. 2. PERMITTING HOSPITALS TO ALLOCATE SWING**  
 8 **BEDS AND ACUTE CARE INPATIENT BEDS**  
 9 **SUBJECT TO A TOTAL LIMIT OF 25 BEDS.**

10 (a) IN GENERAL.—Section 1820(c)(2)(B)(iii) (42  
 11 U.S.C. 1395i–4(c)(2)(B)(iii)) is amended to read as fol-  
 12 lows:

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)

1 for providing inpatient care for a period  
2 that does not exceed, as determined on an  
3 annual, average basis, 96 hours per pa-  
4 tient;”.

5 (b) CONFORMING AMENDMENT.—Section 1820(f)  
6 (42 U.S.C. 1395i–4(f)) is amended by striking “and the  
7 number of beds used at any time for acute care inpatient  
8 services does not exceed 15 beds”.

9 **SEC. 3. ELIMINATION OF ISOLATION TEST FOR COST-BASED**  
10 **CAH AMBULANCE SERVICES.**

11 Section 1834(l)(8) (42 U.S.C. 1395m(l)), as added  
12 by section 205(a) of the Medicare, Medicaid, and SCHIP  
13 Benefits Improvement and Protection Act of 2000 (Ap-  
14 pendix F, 114 Stat. 2763A–463), as enacted into law by  
15 section 1(a)(6) of Public Law 106–554, is amended by  
16 striking the comma at the end of subparagraph (B) and  
17 all that follows and inserting a period.

18 **SEC. 4. ADJUSTMENT TO WAGE INDEX.**

19 (a) IN GENERAL.—Section 1886(d)(3)(E) (42 U.S.C.  
20 1395ww(d)(3)(E)) is amended—

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

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

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

3           “(ii) ALTERNATIVE PROPORTION TO BE AD-  
4 JUSTED IN FISCAL YEARS 2003, 2004, AND 2005.—

5           “(I) IN GENERAL.—Except as provided in  
6 subclause (II), for discharges occurring on or  
7 after October 1, 2002, and before October 1,  
8 2005, the Secretary shall substitute ‘63 per-  
9 cent’ for the proportion described in the first  
10 sentence of clause (i).

11           “(II) HOLD HARMLESS FOR CERTAIN HOS-  
12 PITALS.—For discharges occurring on or after  
13 October 1, 2002, and before October 1, 2005,  
14 if the application of subclause (I) would result  
15 in lower payments to a hospital than would oth-  
16 erwise be made, then this subparagraph shall be  
17 applied as if this clause had not been enacted.

18           (b) WAIVING BUDGET NEUTRALITY.—Section  
19 1886(d)(3)(E) (42 U.S.C. 1395ww(d)(3)(E)), as amended  
20 by subsection (a), is amended by adding at the end of  
21 clause (i) the following new sentence: “The Secretary shall  
22 apply the previous sentence for any period as if clause (ii)  
23 had not been enacted.”.

1 **SEC. 5. ESTABLISHING A SINGLE STANDARDIZED AMOUNT**  
2 **UNDER MEDICARE INPATIENT HOSPITAL**  
3 **PPS.**

4 (a) IN GENERAL.—Section 1886(d)(3)(A) (42 U.S.C.  
5 1395ww(d)(3)(A)) is amended—

6 (1) in clause (iv), by inserting “and ending on  
7 or before September 30, 2002,” after “October 1,  
8 1995,”; and

9 (2) by redesignating clauses (v) and (vi) as  
10 clauses (vii) and (viii), respectively, and inserting  
11 after clause (iv) the following new clauses:

12 “(v) For discharges occurring in the fiscal year  
13 beginning on October 1, 2002, the average standard-  
14 ized amount for hospitals located in areas other than  
15 a large urban area shall be equal to the average  
16 standardized amount for hospitals located in a large  
17 urban area.

18 “(vi) For discharges occurring in a fiscal year  
19 beginning on or after October 1, 2003, the Secretary  
20 shall compute an average standardized amount for  
21 hospitals located in all areas within the United  
22 States equal to the average standardized amount  
23 computed under clause (v) or this clause for the pre-  
24 vious fiscal year increased by the applicable percent-  
25 age increase under subsection (b)(3)(B)(i) for the  
26 fiscal year involved.”.

