

114TH CONGRESS
1ST SESSION

H. R. 3225

To amend titles XVIII and XIX of the Social Security Act to provide for enhanced payments to rural health care providers under the Medicare and Medicaid programs, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 27, 2015

Mr. GRAVES of Missouri (for himself and Mr. LOEBSACK) introduced the following bill; which was referred to the Committee on Energy and Commerce, and in addition to the Committees on Ways and Means and the Budget, 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

A BILL

To amend titles XVIII and XIX of the Social Security Act to provide for enhanced payments to rural health care providers under the Medicare and Medicaid programs, 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 “Save Rural Hospitals Act”.

6 (b) FINDINGS.—Congress finds the following:

1 (1) More than 60,000,000 individuals in rural
2 areas of the United States rely on rural hospitals
3 and other providers as critical access points to
4 health care.

5 (2) Access to health care is essential to commu-
6 nities that Americans living in rural areas call home.

7 (3) Americans living in rural areas are older,
8 poorer, and sicker than Americans living in urban
9 areas.

10 (4) From January 2010 until July 8, 2015, 55
11 rural hospitals have closed in the United States, ac-
12 cording to the University of North Carolina's Cecil
13 G. Sheps Center for Health Services Research, and
14 the rate of these closures is increasing.

15 (5) Two hundred and eighty-three hospitals are
16 at risk of closing, according to iVantage's Hospital
17 Strength INDEX study, and such closings would
18 mean that 700,000 patients would be left without
19 local access to care, 50,000 community jobs would
20 be lost, 36,000 healthcare jobs would be lost, and
21 \$10,600,000,000 would be lost from the gross do-
22 mestic product.

23 (6) Rural Medicare beneficiaries already face a
24 number of challenges when trying to access health
25 care services close to home, including the weather,

1 geography, and cultural, social, and language bar-
 2 riers.

3 (7) Seventy-seven percent of rural counties in
 4 the United States are designated as primary care
 5 health professional shortage areas while 9 percent
 6 have no physicians at all.

7 (8) Seniors living in rural areas are forced to
 8 travel significant distances for care.

9 (9) On average, trauma victims in rural areas
 10 must travel twice as far as victims in urban areas
 11 to the closest hospital, and, as a result, 60 percent
 12 of trauma deaths occur in rural areas, even though
 13 only 20 percent of Americans live in rural areas.

14 (10) With the 283 hospitals on the brink of clo-
 15 sure, 700,000 Americans living in rural areas are on
 16 the brink of losing access to the closest emergency
 17 room.

18 (c) TABLE OF CONTENTS.—The table of contents of
 19 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—RURAL PROVIDER PAYMENT STABILIZATION

Subtitle A—Rural Hospitals

Sec. 101. Eliminating Medicare sequestration for rural hospitals.

Sec. 102. Reversing cuts to reimbursement of bad debt for critical access hos-
 pitals (CAHs) and rural hospitals.

Sec. 103. Extending payment levels for low-volume hospitals and Medicare-de-
 pendent hospitals (MDHs).

Sec. 104. Reinstating revised diagnosis-related group payments for MDHs and
 sole community hospitals (SCHs).

- Sec. 105. Reinstating hold harmless treatment for hospital outpatient services for SCHs.
- Sec. 106. Delaying application of penalties for failure to be a meaningful electronic health record user.
- Sec. 107. Eliminating rural Medicare and Medicaid disproportionate share hospital payment reductions.

Subtitle B—Other Rural Providers

- Sec. 111. Making permanent increased Medicare payments for ground ambulance services in rural areas.
- Sec. 112. Extending Medicaid primary care payments.

TITLE II—RURAL MEDICARE BENEFICIARY EQUITY

- Sec. 201. Equalizing beneficiary copayments for services furnished by CAHs.

TITLE III—REGULATORY RELIEF

- Sec. 301. Eliminating 96-hour physician certification requirement with respect to inpatient CAH services.
- Sec. 302. Rebasing supervision requirements.
- Sec. 303. Reforming practices of recovery audit contractors under Medicare.

TITLE IV—FUTURE OF RURAL HEALTH CARE

- Sec. 401. Community outpatient hospital program.
- Sec. 402. Grant funding to assist rural hospitals.
- Sec. 403. CMMI demonstration of shared savings in rural hospitals.

TITLE I—RURAL PROVIDER PAYMENT STABILIZATION Subtitle A—Rural Hospitals

SEC. 101. ELIMINATING MEDICARE SEQUESTRATION FOR RURAL HOSPITALS.

(a) IN GENERAL.—Section 256(d)(7) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 906(d)(7)) is amended by adding at the end the following:

“(D) RURAL HOSPITALS.—Payments under part A or part B of title XVIII of the Social Security Act with respect to items and services furnished by a critical access hospital (as

1 defined in section 1861(mm)(1) of such Act), a
 2 sole community hospital (as defined in section
 3 1886(d)(5)(D)(iii) of such Act), a medicare-de-
 4 pendent small rural hospital (as defined in sec-
 5 tion 1886(d)(5)(G)(iv) of such Act), or a sub-
 6 section (d) hospital located in a rural area (as
 7 defined in section 1886(d)(2)(D) of such Act).”.

8 (b) APPLICABILITY.—The amendment made by this
 9 section applies with respect to orders of sequestration ef-
 10 fective on or after the date that is 60 days after the date
 11 of the enactment of this Act.

12 **SEC. 102. REVERSING CUTS TO REIMBURSEMENT OF BAD**
 13 **DEBT FOR CRITICAL ACCESS HOSPITALS**
 14 **(CAHS) AND RURAL HOSPITALS.**

15 (a) RURAL HOSPITALS.—Section 1861(v)(1)(T)(v) of
 16 the Social Security Act (42 U.S.C. 1395x(v)(1)(T)(v)) is
 17 amended by inserting before the period the following: “or,
 18 in the case of a hospital located in a rural area, by 30
 19 percent of such amount otherwise allowable”.

20 (b) CAHS.—Section 1861(v)(1)(W)(ii) of the Social
 21 Security Act (42 U.S.C. 1395x(v)(1)(W)(ii)) is amended
 22 by inserting after “or (V)” the following: “, a critical ac-
 23 cess hospital”.

24 (c) APPLICABILITY.—The amendments made by this
 25 section apply with respect to cost reporting periods begin-

1 ning more than 60 days after the date of the enactment
 2 of this Act.

3 **SEC. 103. EXTENDING PAYMENT LEVELS FOR LOW-VOLUME**
 4 **HOSPITALS AND MEDICARE-DEPENDENT**
 5 **HOSPITALS (MDHS).**

6 (a) EXTENSION OF INCREASED PAYMENTS FOR
 7 MDHS.—

8 (1) EXTENSION OF PAYMENT METHODOLOGY.—

9 Section 1886(d)(5)(G) of the Social Security Act (42
 10 U.S.C. 1395ww(d)(5)(G)), as amended by section
 11 205(a) of the Medicare Access and CHIP Reauthor-
 12 ization Act of 2015, is amended—

13 (A) in clause (i), by striking “, and before
 14 October 1, 2017”; and

15 (B) in clause (ii)(II), by striking “, and be-
 16 fore October 1, 2017”.

