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(I) \$_____ for outlays described in subparagraph (A)(i); and

(II) \$_____ for revenues described in subparagraph (A)(ii).

(ii) For fiscal year 1996—

(I) \$_____ for outlays described in subparagraph (A)(i); and

(II) \$_____ for revenues described in subparagraph (A)(ii).

(iii) For fiscal year 1997—

(I) \$_____ for outlays described in subparagraph (A)(i); and

(II) \$_____ for revenues described in subparagraph (A)(ii).

(iv) For fiscal year 1998—

(I) \$_____ for outlays described in subparagraph (A)(i); and

(II) \$_____ for revenues described in subparagraph (A)(ii).

(v) For fiscal year 1999—

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(I) \$_____ for outlays described in subparagraph (A)(i); and

(II) \$_____ for revenues described in subparagraph (A)(ii).

(vi) For fiscal year 2000—

(I) \$_____ for outlays described in subparagraph (A)(i); and

(II) \$_____ for revenues described in subparagraph (A)(ii).

(vii) For fiscal year 2001—

(I) \$_____ for outlays described in subparagraph (A)(i); and

(II) \$_____ for revenues described in subparagraph (A)(ii).

(viii) For fiscal year 2002—

(I) \$_____ for outlays described in subparagraph (A)(i); and

(II) \$_____ for revenues described in subparagraph (A)(ii).

(ix) For fiscal year 2003—

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1 (I) \$_____ for outlays
2 described in subparagraph (A)(i); and

3 (II) \$_____ for reve-
4 nues described in subparagraph
5 (A)(ii).

6 (x) For fiscal year 2004—

7 (I) \$_____ for outlays
8 described in subparagraph (A)(i); and

9 (II) \$_____ for reve-
10 nues described in subparagraph
11 (A)(ii).

12 (xi) For each fiscal year after 2004,
13 the initial health care estimate for the pre-
14 vious fiscal year, modified by an annual
15 adjustment factor set forth in the Presi-
16 dent's budget for such fiscal year.

17 (2) PRESIDENT'S BUDGET TO INCLUDE A CUR-
18 RENT HEALTH CARE ESTIMATE.—When the Presi-
19 dent submits the budget for fiscal year 1997 (as re-
20 quired by section 1105 of title 31, United States
21 Code), and for each fiscal year thereafter, the Presi-
22 dent shall include—

23 (A) a current health care estimate (as
24 specified in paragraph (3)) with respect to the

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1 current fiscal year, the upcoming fiscal year,
2 and the 4 following fiscal years;

3 (B) total net direct spending outlay result-
4 ing from this Act and under medicare and med-
5 icaid programs;

6 (C) total net revenues resulting from this
7 Act;

8 (D) revenue losses associated with the em-
9 ployee exclusion of employer-provided accident
10 and health coverage; and

11 (E) an estimate of the difference between
12 the current health care estimate and the initial
13 health care estimate for the current fiscal year,
14 the upcoming fiscal year, and the 4 following
15 fiscal years.

16 (3) CURRENT HEALTH CARE ESTIMATE.—The
17 current health care estimate shall, for the applicable
18 fiscal year, consist of—

19 (A) updated spending and revenue
20 amounts contained in the initial projection (as
21 set forth in paragraph (1)); plus or minus

22 (B) other outlays or revenue changes con-
23 tained in legislation enacted after the date of
24 enactment of this Act offsetting outlays or reve-

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1 nues resulting from this Act, including legisla-
2 tion enacted under subsection (f).

3 (d) OFFSETTING UNFINANCED HEALTH SPEND-
4 ING.—

5 (1) REQUIREMENT FOR REDUCTIONS TO FULLY
6 OFFSET UNFINANCED HEALTH SPENDING.—

7 (A) IN GENERAL.—Except as provided in
8 subparagraph (B), if the President's budget in-
9 cludes a determination that the current health
10 care estimate exceeds the initial health care es-
11 timate pursuant to subsection (c) for the cur-
12 rent fiscal year, the upcoming fiscal year, or
13 both, such determination shall be accompanied
14 by a proposed order to become effective on Oc-
15 tober 1 of that calendar year which fully offsets
16 in the upcoming fiscal year and the following
17 fiscal year such excess (for the upcoming fiscal
18 year and the current fiscal year) in the manner
19 provided in this subsection. Such proposed
20 order shall be accompanied by such proposed
21 regulations as the President deems necessary to
22 carry out the reduction.

23 (B) ADMINISTRATIVE EFFICIENCY.—If, for
24 any year, the Director of the Office of Manage-
25 ment and Budget determines that the offsets

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1 described in subparagraph (A) would not be ad-
2 ministratively cost efficient because the excess
3 described in subparagraph (A) is such a small
4 amount, such offsets shall not be made for that
5 year.

6 (2) OFFSETS.—

7 (A) IN GENERAL.—The offsets required by
8 this subsection shall be accomplished through a
9 combination of—

10 (i) subject to the provisions of sub-
11 paragraph (B), in the case of the premium
12 assistance program, reducing the percent-
13 ages otherwise in effect for the fiscal year
14 under subparagraphs (A), (B), and (C) of
15 section 2102(a)(2) of this Act;

16 (ii) reducing the percentage under
17 section 213(f) of the Internal Revenue
18 Code of 1986 (relating to deduction for
19 health insurance costs of self-employed in-
20 dividuals); and

21 (iii) reducing all other direct spending
22 resulting from this Act by a uniform per-
23 centage,

24 to the extent (subject to paragraph (3)) nec-
25 essary to accomplish all of the reductions nec-

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1 essary to offset fully the amounts required dur-
2 ing the upcoming and following fiscal year.