1 (b) CONFORMING AMENDMENTS.—

2 (1) UPDATE FACTOR.—Section  
 3 1886(b)(3)(B)(i)(XVII) (42 U.S.C.  
 4 1395ww(b)(3)(B)(i)(XVII)) is amended by striking  
 5 “for hospitals in all areas,” and inserting “for hos-  
 6 pitals located in a large urban area,”.

7 (2) COMPUTING DRG-SPECIFIC RATES.—

8 (A) IN GENERAL.—Section 1886(d)(3)(D)  
 9 (42 U.S.C. 1395ww(d)(3)(D)) is amended—

10 (i) in the heading by striking “IN DIF-  
 11 FERENT AREAS”;

12 (ii) in the matter preceding clause

13 (i)—

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

18 (II) by striking “each of which  
 19 is”;

20 (iii) in clause (i)—

21 (I) by inserting “for fiscal years  
 22 before fiscal year 2003,” after “(i)”;  
 23 and

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

1 (iv) in clause (ii)—

2 (I) by inserting “for fiscal years  
3 before fiscal year 2003,” after “(ii)”;  
4 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 2002, 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 fiscal

1           years before fiscal year 1997” before “a re-  
2           regional DRG prospective payment rate”.

3 **SEC. 6. RESTORING FULL MARKET BASKET UPDATE FOR**  
4 **INPATIENT PPS HOSPITALS.**

5           Section       1886(b)(3)(B)(i)       (42       U.S.C.  
6 1395ww(b)(3)(B)(i)) is amended—

7           (1) in subclause (XV), by adding “and” at the  
8           end;

9           (2) in subclause (XVI)—

10                   (A) by inserting “and each subsequent fis-  
11                   cal year” after “for fiscal year 2001”; and

12                   (B) by striking the comma at the end and  
13                   inserting a period; and

14           (3) by striking subclauses (XVII), (XVIII), and  
15           (XIX).

16 **SEC. 7. FREEZING INDIRECT MEDICAL EDUCATION (IME)**  
17 **ADJUSTMENT PERCENTAGE AT 6.5 PERCENT.**

18           (a) IN GENERAL.—Section 1886(d)(5)(B)(ii) (42  
19 U.S.C. 1395ww(d)(5)(B)(ii)) is amended—

20           (1) in subclause (V), by adding “and” at the  
21           end; and

22           (2) by striking subclauses (VI) and (VII) and  
23           inserting the following:

24                   “(VI) on or after October 1, 2001, ‘c’ is  
25                   equal to 1.6.”.

1 (b) CONFORMING AMENDMENT RELATING TO DE-  
2 TERMINATION OF STANDARDIZED AMOUNT.—Section  
3 1886(d)(2)(C)(i) (42 U.S.C. 1395ww(d)(2)(C)(i)) is  
4 amended—

5 (1) by striking “1999 or” and inserting  
6 “1999,”; and

7 (2) by inserting “, or of section 7 of the Rural  
8 Health Care Equity Act of 2003” after “2000”.

9 **SEC. 8. ESTABLISHMENT OF RURAL COMMUNITY HOSPITAL**  
10 **(RCH) PROGRAM.**

11 (a) IN GENERAL.—Section 1861 (42 U.S.C. 1395x)  
12 is amended by adding at the end of the following new sub-  
13 section:

14 “Rural Community Hospital; Rural Community Hospital  
15 Services

16 “(ww)(1) The term ‘rural community hospital’ means  
17 a hospital (as defined in subsection (e)) that—

18 “(A) is located in a rural area (as defined in  
19 section 1886(d)(2)(D)) or treated as being so lo-  
20 cated pursuant to section 1886(d)(8)(E);

21 “(B) subject to subparagraph (B), has less than  
22 51 acute care inpatient beds, as reported in its most  
23 recent cost report;

24 “(C) makes available 24-hour emergency care  
25 services;

1           “(D) subject to subparagraph (C), has a pro-  
2           vider agreement in effect with the Secretary and is  
3           open to the public as of January 1, 2002; and

4           “(E) applies to the Secretary for such designa-  
5           tion.

6           “(2) For purposes of paragraph (1)(B), beds in a  
7           psychiatric or rehabilitation unit of the hospital which is  
8           a distinct part of the hospital shall not be counted.