17 (2) CONFORMING AMENDMENTS.—

18 (A) EXTENSION OF TARGET AMOUNT.—

19 Section 1886(b)(3)(D) of the Social Security
 20 Act (42 U.S.C. 1395ww(b)(3)(D)), as amended
 21 by section 205(b) of the Medicare Access and
 22 CHIP Reauthorization Act of 2015, is amend-
 23 ed—

1 (i) in the matter preceding clause (i),
 2 by striking “, and before October 1,
 3 2017”; and

4 (ii) in clause (iv), by striking “during
 5 fiscal year 1998 through fiscal year 2017”
 6 and inserting “during or after fiscal year
 7 1998”.

8 (B) EXTENDING THE PERIOD DURING
 9 WHICH HOSPITALS CAN DECLINE RECLASSI-
 10 FICATION AS URBAN.—Section 13501(e)(2) of
 11 the Omnibus Budget Reconciliation Act of 1993
 12 (42 U.S.C. 1395ww note), as amended by sec-
 13 tion 205(b) of the Medicare Access and CHIP
 14 Reauthorization Act of 2015, is amended—

15 (i) by inserting after “2017” the fol-
 16 lowing: “or a subsequent fiscal year”; and

17 (ii) in subparagraph (C), by inserting
 18 after “such reclassification” the following:
 19 “during the 1-year period that begins on
 20 the date of the notification of the hospital
 21 under subparagraph (A)”.

22 (b) EXTENSION OF INCREASED PAYMENTS FOR LOW-
 23 VOLUME HOSPITALS.—Section 1886(d)(12) of the Social
 24 Security Act (42 U.S.C. 1395ww(d)(12)), as amended by

1 section 204 of the Medicare Access and CHIP Reauthor-
2 ization Act of 2015, is amended—

3 (1) in subparagraph (B)—

4 (A) in the heading, by inserting after “IN-
5 CREASE” the following: “THROUGH FISCAL
6 YEAR 2010”; and

7 (B) by striking “and for discharges occur-
8 ring in fiscal year 2018 and subsequent fiscal
9 years”;

10 (2) in subparagraph (C)(i)—

11 (A) by striking “25 road miles (or, with re-
12 spect to fiscal years 2011 through 2017, 15
13 road miles)” and inserting “15 road miles”;
14 and

15 (B) striking “(or, with respect to fiscal
16 years 2011 through 2017, 1,600 discharges of
17 individuals entitled to, or enrolled for, benefits
18 under part A)” and inserting “or 1,600 dis-
19 charges of individuals entitled to, or enrolled
20 for, benefits under part A”; and

21 (3) in subparagraph (D)—

22 (A) by amending the heading to read as
23 follows: “APPLICABLE PERCENTAGE INCREASE
24 AFTER FISCAL YEAR 2010”; and

1 (B) by striking “in fiscal years 2011
 2 through 2017” and inserting “in fiscal year
 3 2011 and each subsequent fiscal year”.

4 **SEC. 104. REINSTATING REVISED DIAGNOSIS-RELATED**
 5 **GROUP PAYMENTS FOR MDHS AND SOLE**
 6 **COMMUNITY HOSPITALS (SCHS).**

7 (a) PAYMENTS FOR MDHS AND SCHS FOR VALUE-
 8 BASED INCENTIVE PROGRAMS.—Section
 9 1886(o)(7)(D)(ii)(I) of the Social Security Act (42 U.S.C.
 10 1395ww(o)(7)(D)(ii)(I)) is amended by inserting “or after
 11 fiscal year 2016” after “2013”.

12 (b) PAYMENTS FOR MDHS AND SCHS UNDER HOS-
 13 PITAL READMISSIONS REDUCTION PROGRAM.—Section
 14 1886(q)(2)(B)(i) of the Social Security Act (42 U.S.C.
 15 1395ww(q)(2)(B)(i)) is amended by inserting “or after fis-
 16 cal year 2016” after “2013”.

17 **SEC. 105. REINSTATING HOLD HARMLESS TREATMENT FOR**
 18 **HOSPITAL OUTPATIENT SERVICES FOR SCHS.**

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

- 21 (1) in the heading, by striking “**TEMPORARY**”
 22 and inserting “**PERMANENT**”;
 23 (2) in subclause (II)—

1 (A) in the first sentence, by inserting “or
2 on or after January 1, 2016,” after “January
3 1, 2013,”; and

4 (B) in the second sentence, by inserting “,
5 or during or after 2016” after “or 2012”; and

6 (3) in subclause (III), in the first sentence, by
7 inserting “or on or after January 1, 2016,” after
8 “January 1, 2013,”.

9 **SEC. 106. DELAYING APPLICATION OF PENALTIES FOR**
10 **FAILURE TO BE A MEANINGFUL ELECTRONIC**
11 **HEALTH RECORD USER.**

12 (a) IN GENERAL.—Section 1886(b)(3)(B)(ix)(I) of
13 the Social Security Act (42 U.S.C.
14 1395ww(b)(3)(B)(ix)(I)) is amended by adding at the end
15 the following: “In the case of a hospital located in a rural
16 area, each fiscal year referred to in the first sentence of
17 this subclause shall be applied as if it were a reference
18 to the year that is 4 fiscal years later.”.

19 (b) APPLICABILITY.—The amendment made by this
20 section applies with respect fiscal years beginning after the
21 date of the enactment of this Act.

1 **SEC. 107. ELIMINATING RURAL MEDICARE AND MEDICAID**
2 **DISPROPORTIONATE SHARE HOSPITAL PAY-**
3 **MENT REDUCTIONS.**

4 (a) **MEDICARE.**—Section 1886(r)(1) of the Social Se-
5 curity Act (42 U.S.C. 1395ww(r)(1)) is amended by in-
6 serting before “25 percent” the following: “(unless such
7 hospital is located in a rural area, as defined in subsection
8 (d)(2)(D))”.

9 (b) **MEDICAID.**—Section 1923(f)(3) of the Social Se-
10 curity Act (42 U.S.C. 1396r–4(f)(3)) is amended—

11 (1) in subparagraph (A) by striking “subpara-
12 graph (E)” and inserting “subparagraphs (E) and
13 (F)”; and

14 (2) by adding at the end the following:

15 “(F) **INCREASE IN ALLOTMENTS AND PAY-**
16 **MENTS FOR RURAL HOSPITALS.**—

17 “(i) **ALLOTMENTS.**—The DSH allot-
18 ment for a State with respect to a fiscal
19 year that would be determined under this
20 paragraph for the State for the fiscal year
21 without application of this subparagraph,
22 notwithstanding subparagraphs (B), (C),
23 and (E), shall be increased by the product
24 of the reduction to such State under para-
25 graph (7)(A)(i)(I) for such fiscal year and
26 the percentage of Medicaid enrollees resid-

1 ing in the State that live in a rural area
2 (as defined in section 1886(d)(2)(D)), sub-
3 ject to clause (iii).