3 (B) ELIGIBILITY PERCENTAGE FOR PREG-
4 NANT WOMEN AND CHILDREN REDUCED
5 LAST.—Any reduction under subparagraph
6 (A)(i)—

7 (i) shall be made first by reducing the
8 percentages under section 2102(a)(2)(A) of
9 this Act; and

10 (ii) to the extent sufficient offsets may
11 not be made under subparagraph (A), shall
12 then be made by reducing the percentages
13 under section 2102(a)(2) (B) and (C) of
14 this Act.

15 (3) PROPORTIONALITY.—The President shall,
16 to the extent possible, apply the offset mechanisms
17 provided in paragraph (2)(A) (i), (ii), and (iii) pro-
18 portionally (based on the ratio of the outlays caused
19 by each program to the total outlays of all programs
20 subject to reduction under paragraph (2)(A)) in the
21 upcoming fiscal year and the following fiscal year,
22 but in no case shall the total amount of offsets be
23 less than the amount required by paragraph (1).

24 (4) EFFECTIVE PERIOD.—For purposes of a fis-
25 cal year not subject to an order under this section

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1 following a fiscal year subject to an order under this
2 section, this Act and the amendments made by this
3 Act shall be assumed to continue as if the order had
4 not been issued.

5 (5) CONSULTATION.—The President shall con-
6 fer with the National Health Benefits Board and the
7 National Health Care Cost and Coverage Commis-
8 sion in carrying out this subsection.

9 (e) FINAL REDUCTION DETERMINATION.—Using the
10 same economic and technical assumptions as used in mak-
11 ing the preliminary determination under subsection (c),
12 the President shall reestimate the current health care esti-
13 mates on September 15 based on legislation in effect as
14 of September 10. If the President determines that the cur-
15 rent estimates exceeds the initial estimates in the current
16 fiscal year, the upcoming fiscal year, or both, the Presi-
17 dent shall issue a final order (and accompanying final reg-
18 ulations) following the procedure set forth in subsection
19 (d) (including paragraph (1)(B) thereof).

20 (f) PRESIDENT'S BUDGET TO INCLUDE A MEDICARE
21 AND MEDICAID EXCESS SPENDING ESTIMATE AND RE-
22 Duction PROPOSALS.—When the President submits the
23 budget for fiscal year 1997 (as required by section 1105
24 of title 31), and for each fiscal year thereafter, the Presi-
25 dent shall include—

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1 (1) a notification to Congress of any increase in
2 medicare or medicaid spending above the levels set
3 for medicare and medicaid in the initial health care
4 estimate in subsection (c)(1)(A); and

5 (2) legislative proposals to eliminate the in-
6 crease identified in paragraph (1).

7 (g) SUSPENSION IN THE EVENT OF WAR OR LOW
8 GROWTH.—

9 (1) LOW GROWTH.—The President shall not
10 issue either a proposed or final order under this sec-
11 tion if the Office of Management and Budget noti-
12 fies the Congress that—

13 (A) during the period consisting of the
14 quarter during which such notification is given,
15 the quarter preceding such notification, and the
16 4 quarters following such notification, the Of-
17 fice of Management and Budget has determined
18 that real economic growth is projected or esti-
19 mated to be less than zero with respect to each
20 of any 2 consecutive quarters within such pe-
21 riod; or

22 (B) the most recent of the Department of
23 Commerce's advance preliminary or final re-
24 ports of actual real economic growth indicate
25 that the rate of real economic growth for each

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1 of the most recently reported quarter and the
2 immediately preceding quarter is less than 1
3 percent.

4 (2) WAR.—The President shall not issue either
5 a proposed or final order under this section if a dec-
6 laration of war is in effect.

7 (3) CONGRESSIONAL ACTION.—Congress may
8 suspend the application of this subsection by joint
9 resolution.

10 (h) RECOMMENDATIONS FOR ALTERNATIVE REDUC-
11 TIONS.—If the President's budget for a fiscal year is ac-
12 companied by an order under subsection (d)(1), the Na-
13 tional Health Benefits Board shall, within a reasonable
14 time, transmit to the President, the Speaker of the House
15 of Representatives, and the President of the Senate a re-
16 port including alternative proposals to offset the projected
17 excess set forth in subsection (d)(1).

18 (i) GAO AUDIT OF REDUCTIONS.—If the President
19 has issued an order under subsection (d)(1), the General
20 Accounting Office shall report to Congress, as soon there-
21 after as possible following the date of transmittal of the
22 President's budget, an analysis of whether the order has
23 fully complied with the requirements of this section.

24 (j) ADDITIONAL OMB REPORTING REQUIREMENTS
25 TO BE INCLUDED IN THE PRESIDENT'S BUDGET.—

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1 (1) ADJUSTED ESTIMATE OF TOTAL FEDERAL
2 HEALTH CARE COSTS.—

3 (A) IN GENERAL.—When the President
4 submits the budget for fiscal year 1997, and
5 each fiscal thereafter through 2004, the Presi-
6 dent shall include an estimate of total Federal
7 health care costs as described in subparagraph

8 (B).