9           “(3) Subparagraph (1)(C) shall not be construed to  
10          prohibit any of the following from qualifying as a rural  
11          community hospital:

12           “(A) A replacement facility (as defined by the  
13          Secretary in regulations in effect on January 1,  
14          2002) with the same service area (as defined by the  
15          Secretary in regulations in effect on such date).

16           “(B) A facility obtaining a new provider num-  
17          ber pursuant to a change of ownership.

18           “(C) A facility which has a binding written  
19          agreement with an outside, unrelated party for the  
20          construction, reconstruction, lease, rental, or financ-  
21          ing of a building as of January 1, 2002.

22           “(4) Nothing in this subsection shall be construed as  
23          prohibiting a critical access hospital from qualifying as a  
24          rural community hospital if the critical access hospital

1 meets the conditions otherwise applicable to hospitals  
2 under subsection (e) and section 1866.”.

3 (b) PAYMENT.—

4 (1) INPATIENT SERVICES.—Section 1814 (42  
5 U.S.C. 1395f) is amended by adding at the end the  
6 following new subsection:

7 “Payment for Inpatient Services Furnished in Rural  
8 Community Hospitals

9 “(m) The amount of payment under this part for in-  
10 patient hospital services furnished in a rural community  
11 hospital, other than such services furnished in a psy-  
12 chiatric or rehabilitation unit of the hospital which is a  
13 distinct part, is, at the election of the hospital in the appli-  
14 cation referred to in section 1861(ww)(1)(D)—

15 “(1) the reasonable costs of providing such  
16 services, without regard to the amount of the cus-  
17 tomary or other charge, or

18 “(2) the amount of payment provided for under  
19 the prospective payment system for inpatient hos-  
20 pital services under section 1886(d).”.

21 (2) OUTPATIENT SERVICES.—Section 1834 (42  
22 U.S.C. 1395m) is amended by adding at the end the  
23 following new subsection:

24 “(n) PAYMENT FOR OUTPATIENT SERVICES FUR-  
25 NISHED IN RURAL COMMUNITY HOSPITALS.—

1           “(1) IN GENERAL.—The amount of payment  
2           under this part for outpatient services furnished in  
3           a rural community hospital is, at the election of the  
4           hospital in the application referred to in section  
5           1861(ww)(1)(D)—

6                   “(A) the reasonable costs of providing such  
7                   services, without regard to the amount of the  
8                   customary or other charge and any limitation  
9                   under section 1861(v)(1)(U), or

10                   “(B) the amount of payment provided for  
11                   under the prospective payment system for cov-  
12                   ered OPD services under section 1833(t).

13           “(2) BENEFICIARY COST SHARING FOR OUTPATIENT  
14           SERVICES FURNISHED IN A RURAL COMMUNITY HOS-  
15           PITAL.—The amounts of beneficiary cost sharing for out-  
16           patient services furnished in a rural community hospital  
17           under this part shall be as follows:

18                   “(A) For items and services that would have  
19                   been paid under section 1833(t) if provided by a  
20                   hospital, the amount of cost sharing determined  
21                   under paragraph (8) of such section.

22                   “(B) For items and services that would have  
23                   been paid under section 1833(h) if furnished by a  
24                   provider or supplier, no cost sharing shall apply.

1           “(C) For all other items and services, the  
 2 amount of cost sharing that would apply to the item  
 3 or service under the methodology that would be used  
 4 to determine payment for such item or service if pro-  
 5 vided by a physician, provider, or supplier, as the  
 6 case may be.”.

7           (3) HOME HEALTH SERVICES.—

8           (A) EXCLUSION FROM HOME HEALTH  
 9 PPS.—

10           (i) IN GENERAL.—Section 1895 (42  
 11 U.S.C. 1395fff) is amended by adding at  
 12 the end the following:

13           “(f) EXCLUSION.—

14           “(1) IN GENERAL.—In determining payments  
 15 under this title for home health services furnished on  
 16 or after October 1, 2002, by a qualified RCH-based  
 17 home health agency (as defined in paragraph (2))—

18           “(A) the agency may make a one-time elec-  
 19 tion to waive application of the prospective pay-  
 20 ment system established under this section to  
 21 such services furnished by the agency shall not  
 22 apply; and

23           “(B) in the case of such an election, pay-  
 24 ment shall be made on the basis of the reason-  
 25 able costs incurred in furnishing such services

1 as determined under section 1861(v), but with-  
 2 out regard to the amount of the customary or  
 3 other charges with respect to such services or  
 4 the limitations established under paragraph  
 5 (1)(L) of such section.