4 “(ii) PAYMENTS.—The payments to a
5 State under section 1903(a) for each cal-
6 endar quarter shall be increased by the
7 product of the reduction to such State
8 under paragraph (7)(A)(i)(II) for such fis-
9 cal year and the percentage of Medicaid
10 enrollees residing in the State that live in
11 a rural area (as defined in section
12 1886(d)(2)(D)), subject to clause (iii).

13 “(iii) ASSURANCES REGARDING APPLI-
14 CATION OF INCREASED FUNDS TO HOS-
15 PITALS IN RURAL AREAS.—A State may
16 only receive an increased allotment or pay-
17 ment under this paragraph if such State
18 provides such assurances as the Secretary
19 may require that any funds received due to
20 the increase in clauses (i) and (ii) shall be
21 allotted to hospitals located in rural areas
22 as an additional amount above what would
23 be allotted to such hospitals without appli-
24 cation of such clause.”.

1 (c) APPLICABILITY.—The amendments made by this
 2 section apply with respect to fiscal year 2017.

3 **Subtitle B—Other Rural Providers**

4 **SEC. 111. MAKING PERMANENT INCREASED MEDICARE** 5 **PAYMENTS FOR GROUND AMBULANCE SERV-** 6 **ICES IN RURAL AREAS.**

7 Section 1834(l)(13) of the Social Security Act (42
 8 U.S.C. 1395m(l)(13)) is amended—

9 (1) by striking “**TEMPORARY INCREASE**” and
 10 inserting “**INCREASE**”; and

11 (2) in subparagraph (A)—

12 (A) in the matter preceding clause (i), by
 13 striking “, and before January 1, 2018”; and

14 (B) in clause (i), by striking “, and before
 15 January 1, 2018”.

16 **SEC. 112. EXTENDING MEDICAID PRIMARY CARE PAY-** 17 **MENTS.**

18 (a) IN GENERAL.—Section 1902(a)(13)(C) of the So-
 19 cial Security Act (42 U.S.C. 1396a(a)(13)(C)) is amended
 20 by inserting after “2014” the following: “(or in the case
 21 of a primary care services furnished by a physician located
 22 in a rural area, as defined in section 1886(d)(2)(D), fur-
 23 nished in any year)”.

24 (b) APPLICABILITY.—

1 (1) IN GENERAL.—Except as provided in para-
2 graph (2), the amendment made by this section ap-
3 plies to services furnished in a year beginning on or
4 after such date.

5 (2) EXCEPTION IF STATE LEGISLATION RE-
6 QUIRED.—In the case of a State plan for medical as-
7 sistance under title XIX of the Social Security Act
8 which the Secretary of Health and Human Services
9 determines requires State legislation (other than leg-
10 islation appropriating funds) in order for the plan to
11 meet the additional requirement imposed by the
12 amendment made by this section, the State plan
13 shall not be regarded as failing to comply with the
14 requirements of such title solely on the basis of its
15 failure to meet this additional requirement before
16 the first day of the first calendar quarter beginning
17 after the close of the first regular session of the
18 State legislature that begins after the date of the en-
19 actment of this Act. For purposes of the previous
20 sentence, in the case of a State that has a 2-year
21 legislative session, each year of such session shall be
22 deemed to be a separate regular session of the State
23 legislature.

1 **TITLE II—RURAL MEDICARE**
 2 **BENEFICIARY EQUITY**

3 **SEC. 201. EQUALIZING BENEFICIARY COPAYMENTS FOR**
 4 **SERVICES FURNISHED BY CAHS.**

5 (a) IN GENERAL.—Section 1866(a)(2)(A) of the So-
 6 cial Security Act (42 U.S.C. 1395cc(a)(2)(A)) is amended
 7 by adding at the end the following: “In the case of out-
 8 patient critical access hospital services for which payment
 9 is made under section 1834(g), clause (ii) of the first sen-
 10 tence shall be applied by substituting ‘20 percent of the
 11 lesser of the actual charge or the payment basis under
 12 this part for such services if the critical access hospital
 13 were treated as a hospital’ for ‘20 per centum of the rea-
 14 sonable charge for such items and services’.”

15 (b) APPLICABILITY.—The amendment made by this
 16 section applies with respect to services furnished during
 17 a year that begins more than 60 days after the date of
 18 the enactment of this Act.

19 **TITLE III—REGULATORY RELIEF**

20 **SEC. 301. ELIMINATING 96-HOUR PHYSICIAN CERTIFI-**
 21 **CATION REQUIREMENT WITH RESPECT TO**
 22 **INPATIENT CAH SERVICES.**

23 (a) IN GENERAL.—Section 1814(a) of the Social Se-
 24 curity Act (42 U.S.C. 1395f(a)) is amended—

1 (1) in paragraph (6), by adding “and” at the
2 end;

3 (2) in paragraph (7)(E), by striking “; and”
4 and inserting a period; and

5 (3) by striking paragraph (8).

6 (b) APPLICABILITY.—The amendments made by this
7 section apply with respect to services furnished during a
8 year that begins more than 60 days after the date of the
9 enactment of this Act.

10 **SEC. 302. REBASING SUPERVISION REQUIREMENTS.**

11 (a) THERAPEUTIC HOSPITAL OUTPATIENT SERV-
12 ICES.—

13 (1) SUPERVISION REQUIREMENTS.—Section
14 1833 of the Social Security Act (42 U.S.C. 1395l)
15 is amended by adding at the end the following:

16 “(aa) PHYSICIAN SUPERVISION REQUIREMENTS FOR
17 THERAPEUTIC HOSPITAL OUTPATIENT SERVICES.—

18 “(1) GENERAL SUPERVISION FOR THERAPEUTIC
19 SERVICES.—Except as may be provided under para-
20 graph (2), insofar as the Secretary requires the su-
21 pervision by a physician or a non-physician practi-
22 tioner for payment for therapeutic hospital out-
23 patient services (as defined in paragraph (5)(A))
24 furnished under this part, such requirement shall be
25 met if such services are furnished under the general

1 supervision (as defined in paragraph (5)(B)) of the
2 physician or non-physician practitioner, as the case
3 may be.

4 “(2) EXCEPTIONS PROCESS FOR HIGH-RISK OR
5 COMPLEX MEDICAL SERVICES REQUIRING A DIRECT
6 LEVEL OF SUPERVISION.—

7 “(A) IN GENERAL.—Subject to the suc-
8 ceeding provisions of this paragraph, the Sec-
9 retary shall establish a process for the designa-
10 tion of therapeutic hospital outpatient services
11 furnished under this part that, by reason of
12 complexity or high risk, require—

13 “(i) direct supervision (as defined in
14 paragraph (5)(C)) for the entire service; or

15 “(ii) direct supervision during the ini-
16 tiation of the service followed by general
17 supervision for the remainder of the serv-
18 ice.