9 (B) TOTAL FEDERAL HEALTH CARE
10 COSTS.—Total Federal health care costs are—

11 (i) Federal spending in the current
12 health care estimate (as determined under
13 subsection (c)(3)); plus

14 (ii) discretionary health care spending
15 on—

16 (I) the health care program for
17 active military personnel under title
18 10, United States Code;

19 (II) the veterans health care pro-
20 gram under chapter 17 of title 38,
21 United States Code,

22 (III) the Civilian Health and
23 Medical Program of the Uniformed
24 Services (CHAMPUS), as defined in

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1 section 1073(4) of title 10, United
2 States Code;

3 (IV) the Federal Employee
4 Health Benefit Plan under chapter 89
5 of title 5, United States Code
6 (FEHB); and

7 (V) the Indian health service pro-
8 gram under the Indian Health Care
9 Improvement Act (25 U.S.C. 1601 et
10 seq.).

11 (2) COST AS A PERCENT OF TOTAL REVE-
12 NUES.—

13 (A) IN GENERAL.—The President shall in-
14 clude with the estimate required by this sub-
15 section a calculation by the Director of the Of-
16 fice of Management and Budget of the percent-
17 age of personal and corporate income taxes
18 needed to pay for total Federal health care
19 costs (as defined in paragraph (1)(B)) in excess
20 of dedicated health revenues. The Director shall
21 assume that all dedicated health revenues re-
22 sulting from amendments made by this Act will
23 be allocated for such total Federal health care
24 costs.

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1 (B) PERSONAL INCOME TAX FORMS.—The
2 Secretary of the Treasury shall include the in-
3 formation referred to in subparagraph (A) in
4 Federal personal income tax returns.

5 (C) JOINT ECONOMIC COMMITTEE.—The
6 Joint Economic Committee shall hold hearings
7 each year on the economic implications of the
8 estimate required by this subsection.

9 (D) CONGRESSIONAL IDENTIFICATION.—
10 If, for any fiscal year, total Federal health care
11 costs (as defined in paragraph (1)(B)) increase,
12 Congress shall identify the amount of additional
13 Federal personal and corporate income taxes
14 that are attributable to such increase.

15 (k) ADDITIONAL COMMISSION REPORTING REQUIRE-
16 MENTS.—Effective beginning in 1997, the National
17 Health Care Cost and Coverage Commission shall report
18 annually on how health care expenses are being financed.
19 The report shall include—

20 (1) how much is spent annually in premiums,
21 out-of-pocket expenses, and third party expenses;
22 and

23 (2) the number of businesses that provide
24 health insurance and a profile of businesses that do

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1 not provide health insurance, including the earnings
2 of such businesses.

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1 **TITLE VIII—MISCELLANEOUS**
2 **AND TECHNICAL MEDICARE**
3 **AND MEDICAID AMENDMENTS**

4 **SEC. 8000. REFERENCES IN TITLE.**

5 Except as otherwise specifically provided, whenever in
6 this title an amendment is expressed in terms of an
7 amendment to or repeal of a section or other provision,
8 the reference shall be considered to be made to that sec-
9 tion or other provision of the Social Security Act.

10 **Subtitle A—Medicare**

11 **PART 1—PROVISIONS RELATING TO PART A**

12 **SEC. 8101. LIMITED SERVICE HOSPITAL PROGRAM.**

13 (a) **LIMITED SERVICE HOSPITAL PROGRAM.**—Sec-
14 tion 1820 (42 U.S.C. 1395l-4) is amended to read as fol-
15 lows:

16 **“LIMITED SERVICE HOSPITAL PROGRAM**

17 **“SEC. 1820. (a) PURPOSE.**—The purpose of this sec-
18 tion is to—

19 **“(1) make available alternative hospital models**
20 **to small rural or isolated rural communities in which**
21 **facilities are relieved of the burden of selected regu-**
22 **latory requirements by limiting the scope of inpa-**
23 **tient acute services required to be offered;**

24 **“(2) alter medicare reimbursement policy to**
25 **support the financial viability of alternative facilities**

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1 by limiting the financial risk faced by such small
2 hospitals through the use of reasonable cost reim-
3 bursement; and

4 “(3) promote linkages between facilities des-
5 ignated by the State under this section and broader
6 programs supporting the development of and transi-
7 tion to integrated provider networks.

8 “(b) IN GENERAL.—Any State that submits an appli-
9 cation in accordance with subsection (c) may establish a
10 limited service hospital program described in subsection
11 (d).

12 “(c) APPLICATION.—A State may establish a limited
13 service hospital program described in subsection (d) if the
14 State submits to the Secretary at such time and in such
15 form as the Secretary may require an application
16 containing—

17 “(1) assurances that the State—

18 “(A) has developed, or is in the process of
19 developing, a State rural health care plan
20 that—

21 “(i) in the case of a State applying to
22 establish a rural primary care hospital pro-
23 gram (described in subsection (d)(1)(A)),
24 provides for the creation of one or more

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1 rural health networks (as defined in sub-
2 section (e)) in the State,

3 “(ii) promotes regionalization of rural
4 health services in the State, and

5 “(iii) improves access to hospital and
6 other health services for rural residents of
7 the State;

8 “(B) has developed the rural health care
9 plan described in subparagraph (A) in consulta-
10 tion with the hospital association of the State,
11 rural hospitals located in the State, and the
12 State Office of Rural Health (or, in the case of
13 a State in the process of developing such plan,
14 that assures the Secretary that it will consult
15 with its State hospital association, rural hos-
16 pitals located in the State, and the State Office
17 of Rural Health in developing such plan); and

18 “(2) assurances that the State has designated
19 (consistent with the rural health care plan described
20 in paragraph (1)(A)), or is in the process of des-
21 ignating, rural nonprofit or public hospitals or facili-
22 ties located in the State as rural primary care hos-
23 pitals facilities or medical assistance facilities; and

24 “(3) such other information and assurances as
25 the Secretary may require.