6 “(2) QUALIFIED RCH-BASED HOME HEALTH  
 7 AGENCY DEFINED.—For purposes of paragraph (1),  
 8 a ‘qualified RCH-based home health agency’ is a  
 9 home health agency that is a provider-based entity  
 10 (as defined in section 404 of the Medicare, Medicaid,  
 11 and SCHIP Benefits Improvement and Protection  
 12 Act of 2000 (Public Law 106–554; Appendix F, 114  
 13 Stat. 2763A–506) of a rural community hospital  
 14 that is located—

15 “(A) in a county in which no main or  
 16 branch office of another home health agency is  
 17 located; or

18 “(B) at least 35 miles from any main or  
 19 branch office of another home health agency.”.

20 (ii) CONFORMING CHANGES.—

21 (I) PAYMENTS UNDER PART A.—  
 22 Section 1814(b) (42 U.S.C. 1395f(b))  
 23 is amended by inserting “or with re-  
 24 spect to services to which section

1 1895(f) applies” after “equipment” in  
2 the matter preceding paragraph (1).

3 (II) PAYMENTS UNDER PART  
4 B.—Section 1833(a)(2)(A) (42 U.S.C.  
5 1395l(a)(2)(A)) is amended by strik-  
6 ing “the prospective payment system  
7 under”.

8 (III) PER VISIT LIMITS.—Section  
9 1861(v)(1)(L)(i) (42 U.S.C.  
10 1395x(v)(1)(L)(i)) is amended by in-  
11 sserting “(other than by a qualified  
12 RCH-based home health agency (as  
13 defined in section 1895(f)(2))” after  
14 “with respect to services furnished by  
15 home health agencies”.

16 (iii) CONSOLIDATED BILLING.—

17 (I) RECIPIENT OF PAYMENT.—  
18 Section 1842(b)(6)(F) (42 U.S.C.  
19 1395u(b)(6)(F)) is amended by in-  
20 sserting “and excluding home health  
21 services to which section 1895(f) ap-  
22 plies” after “provided for in such sec-  
23 tion”.

24 (II) EXCEPTION TO EXCLUSION  
25 FROM COVERAGE.—Section 1862(a)

1 (42 U.S.C. 1395y(a)) is amended by  
2 inserting before the period at the end  
3 of the second sentence the following:  
4 “and paragraph (21) shall not apply  
5 to home health services to which sec-  
6 tion 1895(f) applies”.

7 (4) RETURN ON EQUITY.—Section  
8 1861(v)(1)(P) (42 U.S.C. 1395x(v)(1)(P)) is amend-  
9 ed—

10 (A) by inserting “(i)” after “(P)”; and

11 (B) by adding at the end the following:

12 “(ii)(I) Notwithstanding clause (i), subparagraph  
13 (S)(i), and section 1886(g)(2), such regulations shall pro-  
14 vide, in determining the reasonable costs of the services  
15 described in subclause (II) furnished by a rural commu-  
16 nity hospital on or after October 1, 2002, for payment  
17 of a return on equity capital at a rate of return equal to  
18 150 percent of the average specified in clause (i).

19 “(II) The services described in this subparagraph are  
20 inpatient hospital services, outpatient hospital services,  
21 home health services furnished by a qualified RCH-based  
22 home health agency (as defined in section 1895(f)(2)), and  
23 ambulance services.

1       “(III) Payment under this clause shall be made with-  
 2 out regard to whether a provider is a proprietary pro-  
 3 vider.”.

4           (5) EXEMPTION FROM 30 PERCENT REDUCTION  
 5 IN REIMBURSEMENT FOR BAD DEBT.—Section  
 6 1861(v)(1)(T) (42 U.S.C. 1395x(v)(1)(T)) is amend-  
 7 ed by inserting “(other than a rural community hos-  
 8 pital)” after “In determining such reasonable costs  
 9 for hospitals”.

10 (c) CONFORMING AMENDMENTS.—

11           (1) PART A PAYMENT.—Section 1814(b) (42  
 12 U.S.C. 1395f(b)) is amended by inserting “other  
 13 than a rural community hospital furnishing inpatient  
 14 hospital services,” after “critical access hospital  
 15 services,” in the matter preceding paragraph (1).