19 “(B) CONSULTATION WITH CLINICAL EX-
20 PERTS.—

21 “(i) IN GENERAL.—Under the process
22 established under subparagraph (A), before
23 the designation of any therapeutic hospital
24 outpatient service for which direct super-
25 vision may be required under this part, the

1 Secretary shall consult with a panel of out-
2 side experts described in clause (ii) to ad-
3 vise the Secretary with respect to each
4 such designation.

5 “(ii) ADVISORY PANEL ON SUPER-
6 VISION OF THERAPEUTIC HOSPITAL OUT-
7 PATIENT SERVICES.—For purposes of
8 clause (i), a panel of outside experts de-
9 scribed in this clause is a panel appointed
10 by the Secretary, based on nominations
11 submitted by hospital, rural health, and
12 medical organizations representing physi-
13 cians, non-physician practitioners, and hos-
14 pital administrators, as the case may be,
15 that meets the following requirements:

16 “(I) COMPOSITION.—The panel
17 shall be composed of at least 15 phy-
18 sicians and non-physician practi-
19 tioners who furnish therapeutic hos-
20 pital outpatient services for which
21 payment is made under this part and
22 who collectively represent the medical
23 specialties that furnish such services,
24 and of 4 hospital administrators of
25 hospitals located in rural areas (as de-

1 fined in section 1886(d)(2)(D)) or
2 critical access hospitals.

3 “(II) PRACTICAL EXPERIENCE
4 REQUIRED FOR PHYSICIANS AND NON-
5 PHYSICIAN PRACTITIONERS.—During
6 the 12-month period preceding ap-
7 pointment to the panel by the Sec-
8 retary, each physician or non-physi-
9 cian practitioner described in sub-
10 clause (I) shall have furnished thera-
11 peutic hospital outpatient services for
12 which payment was made under this
13 part.

14 “(III) MINIMUM RURAL REP-
15 RESENTATION REQUIREMENT FOR
16 PHYSICIANS AND NON-PHYSICIAN
17 PRACTITIONERS.—Not less than 50
18 percent of the membership of the
19 panel that is comprised of physicians
20 and non-physician practitioners shall
21 be physicians or non-physician practi-
22 tioners described in subclause (I) who
23 practice in rural areas (as defined in
24 section 1886(d)(2)(D)) or who furnish

1 such services in critical access hos-
2 pitals.

3 “(iii) APPLICATION OF FACA.—The
4 Federal Advisory Committee Act (5 U.S.C.
5 2 App.), other than section 14 of such Act,
6 shall apply to the panel of outside experts
7 appointed by the Secretary under clause
8 (ii).

9 “(C) SPECIAL RULE FOR OUTPATIENT
10 CRITICAL ACCESS HOSPITAL SERVICES.—Inso-
11 far as a therapeutic outpatient hospital service
12 that is an outpatient critical access hospital
13 service is designated as requiring direct super-
14 vision under the process established under sub-
15 paragraph (A), the Secretary shall deem the
16 critical access hospital furnishing that service
17 as having met the requirement for direct super-
18 vision for that service if, when furnishing such
19 service, the critical access hospital meets the
20 standard for personnel required as a condition
21 of participation under section 485.618(d) of
22 title 42, Code of Federal Regulations (as in ef-
23 fect on the date of the enactment of this sub-
24 section).

1 “(D) CONSIDERATION OF COMPLIANCE
2 BURDENS.—Under the process established
3 under subparagraph (A), the Secretary shall
4 take into account the impact on hospitals and
5 critical access hospitals in complying with re-
6 quirements for direct supervision in the fur-
7 nishing of therapeutic hospital outpatient serv-
8 ices, including hospital resources, availability of
9 hospital-privileged physicians, specialty physi-
10 cians, and non-physician practitioners, and ad-
11 ministrative burdens.

12 “(E) REQUIREMENT FOR NOTICE AND
13 COMMENT RULEMAKING.—Under the process
14 established under subparagraph (A), the Sec-
15 retary shall only designate therapeutic hospital
16 outpatient services requiring direct supervision
17 under this part through proposed and final
18 rulemaking that provides for public notice and
19 opportunity for comment.

20 “(F) RULE OF CONSTRUCTION.—Nothing
21 in this subsection shall be construed as author-
22 izing the Secretary to apply or require any level
23 of supervision other than general or direct su-
24 pervision with respect to the furnishing of
25 therapeutic hospital outpatient services.

1 “(3) INITIAL LIST OF DESIGNATED SERVICES.—

2 The Secretary shall include in the proposed and final
3 regulation for payment for hospital outpatient serv-
4 ices for 2017 under this part a list of initial thera-
5 peutic hospital outpatient services, if any, designated
6 under the process established under paragraph
7 (2)(A) as requiring direct supervision under this
8 part.

9 “(4) DIRECT SUPERVISION BY NON-PHYSICIAN
10 PRACTITIONERS FOR CERTAIN HOSPITAL OUT-
11 PATIENT SERVICES PERMITTED.—

12 “(A) IN GENERAL.—Subject to the suc-
13 ceeding provisions of this subsection, a non-phy-
14 sician practitioner may directly supervise the
15 furnishing of—

16 “(i) therapeutic hospital outpatient
17 services under this part, including cardiac
18 rehabilitation services (under section
19 1861(eee)(1)), intensive cardiac rehabilita-
20 tion services (under section 1861(eee)(4)),
21 and pulmonary rehabilitation services
22 (under section 1861(fff)(1)); and

23 “(ii) those hospital outpatient diag-
24 nostic services (described in section
25 1861(s)(2)(C)) that require direct super-

vision under the fee schedule established
under section 1848.

“(B) REQUIREMENTS.—Subparagraph (A)
shall apply insofar as the non-physician practi-
tioner involved meets the following require-
ments:

“(i) SCOPE OF PRACTICE.—The non-
physician practitioner is acting within the
scope of practice under State law applica-
ble to the practitioner.

“(ii) ADDITIONAL REQUIREMENTS.—
The non-physician practitioner meets such
requirements as the Secretary may specify.

“(5) DEFINITIONS.—In this subsection:

“(A) THERAPEUTIC HOSPITAL OUT-
PATIENT SERVICES.—The term ‘therapeutic
hospital outpatient services’ means hospital
services described in section 1861(s)(2)(B) fur-
nished by a hospital or critical access hospital
and includes—

“(i) cardiac rehabilitation services and
intensive cardiac rehabilitation services (as
defined in paragraphs (1) and (4), respec-
tively, of section 1861(eee)); and

1 “(ii) pulmonary rehabilitation services
2 (as defined in section 1861(fff)(1)).

3 “(B) GENERAL SUPERVISION.—

4 “(i) OVERALL DIRECTION AND CON-
5 TROL OF PHYSICIAN.—Subject to clause
6 (ii), with respect to the furnishing of
7 therapeutic hospital outpatient services for
8 which payment may be made under this
9 part, the term ‘general supervision’ means
10 such services that are furnished under the
11 overall direction and control of a physician
12 or non-physician practitioner, as the case
13 may be.

14 “(ii) PRESENCE NOT REQUIRED.—For
15 purposes of clause (i), the presence of a
16 physician or non-physician practitioner is
17 not required during the performance of the
18 procedure involved.