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1 “(d) LIMITED SERVICE HOSPITAL PROGRAM DE-
2 SCRIBED.—

3 “(1) IN GENERAL.—A State that has submitted
4 an application in accordance with subsection (c),
5 may establish a limited service hospital program that
6 includes—

7 “(A) a rural primary care hospital pro-
8 gram under which—

9 “(i) at least one facility in the State
10 shall be designated as a rural primary care
11 hospital in accordance with paragraph (2),
12 and

13 “(ii) the State shall develop at least
14 one rural health network (as defined in
15 subsection (e)) in the State;

16 “(B) a medical assistance facility program
17 under which at least one facility in the State
18 shall be designated as a medical assistance fa-
19 cility in accordance with paragraph (2); or

20 “(C) both.

21 “(2) STATE DESIGNATION OF FACILITIES.—A
22 State may designate one or more facilities as a rural
23 primary care hospital or medical assistance facility
24 in accordance with subparagraph (A) or (B).

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1 “(A) CRITERIA FOR DESIGNATION AS
2 RURAL PRIMARY CARE HOSPITAL.—A State
3 may designate a facility as a rural primary care
4 hospital only if the facility—

5 “(i) is located in a rural area (as de-
6 fined in section 1886(d)(2)(D)), or is lo-
7 cated in a county whose geographic area is
8 substantially larger than the average geo-
9 graphic area for urban counties in the
10 United States and whose hospital service
11 area is characteristic of service areas of
12 hospitals located in rural areas;

13 “(ii) at the time such facility applies
14 to the State for designation as a rural pri-
15 mary care hospital, is a hospital (or, in the
16 case of a facility that closed during the 12-
17 month period that ends on the date the fa-
18 cility applies for such designation, at the
19 time the facility closed), with a participa-
20 tion agreement in effect under section
21 1866(a);

22 “(iii) has in effect an agreement to
23 participate with other hospitals and facili-
24 ties in a rural health network;

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1 “(iv) provides 24-hour emergency
2 services to ill or injured persons prior to
3 admission to the facility or prior to their
4 transportation to a full-service hospital;

5 “(v) provides not more than 15 inpa-
6 tient beds (meeting such conditions as the
7 Secretary may establish) for providing
8 acute inpatient care;

9 “(vi) provides inpatient care for a pe-
10 riod not to exceed an average length of 96
11 hours (unless a longer period is required
12 because transfer to a hospital is precluded
13 because of inclement weather or other
14 emergency conditions);

15 “(vii) meets such staffing require-
16 ments as would apply under section
17 1861(e), to a hospital located in a rural
18 area, except that—

19 “(I) the facility need not meet
20 hospital standards relating to the
21 number of hours during a day, or
22 days during a week, in which the fa-
23 cility must be open and fully staffed,
24 except insofar as the facility is re-
25 quired to provide emergency care on a

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1 24-hour basis under clause (v) and
2 must have nursing services available
3 on a 24-hour basis, but need not oth-
4 erwise staff the facility except when
5 an inpatient is present,

6 “(II) the facility may provide any
7 services otherwise required to be pro-
8 vided by a full-time, onsite dietician,
9 pharmacist, laboratory technician,
10 medical technologist, and radiological
11 technologist on a part-time, offsite
12 basis under arrangements as defined
13 in section 1861(w)(1), and

14 “(III) the inpatient care de-
15 scribed in clause (vii) may be provided
16 by a physician’s assistant, nurse prac-
17 titioner, or clinical nurse specialist
18 subject to the oversight of a physician
19 who need not be present in the facil-
20 ity; and

21 “(viii) meets the requirements of sub-
22 paragraphs (C) through (I) of paragraph
23 (2) of section 1861(aa), and of clauses (ii)
24 and (iv) of the second sentence of that
25 paragraph, except that in determining

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1 whether a facility meets the requirements
2 of this subparagraph, subparagraphs (E)
3 and (F) of that paragraph shall be applied
4 as if any reference to 'physician' is a ref-
5 erence to a physician as defined in section
6 1861(r)(1).

7 “(B) CRITERIA FOR DESIGNATION AS MED-
8 ICAL ASSISTANCE FACILITY.—A State may des-
9 ignate a facility as a medical assistance facility
10 only if the facility—

11 “(i) is located in a county (or equiva-
12 lent unit of local government)—

13 “(I) with fewer than 6 residents
14 per square mile, or

15 “(II) in a rural area (as defined
16 in section 1886(d)(2)(D)) that is lo-
17 cated more than a 35-mile or 45-
18 minute drive from a hospital, a rural
19 primary care hospital, or another fa-
20 cility described in this subsection;

21 “(ii) at the time such facility applies
22 to the State for designation as a medical
23 assistance facility—

24 “(I) is a hospital (or in the case
25 of a facility that closed during the 12-

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1 month period that ends on the date
2 the facility applies for such designa-
3 tion, at the time the facility closed),
4 with a participation agreement in ef-
5 fect under section 1866(a); or

6 “(II) is licensed in accordance
7 with applicable State and local laws
8 and regulations;

9 “(iii) meets the requirements of
10 clauses (iv), (vi), and (vii) of subparagraph
11 (A); and

12 “(iv) meets the requirements of sub-
13 paragraph (I) of paragraph (2) of section
14 1861(aa).