16           (2) PART B PAYMENT.—

17           (A) IN GENERAL.—Section 1833(a) (42  
 18 U.S.C. 1395l(a)) is amended—

19                   (i) in paragraph (2), in the matter  
 20 preceding subparagraph (A), by striking  
 21 “and (I)” and inserting “(I), and (K)”;

22                   (ii) in paragraph (8), by striking  
 23 “and” after the semicolon at the end;

1 (iii) in paragraph (9), by striking the  
2 period at the end and inserting “; and”;  
3 and

4 (iv) by adding at the end the following  
5 new paragraph:

6 “(10) in the case of outpatient services fur-  
7 nished by a rural community hospital, the amounts  
8 described in section 1834(n).”.

9 (B) AMBULANCE SERVICES.—Section  
10 1834(l)(8) (42 U.S.C. 1395m(l)(8)), as added  
11 by section 205(a) of the Medicare, Medicaid,  
12 and SCHIP Benefits Improvement and Protec-  
13 tion Act of 2000 (Appendix F, 114 Stat.  
14 2763A–463), as enacted into law by section  
15 1(a)(6) of Public Law 106–554, is amended—

16 (i) in the heading, by striking “CRIT-  
17 ICAL ACCESS HOSPITALS” and inserting  
18 “CERTAIN FACILITIES”;

19 (ii) by striking “or” at the end of sub-  
20 paragraph (A);

21 (iii) by redesignating subparagraph  
22 (B) as subparagraph (C);

23 (iv) by inserting after subparagraph  
24 (A) the following new subparagraph:

1 “(B) by a rural community hospital (as de-  
2 fined in section 1861(ww)(1)), or”; and

3 (v) in subparagraph (C), as so reded-  
4 icated, by inserting “or a rural commu-  
5 nity hospital” after “critical access hos-  
6 pital”.

7 (3) TECHNICAL AMENDMENTS.—

8 (A) CONSULTATION WITH STATE AGEN-  
9 CIES.—Section 1863 (42 U.S.C. 1395z) is  
10 amended by striking “and (dd)(2)” and insert-  
11 ing “(dd)(2), (mm)(1), and (ww)(1)”.

12 (B) PROVIDER AGREEMENTS.—The first  
13 sentence of section 1866(a)(2)(A) (42 U.S.C.  
14 1395cc(a)(2)(A)) is amended by inserting “sec-  
15 tion 1834(n)(2),” after “section 1833(b),”.

16 (d) EFFECTIVE DATE.—The amendments made by  
17 this section shall apply to items and services furnished on  
18 or after October 1, 2002.

19 **SEC. 9. REMOVING BARRIERS TO ESTABLISHMENT OF DIS-**  
20 **TINCT PART UNITS BY RCH AND CAH FACILI-**  
21 **TIES.**

22 (a) IN GENERAL.—Section 1886(d)(1)(B) (42 U.S.C.  
23 1395ww(d)(1)(B)) is amended by striking “a distinct part  
24 of the hospital (as defined by the Secretary)” and insert-  
25 ing “a distinct part (as defined by the Secretary) of the

1 hospital, critical access hospital, or rural community hos-  
 2 pital” in the matter following clause (v)(III).

3 (b) **EFFECTIVE DATE.**—The amendment made by  
 4 subsection (a) shall apply to determinations with respect  
 5 to distinct part unit status that are made on or after Octo-  
 6 ber 1, 2002.

7 **SEC. 10. IMPROVEMENTS TO MEDICARE CRITICAL ACCESS**  
 8 **HOSPITAL (CAH) PROGRAM.**

9 (a) **EXCLUSION OF CERTAIN BEDS FROM BED**  
 10 **COUNT.**—Section 1820(c)(2) (42 U.S.C. 1395i-4(c)(2)) is  
 11 amended by adding at the end the following new subpara-  
 12 graph:

13 “(E) **EXCLUSION OF CERTAIN BEDS FROM**  
 14 **BED COUNT.**—In determining the number of  
 15 beds of a facility for purposes of applying the  
 16 bed limitations referred to in subparagraph  
 17 (B)(iii) and subsection (f), the Secretary shall  
 18 not take into account any bed of a distinct part  
 19 psychiatric or rehabilitation unit (described in  
 20 the matter following clause (v) of section  
 21 1886(d)(1)(B)) of the facility, except that the  
 22 total number of beds that are not taken into ac-  
 23 count pursuant to this subparagraph with re-  
 24 spect to a facility shall not exceed 10.”.