19 “(C) DIRECT SUPERVISION.—

20 “(i) PROVISION OF ASSISTANCE AND
21 DIRECTION.—Subject to clause (ii), with
22 respect to the furnishing of therapeutic
23 hospital outpatient services for which pay-
24 ment may be made under this part, the
25 term ‘direct supervision’ means that a phy-

1 sician or non-physician practitioner, as the
2 case may be, is immediately available (in-
3 cluding by telephone or other means) to
4 furnish assistance and direction through-
5 out the furnishing of such services. Such
6 term includes, with respect to the fur-
7 nishing of a therapeutic hospital outpatient
8 service for which payment may be made
9 under this part, direct supervision during
10 the initiation of the service followed by
11 general supervision for the remainder of
12 the service (as described in paragraph
13 (2)(A)(ii)).

14 “(ii) PRESENCE IN ROOM NOT RE-
15 QUIRED.—For purposes of clause (i), a
16 physician or non-physician practitioner, as
17 the case may be, is not required to be
18 present in the room during the perform-
19 ance of the procedure involved or within
20 any other physical boundary as long as the
21 physician or non-physician practitioner, as
22 the case may be, is immediately available.

23 “(D) NON-PHYSICIAN PRACTITIONER DE-
24 FINED.—The term ‘non-physician practitioner’
25 means an individual who—

“(i) is a physician assistant, a nurse practitioner, a clinical nurse specialist, a clinical social worker, a clinical psychologist, a certified nurse midwife, or a certified registered nurse anesthetist, and includes such other practitioners as the Secretary may specify; and

“(ii) with respect to the furnishing of therapeutic outpatient hospital services, meets the requirements of paragraph (4)(B).”.

(2) CONFORMING AMENDMENT.—Section 1861(eee)(2)(B) of the Social Security Act (42 U.S.C. 1395x(eee)(2)(B)) is amended by inserting “, and a non-physician practitioner (as defined in section 1833(aa)(5)(D)) may supervise the furnishing of such items and services in the hospital” after “in the case of items and services furnished under such a program in a hospital, such availability shall be presumed”.

(b) PROHIBITION ON RETROACTIVE ENFORCEMENT OF REVISED INTERPRETATION.—

(1) REPEAL OF REGULATORY CLARIFICATION.—The restatement and clarification under the final rulemaking changes to the Medicare hospital

1 outpatient prospective payment system and calendar
2 year 2009 payment rates (published in the Federal
3 Register on November 18, 2008, 73 Fed. Reg.
4 68702 through 68704) with respect to requirements
5 for direct supervision by physicians for therapeutic
6 hospital outpatient services (as defined in paragraph
7 (3)) for purposes of payment for such services under
8 the Medicare program shall have no force or effect
9 in law.

10 (2) HOLD HARMLESS.—A hospital or critical
11 access hospital that furnishes therapeutic hospital
12 outpatient services during the period beginning on
13 January 1, 2001, and ending on the later of Decem-
14 ber 31, 2016, or the date on which the final regula-
15 tion promulgated by the Secretary of Health and
16 Human Services to carry out this section takes ef-
17 fect, for which a claim for payment is made under
18 part B of title XVIII of the Social Security Act shall
19 not be subject to any civil or criminal action or pen-
20 alty under Federal law for failure to meet super-
21 vision requirements under the regulation described
22 in paragraph (1), under program manuals, or other-
23 wise.

24 (3) THERAPEUTIC HOSPITAL OUTPATIENT
25 SERVICES DEFINED.—In this subsection, the term

1 “therapeutic hospital outpatient services” means
 2 medical and other health services furnished by a
 3 hospital or critical access hospital that are—

4 (A) hospital services described in sub-
 5 section (s)(2)(B) of section 1861 of the Social
 6 Security Act (42 U.S.C. 1395x);

7 (B) cardiac rehabilitation services or inten-
 8 sive cardiac rehabilitation services (as defined
 9 in paragraphs (1) and (4), respectively, of sub-
 10 section (eee) of such section); or

11 (C) pulmonary rehabilitation services (as
 12 defined in subsection (fff)(1) of such section).

13 **SEC. 303. REFORMING PRACTICES OF RECOVERY AUDIT**
 14 **CONTRACTORS UNDER MEDICARE.**

15 (a) **ELIMINATION OF CONTINGENCY FEE PAYMENT**
 16 **SYSTEM.**—Section 1893(h) of the Social Security Act (42
 17 U.S.C. 1395ddd(h)), as amended by section 505(b) of the
 18 Medicare Access and CHIP Reauthorization Act of 2015,
 19 is amended—

20 (1) in paragraph (1), by inserting “, for recov-
 21 ery activities conducted during a fiscal year before
 22 fiscal year 2016” after “Under the contracts”; and

23 (2) by adding at the end the following new
 24 paragraph:

1 “(11) PAYMENT FOR RECOVERY ACTIVITIES
2 PERFORMED AFTER FISCAL YEAR 2015.—

3 “(A) IN GENERAL.—Under the contracts,
4 subject to paragraphs (B) and (C), payment
5 shall be made to recovery audit contractors for
6 recovery activities conducted during fiscal year
7 2016 and each fiscal year thereafter in the
8 same manner, and from the same amounts, as
9 payment is made to eligible entities under con-
10 tracts entered into for recovery activities con-
11 ducted during fiscal year 2015 under subsection
12 (a).

13 “(B) PROHIBITION ON INCENTIVE PAY-
14 MENTS.—Under the contracts, payment made
15 to a recovery audit contractor for recovery ac-
16 tivities conducted during fiscal year 2016 or
17 any fiscal year thereafter may not include any
18 incentive payments.

19 “(C) PERFORMANCE ACCOUNTABILITY.—

20 “(i) IN GENERAL.—Under the con-
21 tracts, payment made to a recovery audit
22 contractor for recovery activities conducted
23 during fiscal year 2016 or any fiscal year
24 thereafter shall, in the case that the con-
25 tractor has a complex audit denial overturn

1 rate at the end of such fiscal year (as cal-
2 culated under the methodology described in
3 clause (iv)) that is .1 or greater, be re-
4 duced in an amount determined in accord-
5 ance with clause (ii).

6 “(ii) PAYMENT REDUCTIONS.—

7 “(I) SLIDING SCALE OF AMOUNT
8 OF REDUCTIONS.—The Secretary
9 shall establish, for purposes of deter-
10 mining the amount of a reduction in
11 payment to a recovery audit con-
12 tractor under clause (i) for recovery
13 activities conducted during fiscal year,
14 a linear sliding scale of payment re-
15 ductions for recovery audit contrac-
16 tors for such fiscal year. Under such
17 linear sliding scale, the amount of
18 such a reduction in payment to a re-
19 covery audit contractor for a fiscal
20 year shall be calculated in a manner
21 that provides for such reduction to be
22 greater than the reduction for such
23 fiscal year for recovery audit contrac-
24 tors that have complex audit denial
25 overturn rates at the end of such fis-

1 cal year (as calculated under the
2 methodology described in clause (iv))
3 that are lower than the complex audit
4 denial overturn rate of the contractor
5 at the end of such fiscal year (as so
6 calculated).