15 “(e) RURAL HEALTH NETWORK DEFINED.—For
16 purposes of this section, the term ‘rural health network’
17 means, with respect to a State, an organization—

18 “(1) consisting of—

19 “(A) at least 1 facility that the State has
20 designated or plans to designate as a rural pri-
21 mary care hospital, and

22 “(B) at least 1 hospital that furnishes
23 services that a rural primary care hospital can-
24 not furnish, and

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1 “(2) the members of which have entered into
2 agreements regarding—

3 “(A) patient referral and transfer,

4 “(B) the development and use of commu-
5 nications systems, including (where feasible) te-
6 lemetry systems and systems for electronic
7 sharing of patient data,

8 “(C) the provision of emergency and non-
9 emergency transportation among the members,
10 and

11 “(D) credentialing and quality assurance.

12 “(f) CERTIFICATION BY THE SECRETARY.—The Sec-
13 retary shall certify a facility as a rural primary care hos-
14 pital or medical assistance facility (as the case may be)
15 if the facility—

16 “(1) is located in a State that has established
17 a limited service hospital program in accordance
18 with subsection (d);

19 “(2) is designated as a rural primary care hos-
20 pital or medical assistance facility by the State in
21 which it is located; and

22 “(3) meets such other criteria as the Secretary
23 may require.

24 “(g) PERMITTING MAINTENANCE OF SWING BEDS.—
25 Nothing in this section shall be construed to prohibit a

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1 State from designating or the Secretary from certifying
2 a facility as a rural primary care hospital or medical as-
3 sistance facility solely because, at the time the facility ap-
4 plies to the State for designation as a rural primary care
5 hospital or medical assistance facility, there is in effect
6 an agreement between the facility and the Secretary under
7 section 1883 under which the facility's inpatient hospital
8 facilities are used for the furnishing of extended care serv-
9 ices, except that the number of beds used for the furnish-
10 ing of such services may not exceed the total number of
11 licensed inpatient beds at the time the facility applies to
12 the State for such designation (minus the number of inpa-
13 tient beds used for providing inpatient care in a rural pri-
14 mary care facility pursuant to subsection (d)(2)(A)(vi)).
15 The Secretary may establish additional conditions of par-
16 ticipation for rural primary care hospitals with a substan-
17 tial number of such beds. For purposes of the first sen-
18 tence, the number of beds of the facility used for the fur-
19 nishing of extended care services shall not include any
20 beds of a unit of the facility that is licensed as a distinct-
21 part skilled nursing facility at the time the facility applies
22 to the State for designation as a rural primary care hos-
23 pital or medical assistance facility.

24 “(h) GRANTS.—

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1 “(1) LIMITED SERVICE HOSPITAL PROGRAM.—

2 The Secretary may award grants to States that have
3 submitted applications in accordance with subsection
4 (c) for—

5 “(A) engaging in activities relating to plan-
6 ning and implementing a rural health care plan;

7 “(B) in the case of a rural primary care
8 hospital program described in subsection
9 (d)(1)(A), engaging in activities relating to
10 planning and implementing rural health net-
11 works; and

12 “(C) designation of facilities as rural pri-
13 mary care hospitals or medical assistance facili-
14 ties.

15 “(2) RURAL EMERGENCY MEDICAL SERVICES.—

16 “(A) IN GENERAL.—The Secretary may
17 award grants to States that have submitted ap-
18 plications in accordance with subparagraph (B)
19 for the establishment or expansion of a pro-
20 gram for the provision of rural emergency medi-
21 cal services.

22 “(B) APPLICATION.—An application is in
23 accordance with this subparagraph if the State
24 submits to the Secretary at such time and in
25 such form as the Secretary may require an ap-

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1 plication containing the assurances described in
2 subparagraphs (A)(ii), (A)(iii), and (B) of sub-
3 section (c)(1) and paragraph (3) of such sub-
4 section.

5 “(i) STUDY ON CLINICALLY BASED ALTERNATIVE TO
6 96-HOUR RULE.—The Secretary shall conduct a study on
7 the feasibility of admitting patients to rural primary care
8 hospitals and medical assistance facilities on a limited
9 DRG basis instead of using the 96-hour average length
10 of stay criteria described in subsection (d)(2)(A)(vii).

11 “(j) WAIVER OF CONFLICTING PART A PROVI-
12 SIONS.—The Secretary is authorized to waive such provi-
13 sions of this part and part C as are necessary to conduct
14 the program established under this section.

15 “(k) AUTHORIZATION OF APPROPRIATIONS.—There
16 are authorized to be appropriated from the Federal Hos-
17 pital Insurance Trust Fund—

18 “(1) for making grants under subsection (h)(1)
19 to States that have established a rural primary care
20 hospital program in the State under subsection
21 (d)(1)(A), \$15,000,000 for each of fiscal years 1993
22 through 1995; and

23 “(2) for making grants to all States under sub-
24 section (h), \$25,000,000 in each of the fiscal years
25 1996 through 1999.”

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1 (b) PART A AMENDMENTS RELATING TO RURAL PRI-
2 MARY CARE HOSPITALS AND MEDICAL ASSISTANCE FA-
3 CILITIES.—

4 (1) DEFINITIONS.—Section 1861 (42 U.S.C.
5 1395x) is amended by adding at the end the follow-
6 ing new subsection:

7 “MEDICAL ASSISTANCE FACILITY; MEDICAL ASSISTANCE
8 FACILITY SERVICES

9 “(oo)(1) The term ‘medical assistance facility’ means
10 a facility certified by the Secretary as a medical assistance
11 facility under section 1820(f).

12 “(2) The term ‘medical assistance facility services’
13 means items and services, furnished to an inpatient for
14 a medical assistance facility by such facility, that would
15 be inpatient hospital services if furnished to an inpatient
16 of a hospital by a hospital.”