1 (b) PAYMENTS TO HOME HEALTH AGENCIES OWNED  
2 AND OPERATED BY A CAH.—Section 1895(f)(1) (42  
3 U.S.C. 1395fff(f)(1)), as added by this title, is further  
4 amended by inserting “or by a home health agency that  
5 is owned and operated by a critical access hospital (as de-  
6 fined in section 1861(mm)(1))” after “as defined in para-  
7 graph (2))” in the matter preceding subparagraph (A).

8 (c) PAYMENTS TO CAH-OWNED SNFS.—

9 (1) IN GENERAL.—Section 1888(e) (42 U.S.C.  
10 1395yy(e)) is amended—

11 (A) in paragraph (1), by striking “and  
12 (12)” and inserting “(12), and (13)”; and

13 (B) by adding at the end the following new  
14 paragraph:

15 “(13) EXEMPTION OF CAH FACILITIES FROM  
16 PPS.—In determining payments under this part for  
17 covered skilled nursing facility services furnished on  
18 or after October 1, 2002, by a skilled nursing facil-  
19 ity that is a distinct part unit of a critical access  
20 hospital (as defined in section 1861(mm)(1)) or is  
21 owned and operated by a critical access hospital—

22 “(A) the prospective payment system es-  
23 tablished under this subsection shall not apply;  
24 and

1           “(B) payment shall be made on the basis  
2 of the reasonable costs incurred in furnishing  
3 such services as determined under section  
4 1861(v), but without regard to the amount of  
5 the customary or other charges with respect to  
6 such services or the limitations established  
7 under subsection (a).”.

8           (2) CONFORMING CHANGES.—

9           (A) IN GENERAL.—Section 1814(b) (42  
10 U.S.C. 1395f(b)), as amended by section  
11 8(e)(1), is further amended in the matter pre-  
12 ceding paragraph (1)—

13           (i) by inserting “other than a skilled  
14 nursing facility providing covered skilled  
15 nursing facility services (as defined in sec-  
16 tion 1888(e)(2)) or posthospital extended  
17 care services to which section 1888(e)(13)  
18 applies,” after “inpatient critical access  
19 hospital services”; and

20           (ii) by striking “1813 1886,” and in-  
21 serting “1813, 1886, 1888,”.

22           (B) CONSOLIDATED BILLING.—

23           (i) RECIPIENT OF PAYMENT.—Section  
24 1842(b)(6)(E) (42 U.S.C. 1395u(b)(6)(E))  
25 is amended by inserting “services to which

1 paragraph (7)(C) or (13) of section  
2 1888(e) applies and” after “other than”.

3 (ii) EXCEPTION TO EXCLUSION FROM  
4 COVERAGE.—Section 1862(a)(18) (42  
5 U.S.C. 1395y(a)(18)) is amended by in-  
6 serting “(other than services to which  
7 paragraph (7)(C) or (13) of section  
8 1888(e) applies)” after “section  
9 1888(e)(2)(A)(i)”.

10 (d) PAYMENTS TO DISTINCT PART PSYCHIATRIC OR  
11 REHABILITATION UNITS OF CAHS.—Section 1886(b) (42  
12 U.S.C. 1395ww(b)) is amended—

13 (1) in paragraph (1), by inserting “, other than  
14 a distinct part psychiatric or rehabilitation unit to  
15 which paragraph (8) applies,” after “subsection  
16 (d)(1)(B)”;

17 (2) by adding at the end the following new  
18 paragraph:

19 “(8) EXEMPTION OF CERTAIN DISTINCT PART PSY-  
20 CHIATRIC OR REHABILITATION UNITS FROM COST LIM-  
21 ITS.—In determining payments under this part for inpa-  
22 tient hospital services furnished on or after October 1,  
23 2002, by a distinct part psychiatric or rehabilitation unit  
24 (described in the matter following clause (v) of subsection

1 (d)(1)(B)) of a critical access hospital (as defined in sec-  
2 tion 1861(mm)(1))—

3 “(A) the limits imposed under the preceding  
4 paragraphs of this subsection shall not apply; and

5 “(B) payment shall be made on the basis of the  
6 reasonable costs incurred in furnishing such services  
7 as determined under section 1861(v), but without re-  
8 gard to the amount of the customary or other  
9 charges with respect to such services.”.