7 “(II) MANNER OF COLLECTING
8 REDUCTION.—The Secretary may as-
9 sess and collect the reductions in pay-
10 ment to recovery audit contractors
11 under clause (i) in such manner as
12 the Secretary may specify (such as by
13 reducing the amount paid to the con-
14 tractor for recovery activities con-
15 ducted during a fiscal year or by as-
16 sessing the reduction as a separate
17 penalty payment to be paid to the
18 Secretary by the contractor with re-
19 spect to each complex audit denial
20 issued by the contractor that is over-
21 turned on appeal).

22 “(iii) TIMING OF DETERMINATIONS OF
23 PAYMENT REDUCTIONS.—The Secretary
24 shall, with respect to a recovery audit con-

1 tractor, determine not later than six
2 months after the end of a fiscal year—

3 “(I) whether to reduce payment
4 to the recovery audit contractor under
5 clause (i) for recovery activities con-
6 ducted during such fiscal year; and

7 “(II) in the case that the Sec-
8 retary determines to so reduce pay-
9 ment to the contractor, the amount of
10 such payment reduction.

11 “(iv) METHODOLOGY FOR CALCULA-
12 TION OF OVERTURNED COMPLEX AUDIT
13 DENIAL OVERTURN RATE.—

14 “(I) CALCULATION OF OVERTURN
15 RATE.—The Secretary shall calculate
16 a complex audit denial overturn rate
17 for a recovery audit contractor for a
18 fiscal year by—

19 “(aa) determining, with re-
20 spect to the contract entered into
21 under paragraph (1) by the con-
22 tractor, the number of complex
23 audit denials issued by the con-
24 tractor under the contract (in-
25 cluding denials issued before such

1 fiscal year and during such fiscal
2 year) that are overturned on ap-
3 peal; and

4 “(bb) dividing the number
5 determined under item (aa) by
6 the number of complex audit de-
7 nials issued by the contractor
8 under such contract (including
9 denials issued before such fiscal
10 year and during such fiscal year).

11 “(II) FAIRNESS AND TRANS-
12 PARENCY.—The Secretary shall cal-
13 culate the percentage described in
14 subclause (I) in a fair and trans-
15 parent manner.

16 “(III) ACCOUNTING FOR SUBSE-
17 QUENTLY OVERTURNED APPEALS.—
18 The Secretary shall calculate the per-
19 centage described in subclause (I) in a
20 manner that accounts for the likeli-
21 hood that complex audit denials
22 issued by the contractor for such fis-
23 cal year will be overturned on appeal
24 in a subsequent fiscal year.

1 “(IV) COMPLEX AUDIT DENIAL
2 DEFINED.—In this subparagraph, the
3 term ‘complex audit denial’ means a
4 denial by a recovery audit contractor
5 of a claim for payment under this title
6 submitted by a hospital, psychiatric
7 hospital, or critical access hospital
8 that is so denied by the contractor
9 after the contractor has—

10 “(aa) requested that the
11 hospital, psychiatric hospital, or
12 critical access hospital, in order
13 to support such claim for pay-
14 ment, provide supporting medical
15 records to the contractor; and

16 “(bb) reviewed such medical
17 records in order to determine
18 whether an improper payment
19 has been made to the hospital,
20 psychiatric hospital, or critical
21 access hospital for such claim.

22 “(V) OVERTURNED ON APPEAL
23 DEFINED.—In this subparagraph, the
24 term ‘overturned on appeal’ means,
25 with respect to a complex audit de-

1 nial, a denial that is overturned on
 2 appeal at the reconsideration level, the
 3 redetermination level, or the adminis-
 4 trative law judge hearing level.

5 “(D) APPLICATION TO EXISTING CON-
 6 TRACTS.—Not later than 60 days after the date
 7 of the enactment of this paragraph, the Sec-
 8 retary shall modify, as necessary, each contract
 9 under paragraph (1) that the Secretary entered
 10 into prior to such date of enactment in order to
 11 ensure that payment with respect to recovery
 12 activities conducted under such contract is
 13 made in accordance with the requirements de-
 14 scribed in this paragraph.”.

15 (b) ELIMINATION OF ONE-YEAR TIMELY FILING
 16 LIMIT TO REBILL PART B CLAIMS.—

17 (1) IN GENERAL.—Section 1842(b) of the So-
 18 cial Security Act (42 U.S.C. 1395u(b)) is amended
 19 by adding at the end the following new paragraph:

20 “(20) EXCEPTION TO THE ONE-YEAR TIMELY
 21 FILING LIMIT FOR CERTAIN REBILLED CLAIMS.—

22 “(A) IN GENERAL.—In the case of a claim
 23 submitted under this part by a hospital (as de-
 24 fined in subparagraph (B)(i)) for hospital serv-
 25 ices with respect to which there was a previous

1 claim submitted under part A as inpatient hos-
2 pital services or inpatient critical access hos-
3 pital services that was denied by a medicare
4 contractor (as defined in subparagraph (B)(ii))
5 because of a determination that the inpatient
6 admission was not medically reasonable and
7 necessary under section 1862(a)(1)(A), the
8 deadline described in this paragraph is 180
9 days after the date of the final denial of such
10 claim under part A.

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

12 “(i) HOSPITAL.—The term ‘hospital’
13 has the meaning given such term in section
14 1861(e) and includes a psychiatric hospital
15 (as defined in section 1861(f)) and a crit-
16 ical access hospital (as defined in section
17 1861(mm)(1)).

18 “(ii) MEDICARE CONTRACTOR.—The
19 term ‘medicare contractor’ has the mean-
20 ing given such term under section 1889(g),
21 and includes a recovery audit contractor
22 with a contract under section 1893(h).

23 “(iii) FINAL DENIAL.—The term ‘final
24 denial’ means—

1 “(I) in the case that a hospital
 2 elects not to appeal a denial described
 3 in subparagraph (A) by a medicare
 4 contractor, the date of such denial; or
 5 “(II) in the case that a hospital
 6 elects to appeal a such a denial, the
 7 date on which such appeal is ex-
 8 hausted.”.

9 (2) CONFORMING AMENDMENTS.—

10 (A) Section 1835(a)(1) of the Social Secu-
 11 rity Act (42 U.S.C. 1395n(a)(1)) is amended by
 12 inserting “or, in the case of a claim described
 13 in section 1842(b)(20), not later than the dead-
 14 line described in such paragraph” after “the
 15 date of service”.

16 (B) Section 1842(b)(3)(B) of the Social
 17 Security Act (42 U.S.C. 1395u(b)(3)(B)) is
 18 amended in the flush language following clause
 19 (ii) by inserting “or, in the case of a claim de-
 20 scribed in section 1842(b)(20), not later than
 21 the deadline described in such paragraph” after
 22 “the date of service”.