17 (2) COVERAGE AND PAYMENT.—(A)(i) Section
18 1812(a)(1) (42 U.S.C. 1395d(a)(1)) is amended by
19 striking “inpatient hospital services” the first place
20 it appears and inserting “, inpatient hospital serv-
21 ices and inpatient medical assistance facility serv-
22 ices”; and

23 (ii) by striking “inpatient hospital services” the
24 second place it appears and inserting “such serv-
25 ices”.

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1 (B) Section 1814 (42 U.S.C. 1395f) is
2 amended—

3 (i) in subsection (b), by striking “inpatient
4 rural primary care hospital services,” and in-
5 serting “inpatient rural primary care hospital
6 services, other than a medical assistance facility
7 providing inpatient medical assistance facility
8 services,”; and

9 (ii) by amending subsection (l) to read as
10 follows:

11 “(l) PAYMENT FOR INPATIENT RURAL PRIMARY
12 CARE SERVICES AND INPATIENT MEDICAL ASSISTANCE
13 FACILITY SERVICES.—The amount of payment under this
14 part for inpatient rural primary care services and inpa-
15 tient medical assistance facility services is the reasonable
16 costs of the rural primary care hospital or medical assist-
17 ance facility in providing such services.”

18 (3) TREATMENT OF MEDICAL ASSISTANCE FA-
19 CILITIES AS PROVIDERS OF SERVICES.—(A) Section
20 1861(u) (42 U.S.C. 1395x(u)) is amended by insert-
21 ing “medical assistance facility,” after “rural primary
22 care hospital.”

23 (B) The first sentence of section 1864(a) (42
24 U.S.C. 1395aa(a)) is amended by inserting “a medi-

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1 cal assistance facility, as defined in section
2 1861(oo)(1),” after “1861(mm)(1),”

3 (C) The third sentence of section 1865(a) of
4 such Act (42 U.S.C. 1395bb(a)) is amended by
5 striking “or 1861(mm)(1)” and inserting
6 “1861(mm)(1), or 1861(oo)(1),”

7 (4) CONFORMING AMENDMENTS.—(A) Section
8 1128A(b)(1) (42 U.S.C. 1320a-7a(b)(1)) is
9 amended—

10 (i) by striking “or a rural primary care
11 hospital” the first place it appears and insert-
12 ing “, a rural primary care hospital, or a medi-
13 cal assistance facility”; and

14 (ii) by striking “or a rural primary care
15 hospital” the second place it appears and in-
16 serting “, the rural primary care hospital, or
17 the medical assistance facility”.

18 (B) Section 1128B(e) (42 U.S.C. 1320a-7b(e))
19 is amended by inserting “medical assistance facil-
20 ity,” after “rural primary care hospital,”

21 (C) Section 1134 (42 U.S.C. 1320b-4) is
22 amended by striking “or rural primary care hos-
23 pitals” each place it appears and inserting “, rural
24 primary care hospitals, or medical assistance facili-
25 ties”.

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1 (D) Section 1138(a)(1) (42 U.S.C. 1320b-
2 8(a)(1)) is amended—

3 (i) in the matter preceding subparagraph
4 (A), by striking “or rural primary care hos-
5 pital” and inserting “, rural primary care hos-
6 pital, or medical assistance facility”, and

7 (ii) in the matter preceding clause (i) of
8 subparagraph (A), by striking “or rural pri-
9 mary care hospital” and inserting “, rural pri-
10 mary care hospital, or medical assistance facil-
11 ity”.

12 (E) Section 1164(e) (42 U.S.C. 1320c-13(e)) is
13 amended by inserting “medical assistance facilities,”
14 after “rural primary care hospitals,”.

15 (F) Section 1816(c)(2)(C) (42 U.S.C.
16 1395h(e)(2)(C)) is amended by inserting “medical
17 assistance facility,” after “rural primary care hos-
18 pital,”.

19 (G) Section 1833 (42 U.S.C. 1395l) is
20 amended—

21 (i) in subsection (h)(5)(A)(iii)—

22 (I) by striking “or rural primary care
23 hospital” and inserting “rural primary
24 care hospital, or medical assistance facil-
25 ity”; and

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1 (II) by striking "to the hospital" and
2 inserting "to the hospital or the facility";

3 (ii) in subsection (i)(1)(A), by inserting
4 "medical assistance facility," after "rural pri-
5 mary care hospital,";

6 (iii) in subsection (i)(3)(A), by striking "or
7 rural primary care hospital services" and in-
8 serting "rural primary care hospital services, or
9 medical assistance facility services";

10 (iv) in subsection (l)(5)(A), by inserting
11 "medical assistance facility," after "rural pri-
12 mary care hospital," each place it appears; and

13 (v) in subsection (l)(5)(C), by striking "or
14 rural primary care hospital" each place it ap-
15 pears and inserting ", rural primary care hos-
16 pital, or medical assistance facility".

17 (H) Section 1835(c) (42 U.S.C. 1395n(c)) is
18 amended by adding at the end the following: "A
19 medical assistance facility shall be considered a hos-
20 pital for purposes of this subsection."

21 (I) Section 1842(b)(6)(A)(ii) (42 U.S.C.
22 1395u(b)(6)(A)(ii)) is amended by inserting "medi-
23 cal assistance facility," after "rural primary care
24 hospital,".