10 (e) RETURN ON EQUITY.—Section 1861(v)(1)(P) (42  
11 U.S.C. 1395x(v)(1)(P)), as amended by section 8(b)(4),  
12 is further amended by adding at the end the following new  
13 clause:

14 “(iii)(I) Notwithstanding clause (i), subparagraph  
15 (S)(i), and section 1886(g)(2), such regulations shall pro-  
16 vide, in determining the reasonable costs of the services  
17 described in subclause (II) furnished by a rural commu-  
18 nity hospital on or after October 1, 2002, for payment  
19 of a return on equity capital at a rate of return equal to  
20 150 percent of the average specified in clause (i).

21 “(II) The services described in this subclause are in-  
22 patient critical access hospital services (as defined in sec-  
23 tion 1861(mm)(2)), outpatient critical access hospital  
24 services (as defined in section 1861(mm)(3)), extended  
25 care services provided pursuant to an agreement under

1 section 1883, posthospital extended care services to which  
2 section 1888(e)(13) applies, home health services to which  
3 section 1895(f) applies, ambulance services to which sec-  
4 tion 1834(l) applies, and inpatient hospital services to  
5 which section 1886(b)(8) applies.

6 “(III) Payment under this clause shall be made with-  
7 out regard to whether a provider is a proprietary pro-  
8 vider.”.

9 (f) TECHNICAL CORRECTIONS.—

10 (1) SECTION 403(b) OF BBRA 1999.—Section  
11 1820(b)(2) (42 U.S.C. 1395i–4(b)(2)) is amended  
12 by striking “nonprofit or public hospitals” and in-  
13 sserting “hospitals”.

14 (2) SECTION 203(b) OF BIPA 2000.—Section  
15 1883(a)(3) (42 U.S.C. 1395tt(a)(3)) is amended—

16 (A) by inserting “section 1861(v)(1)(G)  
17 or” after “Notwithstanding”; and

18 (B) by striking “covered skilled nursing fa-  
19 cility”.

20 (g) EFFECTIVE DATES.—

21 (1) ELIMINATION OF REQUIREMENTS.—The  
22 amendment made by subsections (a) and (b) shall  
23 apply to services furnished on or after October 1,  
24 2002.

25 (2) TECHNICAL CORRECTIONS.—

1 (A) BBRA.—The amendment made by  
2 subsection (f)(1) shall be effective as if included  
3 in the enactment of section 403(b) of the Medi-  
4 care, Medicaid, and SCHIP Balanced Budget  
5 Refinement Act of 1999 (Appendix F, 113 Stat.  
6 1501A–321), as enacted into law by section  
7 1000(a)(6) of Public Law 106–113.

8 (B) BIPA.—The amendment made by sub-  
9 section (f)(2) shall be effective as if included in  
10 the enactment of section 203(b) of the Medi-  
11 care, Medicaid, and SCHIP Benefits Improve-  
12 ment and Protection Act of 2000 (Appendix F,  
13 114 Stat. 2763A–463), as enacted into law by  
14 section 1(a)(6) of Public Law 106–554.

15 **SEC. 11. 5-YEAR EXTENSION OF THE AUTHORIZATION FOR**  
16 **APPROPRIATIONS FOR GRANT PROGRAM.**

17 Section 1820(j) (42 U.S.C. 1395i–4(j)) is amended  
18 by striking “through 2002” and inserting “through  
19 2007”.

1 **SEC. 12. GAO STUDY ON WAGE INDEXING AND PLACEMENT**  
2 **OF HOSPITALS IN MSAs.**

3 (a) STUDY.—The Comptroller General of the United  
4 States shall conduct a study on the reformation of wage  
5 indexing and the rules governing the placement of hos-  
6 pitals in metropolitan statistical areas.

7 (b) REPORT.—Not later than 1 year after the date  
8 of enactment of this Act, the Comptroller General shall  
9 submit to Congress a report on the study conducted under  
10 subsection (a) together with recommendations for such  
11 legislation or administrative actions as the Comptroller  
12 General considers appropriate.

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