23 (3) APPLICABILITY.—The amendments made
 24 by this subsection apply to claims submitted under
 25 part B of title XVIII of the Social Security Act for

1 hospital services for which there was a previous
 2 claim submitted under part A as inpatient hospital
 3 services or inpatient critical access hospital services
 4 that was subject to a final denial (as defined in
 5 paragraph (20)(B)(iii) of section 1842(b) of such
 6 Act (42 U.S.C. 1395u(b)) on or after the date of the
 7 enactment of this Act.

8 (c) MEDICAL DOCUMENTATION CONSIDERED FOR
 9 MEDICAL NECESSITY REVIEWS OF CLAIMS FOR INPA-
 10 TIENT HOSPITAL SERVICES.—Section 1862(a) of the So-
 11 cial Security Act (42 U.S.C. 1395y(a)) is amended by add-
 12 ing at the end the following new sentence: “A determina-
 13 tion under paragraph (1) of whether inpatient hospital
 14 services or inpatient critical access hospital services fur-
 15 nished to an individual on or after the date of the enact-
 16 ment of this sentence are reasonable and necessary shall
 17 be based solely upon information available to the admit-
 18 ting physician at the time of the inpatient admission of
 19 the individual for such inpatient services, as documented
 20 in the medical record.”

21 **TITLE IV—FUTURE OF RURAL** 22 **HEALTH CARE**

23 **SEC. 401. COMMUNITY OUTPATIENT HOSPITAL PROGRAM.**

24 (a) IN GENERAL.—

1 (1) COMMUNITY OUTPATIENT HOSPITAL AND
2 QUALIFIED OUTPATIENT SERVICES DEFINED.—Sec-
3 tion 1861 of the Social Security Act (42 U.S.C.
4 1395x) is amended—

5 (A) in the last sentence of subsection (e),
6 by inserting before the period at the end “or a
7 community outpatient hospital (as defined in
8 subsection (iii)(1))”; and

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

10 “Community Outpatient Hospital

11 “(iii)(1) The term ‘community outpatient hospital’
12 means a facility that—

13 “(A) at any time during the period beginning
14 on the date that is 5 years before the date of the
15 enactment of this subsection and ending on Decem-
16 ber 31, 2014, was a critical access hospital, or is a
17 hospital with not more than 50 beds that is—

18 “(i) located in a rural area (as defined in
19 section 1886(d)(2)(D)); or

20 “(ii) treated as being located in a rural
21 area under section 1886(d)(8)(E);

22 “(B) provides emergency medical care and ob-
23 servation care available on a 24-hour basis;

1 “(C) with respect to continuous care for an in-
2 dividual, does not provide care over 2 or more con-
3 secutive midnights;

4 “(D) does not provide any acute care inpatient
5 beds and has protocols in place for the timely trans-
6 fer of patients who require other inpatient services;

7 “(E) has the resources required of a level IV or
8 higher trauma center (as verified by the American
9 College of Surgeons or other means specified by the
10 Secretary), or has available for consultation on a 24-
11 hour basis a health care professional who success-
12 fully completed the Advanced Trauma Life Support
13 Course offered by the American College of Surgeons
14 (or an equivalent course as determined by the Sec-
15 retary) within the preceding 4 years;

16 “(F) has in effect a transfer agreement with a
17 level I or level II trauma center designated under
18 section 1231(1) of the Public Health Service Act;

19 “(G) meets the requirements of subsection
20 (aa)(2)(I);

21 “(H) has been approved by the State in which
22 the facility is located for treatment as a community
23 outpatient hospital;

24 “(I) notifies the Secretary at such time and in
25 such manner as the Secretary may require of the in-

1 tent of such facility to be designated as a community
2 outpatient facility; and

3 “(J) meets such staff training and certification
4 requirements as the Secretary may require.

5 “(2) Nothing in this subsection or section 1834(r)
6 shall be construed to prohibit a community outpatient hos-
7 pital from having an agreement under section 1883 for
8 the provision of extended care services.

9 “(3) Unless the context otherwise requires, a ref-
10 erence to a community outpatient hospital in this title
11 shall be deemed to also be a reference to a critical access
12 hospital.

13 “Qualified Outpatient Services

14 “(jjj) The term ‘qualified outpatient services’ means
15 medical and other health services furnished on an out-
16 patient basis by a community outpatient hospital, rural
17 health clinic (as defined in section 1861(aa)(2)), federally
18 qualified health center (as defined in section 1861(aa)(4)),
19 or an entity certified by the Health Resources and Services
20 Administration as a federally qualified health center look-
21 alike, including, for individuals who require services from
22 a hospital or critical access hospital, transportation serv-
23 ices from such community outpatient hospital to a hospital
24 or critical access hospital.”.

1 (2) PAYMENT FOR QUALIFIED OUTPATIENT
2 SERVICES.—Section 1834 of the Social Security Act
3 (42 U.S.C. 1395m) is amended by adding at the end
4 the following:

5 “(r) PAYMENT FOR QUALIFIED OUTPATIENT SERV-
6 ICES.—

7 “(1) IN GENERAL.—The amount of payment
8 for qualified outpatient services is equal to 105 per-
9 cent of the reasonable costs of providing such serv-
10 ices.

11 “(2) TELEHEALTH SERVICES AS REASONABLE
12 COSTS.—For purposes of this subsection, with re-
13 spect to qualified outpatient services, costs reason-
14 ably associated with having a backup physician
15 available via a telecommunications system shall be
16 considered reasonable costs.”.

17 (b) WAIVER OF DISTANCE REQUIREMENT FOR RE-
18 PLACEMENT CAHS; SUBSEQUENT REDESIGNATION OF
19 COMMUNITY OUTPATIENT HOSPITALS AS CAHS.—Sec-
20 tion 1820(c)(2) of the Social Security Act (42 U.S.C.
21 1395i–4(c)(2)) is amended—

22 (1) in subparagraph (B)(i)(I), by inserting “,
23 subject to subparagraph (F),” before “is located”;
24 and

25 (2) by adding at the end the following:

“(F) OPTION TO WAIVE DISTANCE REQUIREMENT.—The State may waive the distance requirement described in subparagraph (B)(i)(I) with respect to a facility located in the State that is seeking designation as a critical access hospital under this paragraph if the total number of waivers for such facilities does not exceed the number of facilities that are critical access hospitals without such a waiver.

“(G) REDESIGNATION OF A CRITICAL ACCESS HOSPITAL AS A COMMUNITY OUTPATIENT HOSPITAL.—A community outpatient hospital may elect to be redesignated as a community outpatient hospital by notifying the Secretary at the same time and in the same manner as notifications under section 1861(iii)(1)(I) if such community outpatient hospital—

“(i) meets the requirements in paragraphs (1) and (3) of section 1820(e); and

“(ii) was designated as a critical access hospital under this paragraph on the date that the Secretary first considered such community outpatient hospital to be a community outpatient hospital.”.

(c) CONFORMING AMENDMENTS.—

1 (1) REASONABLE COST FOR COHS.—Section
2 1861(v)(7) of the Social Security Act (42 U.S.C.
3 1395x(v)(7)) is amended by adding at the end the
4 following:

5 “(E) For additional items included in reason-
6 able cost for community outpatient hospitals and for
7 determination of payment amounts for qualified out-
8 patient services, see section 1834(r).”.