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1 (J) Section 1861 (42 U.S.C. 1395x) is
2 amended—

3 (i) in the last sentence of subsection (e), by
4 striking “1861(mm)(1))” and inserting
5 “1861(mm)(1)) or a medical assistance facility
6 (as defined in section 1861(oo)(1)).”,

7 (ii) in subsection (w)(1) by inserting “med-
8 ical assistance facility,” after “rural primary
9 care hospital,” and

10 (iii) in subsection (w)(2), by striking “or
11 rural primary care hospital” each place it ap-
12 pears and inserting “, rural primary care hos-
13 pital, or medical assistance facility”.

14 (K) Section 1862(a)(14) (42 U.S.C.
15 1395y(a)(14)) is amended by striking “or rural pri-
16 mary care hospital” each place it appears and in-
17 serting “, rural primary care hospital, or medical as-
18 sistance facility”.

19 (L) Section 1866(a)(1) (42 U.S.C.
20 1395cc(a)(1)) is amended—

21 (i) in subparagraph (F)(ii), by inserting
22 “medical assistance facilities,” after “rural pri-
23 mary care hospitals,”;

24 (ii) in subparagraph (H)—

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1 (I) in the matter preceding clause (i),
2 by inserting "and in the case of medical
3 assistance facilities which provide inpatient
4 medical assistance facility services" after
5 "rural primary care hospital services"; and

6 (II) in clauses (i) and (ii), by striking
7 "hospital" each place it appears and in-
8 serting "hospital or facility";

9 (iii) in subparagraph (I)—

10 (I) in the matter preceding clause (i),
11 by striking "or rural primary care hos-
12 pital" and inserting ", a rural primary
13 care hospital, or a medical assistance facil-
14 ity"; and

15 (II) in clause (ii), by striking "the
16 hospital" and inserting "the hospital or the
17 facility"; and

18 (iv) in subparagraph (N)—

19 (I) in the matter preceding clause (i),
20 by striking "and rural primary hospitals"
21 and inserting ", rural primary care hos-
22 pitals, and medical assistance facilities";

23 (II) in clause (i), by striking "or rural
24 primary care hospital," and inserting "

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1 rural primary care hospital, or medical as-
2 sistance facility,"; and

3 (III) in clause (ii), by striking "hos-
4 pital" and inserting "hospital or facility".

5 (M) Section 1866(a)(3) (42 U.S.C.
6 1395cc(a)(3)) is amended—

7 (i) by striking "rural primary care hos-
8 pital," each place it appears in subparagraphs
9 (A) and (B) and inserting "rural primary care
10 hospital, medical assistance facility," and

11 (ii) in subparagraph (C)(ii)(II), by striking
12 "rural primary care hospitals," each place it
13 appears and inserting "rural primary care hos-
14 pitals, medical assistance facilities".

15 (N) Section 1867(e)(5) (42 U.S.C.
16 1395dd(e)(5)) is amended by striking
17 "1861(mm)(1)" and inserting "1861(mm)(1) or a
18 medical assistance facility (as defined in section
19 1861(oo)(1)).".

20 (c) PART B AMENDMENTS RELATING TO RURAL PRI-
21 MARY CARE HOSPITALS AND MEDICAL ASSISTANCE FA-
22 CILITIES.—

23 (1) COVERAGE.—(A) Section 1861(oo) (42
24 U.S.C. 1395x(oo)) as added by subsection (b)(1), is

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1 amended by adding at the end the following new
2 paragraph:

3 “(3) The term ‘outpatient medical assistance facility
4 services’ means medical and other health services fur-
5 nished by a medical assistance facility on an outpatient
6 basis.”.

7 (B) Section 1832(a)(2) (42 U.S.C.
8 1395k(a)(2)) is amended—

9 (i) in subparagraph (I), by striking “and”
10 at the end;

11 (ii) in subparagraph (J), by striking the
12 period at the end and inserting “; and”; and

13 (iii) by adding at the end the following new
14 subparagraph:

15 “(K) outpatient medical assistance facility
16 services (as defined in section 1861(oo)(3)).”.

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

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

22 (ii) in paragraph (6), by striking “and” at
23 the end;

24 (iii) in paragraph (7), by striking the pe-
25 riod at the end and inserting “; and”; and

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

3 “(8) in the case of outpatient medical assist-
4 ance facility services, the amounts described in sec-
5 tion 1834(g).”

6 (B) Section 1834(g) (42 U.S.C. 1395m(g)) is
7 amended—

8 (i) in the subsection heading by inserting
9 “AND OUTPATIENT MEDICAL ASSISTANCE FA-
10 CILITY SERVICES” after “SERVICES”;

11 (ii) in paragraph (1), by striking “provided
12 during a year before 1993 in a rural primary
13 care hospital under this part shall be deter-
14 mined by one of the following methods as elect-
15 ed by the rural primary care hospital” and in-
16 serting “in a rural primary care hospital or
17 medical assistance facility under this part shall
18 be determined by one of the following methods
19 as elected by the rural primary care hospital or
20 medical assistance facility”;

21 (iii) in paragraph (1)(A)(ii), by striking
22 “outpatient rural primary care hospital serv-
23 ices” each place it appears and inserting “out-
24 patient rural primary care hospital services or

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1 outpatient medical assistance facility services";
2 and

3 (iv) in paragraph (1)(B), by striking "hos-
4 pital" and inserting "hospital or facility".

5 (d) PAYMENT CONTINUED TO DESIGNATED
6 EACHS.—

7 (1) TERMINATION OF EACH DESIGNATION.—

8 Section 1820(i)(1)(A) (42 U.S.C. 1395l(4)(i)(1)(A))
9 is amended by inserting at the end the following new
10 flush sentence:

11 "The Secretary shall not designate any hospital as
12 an essential access community hospital on or after
13 July 1, 1994."