9 (2) COHS AS COVERED SERVICES.—Section
10 1832(a)(2)(H) of the Social Security Act (42 U.S.C.
11 1395k(a)(2)(H)) is amended by inserting “and
12 qualified outpatient services (as defined in section
13 1861(iii)(2))” before the semicolon.

14 (3) COH PAYMENTS.—Section 1833(a) of the
15 Social Security Act (42 U.S.C. 1395l(a)) is amend-
16 ed—

17 (A) in paragraph (8), by striking “; and”;

18 (B) in paragraph (9), by striking the pe-
19 riod at the end and inserting “; and”; and

20 (C) by inserting after paragraph (9) the
21 following:

22 “(10) in the case of qualified outpatient serv-
23 ices, the amounts described in section 1834(r).”.

24 (4) EFFECTIVE DATE.—The amendments made
25 by this subsection shall apply to items and services

1 furnished on or after the first day of the first cal-
2 endar year beginning more than 1 year after the
3 date of the enactment of this Act.

4 (d) REPORTS.—The Secretary of Health and Human
5 Services shall submit to Congress three reports on the im-
6 pact of community outpatient hospitals on the availability
7 of health care and health outcomes in rural areas (as de-
8 fined in section 1886(d)(2)(D) of the Social Security Act
9 (42 U.S.C. 1395ww(d)(2)(D)) as follows:

10 (1) INITIAL REPORT.—An initial report ap-
11 proximately 2 years after the date of the enactment
12 of this Act.

13 (2) INTERIM REPORT.—An interim report ap-
14 proximately 5 years after the date of the enactment
15 of this Act.

16 (3) FINAL REPORT.—A final report approxi-
17 mately 10 years after the date of the enactment of
18 this Act.

19 **SEC. 402. GRANT FUNDING TO ASSIST RURAL HOSPITALS.**

20 Section 330A of the Public Health Service Act (42
21 U.S.C 254c) is amended—

22 (1) in subsection (b)—

23 (A) in paragraph (1), by striking “Director
24 specified in subsection (d)” and inserting “Di-
25 rector of the Office of Rural Health Policy of

1 the Health Resources and Services Administra-
2 tion”;

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

4 “(6) ELIGIBLE RURAL HOSPITAL.—The term
5 ‘eligible rural hospital’ means—

6 “(A) a hospital (as defined in section
7 1861(e) of the Social Security Act) that—

8 “(i) has fewer than 50 beds; and

9 “(ii) is located in a rural area (as de-
10 fined in section 1886(d)(2)(D) of such
11 Act) or treated as being located in a rural
12 area pursuant to section 1886(d)(8)(E) of
13 such Act;

14 “(B) a community outpatient hospital (as
15 defined in section 1861(iii) of such Act); or

16 “(C) a critical access hospital (as defined
17 in 1861(mm) of such Act).”; and

18 (2) by adding at the end the following:

19 “(i) QUALITY IMPROVEMENT AND COMPLIANCE
20 GRANTS FOR ELIGIBLE RURAL HOSPITALS.—

21 “(1) GRANTS.—The Director may award grants
22 to eligible rural hospitals to assist such hospitals
23 with reporting on quality and to prepare such hos-
24 pitals to transition to value-based reimbursement.

1 “(2) APPLICATIONS.—To be eligible to receive a
 2 grant under this subsection, an eligible rural hos-
 3 pital shall prepare and submit to the Secretary an
 4 application, at such time, in such manner, and con-
 5 taining such information as the Secretary may re-
 6 quire, including a description of—

7 “(A) how the eligible rural hospital will use
 8 the funds provided under the grant; and

9 “(B) how the project will be evaluated.

10 “(3) AUTHORIZATION OF APPROPRIATIONS.—
 11 There is authorized to be appropriated for each fis-
 12 cal year (beginning with fiscal year 2017)
 13 \$12,000,000 to carry out this subsection.

14 “(j) OUTREACH GRANTS FOR RURAL HOSPITAL POP-
 15 ULATION HEALTH.—

16 “(1) GRANTS.—To help eligible rural hospitals
 17 meet a specific community need identified in a com-
 18 munity needs assessment, the Director may award
 19 grants to eligible rural hospitals.

20 “(2) LIMITATION ON SIZE OF GRANTS TO
 21 COHS.—The Secretary may not award more than
 22 \$650,000 each fiscal year to a community outpatient
 23 hospital that is described in subsection (b)(6)(B).

24 “(3) APPLICATIONS.—To be eligible to receive a
 25 grant under this subsection, an eligible rural hos-

1 pital shall prepare and submit to the Secretary an
 2 application, at such time, in such manner, and con-
 3 taining such information as the Secretary may re-
 4 quire, including—

5 “(A) a description of how the eligible rural
 6 hospital will use the funds provided under the
 7 grant;

8 “(B) the results of community needs as-
 9 sessment that identified the specific community
 10 need described in paragraph (1); and

11 “(C) a description of how the project will
 12 be evaluated.

13 “(4) AUTHORIZATION OF APPROPRIATIONS.—

14 There is authorized to be appropriated for each fis-
 15 cal year (beginning with fiscal year 2017)—

16 “(A) \$15,000,000 for grants to eligible
 17 rural hospitals described in paragraphs (A) and
 18 (C) of subsection (b)(6); and

19 “(B) \$50,000,000 for grants to eligible
 20 rural hospitals described in paragraph (B) of
 21 such subsection.

22 “(k) EMS GRANT FUNDING.—

23 “(1) GRANTS.—The Director may award grants
 24 to eligible rural hospitals to develop and implement
 25 strategies to develop successful emergency medical

1 services programs that meet community needs, pro-
2 vide quality care, and address workforce and funding
3 problems.

4 “(2) APPLICATIONS.—To be eligible to receive a
5 grant under this subsection, an eligible rural hos-
6 pital shall prepare and submit to the Secretary an
7 application, at such time, in such manner, and con-
8 taining such information as the Secretary may re-
9 quire, including a description of—

10 “(A) how the eligible rural hospital will use
11 the funds provided under the grant;

12 “(B) any multistate collaborations involved
13 in using such funds; and

14 “(C) how the use of funds will be evalu-
15 ated.

16 “(3) AUTHORIZATION OF APPROPRIATIONS.—
17 There is authorized to be appropriated for each fis-
18 cal year (beginning with fiscal year 2017)
19 \$2,000,000 to carry out this subsection.”.

20 **SEC. 403. CMMI DEMONSTRATION OF SHARED SAVINGS IN**
21 **RURAL HOSPITALS.**

22 Section 1115A(b)(2)(B) of the Social Security Act
23 (42 U.S.C. 1315a(b)(2)(B)) is amended by adding at the
24 end the following:

1 “(xxv) Promoting greater shared sav-
2 ings with hospitals located in rural areas,
3 with critical access hospitals (as defined in
4 section 1861(mm)(1)), and with commu-
5 nity outpatient hospitals (as defined in sec-
6 tion 1861(iii)(1)).”.

○