14 (2) PERMITTING PAYMENT TO PRIOR DES-
15 IGNATED EACHS.—Section 1886(d)(5)(D) (42
16 U.S.C. 1395ww(d)(5)(D)) is amended—

17 (A) in clause (iii)(III), by inserting "as
18 such section was in effect as of July 1, 1994"
19 before the period at the end; and

20 (B) in clause (v), by inserting "as such
21 section was in effect as of July 1, 1994" after
22 "1820(i)(1)."

23 (3) EFFECTIVE DATE.—The amendments made
24 by this subsection shall take effect on July 1, 1994.

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1 (e) TECHNICAL AMENDMENT RELATING TO PART A
2 DEDUCTIBLE, COINSURANCE AND SPELL OF ILLNESS.—

3 (1) Section 1812(a)(1) (42 U.S.C. 1395d(a)(1)), as
4 amended by subsection (b)(2)(A), is amended—

5 (A) by striking “inpatient medical assistance fa-
6 cility services” and inserting “inpatient medical as-
7 sistance facility services, inpatient rural primary
8 care hospital services, or inpatient medical assist-
9 ance facility services”; and

10 (B) by striking “and inpatient rural primary
11 care hospital services”.

12 (2) Sections 1813(a) and 1813(b)(3)(A) (42 U.S.C.
13 1395e(a), 1395e(b)(3)(A)) are each amended by striking
14 “inpatient hospital services” each place it appears and in-
15 serting “inpatient hospital services, inpatient rural pri-
16 mary care hospital services, or inpatient medical assist-
17 ance facility services,”.

18 (3) Section 1813(b)(3)(B) (42 U.S.C.
19 1395e(b)(3)(B)) is amended by striking “inpatient hos-
20 pital services” and inserting “inpatient hospital services,
21 inpatient rural primary care hospital services, inpatient
22 medical assistance facility services,”.

23 (4) Section 1861(a) (42 U.S.C. 1395x(a)) is
24 amended—

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1 (A) in paragraph (1), by striking "inpatient
2 hospital services" and inserting "inpatient hospital
3 services, inpatient rural primary care hospital serv-
4 ices, inpatient medical assistance facility services,";
5 and

6 (B) in paragraph (2), by striking "hospital"
7 and inserting "hospital, rural primary care hospital,
8 or medical assistance facility".

9 (f) REPEAL OF DEVELOPMENT OF PPS SYSTEM FOR
10 INPATIENT RURAL PRIMARY CARE HOSPITAL SERV-
11 ICES.—

12 (1) IN GENERAL.—Section 1814(l) (42 U.S.C.
13 1395f(l)) is amended by striking paragraph (2).

14 (2) CONFORMING AMENDMENTS.—Section
15 1814(l)(1) (42 U.S.C. 1395F(l)(1)) is amended—

16 (A) by striking "(l)(1)" and inserting
17 "(l)";

18 (B) by redesignating subparagraphs (A)
19 and (B) as paragraphs (1) and (2), respectively;

20 (C) in paragraph (2), as redesignated, by
21 striking "paragraph" and inserting "sub-
22 section"; and

23 (D) in the last sentence, by striking "para-
24 graph" and inserting "subsection".

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1 (g) REPEAL OF DEVELOPMENT AND IMPLEMENTA-
2 TION OF ALL INCLUSIVE PPS SYSTEM FOR OUTPATIENT
3 RURAL PRIMARY CARE SERVICES.—

4 (1) IN GENERAL.—Section 1834(g) (42 U.S.C.
5 1395m(g)), as amended by subsection (e)(2)(B), is
6 amended by striking paragraph (2).

7 (2) CONFORMING AMENDMENTS.—Section
8 1834(g)(1) (42 U.S.C. 1395m(g)(1)) is amended—

9 (A) by striking “(1) IN GENERAL.—”

10 (B) by redesignating subparagraph (A)
11 and clauses (i) and (ii) of such subparagraph as
12 paragraph (1) and subparagraphs (A) and (B)
13 of such paragraph, respectively;

14 (C) by redesignating subparagraph (B) as
15 paragraph (2);

16 (D) in paragraph (1)(A), as redesignated,
17 by striking “subparagraph (B)”; and

18 (E) in paragraph (1)(B), as so redesign-
19 nated, by striking “subparagraph” and insert-
20 ing “paragraph”.

21 (h) EFFECTIVE DATE.—Except as otherwise pro-
22 vided, the amendments made by this section shall apply
23 to services furnished on or after October 1, 1994.

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1 SEC. 8102. MEDICARE-DEPENDENT, SMALL RURAL HOS-
2 PITALS.

3 (a) CLARIFICATION OF ADDITIONAL PAYMENT.—

4 Section 1886(d)(5)(G)(ii)(I) (42 U.S.C.
5 1395ww(d)(5)(G)(ii)(I)) is amended by striking “the first
6 3 12-month cost reporting periods that begin” and insert-
7 ing “the 36-month period beginning with the first day of
8 the cost reporting period that begins”.

9 (b) SPECIAL TREATMENT EXTENDED.—Section
10 1886(d)(5)(G) (42 U.S.C. 1395ww(d)(5)(G)) is
11 amended—

12 (1) in clause (i), by striking “October 1, 1994”
13 and inserting “October 1, 1999”; and

14 (2) in clause (ii)(II), by striking “October 1,
15 1994” and inserting “October 1, 1999”.

16 (c) EXTENSION OF TARGET AMOUNT.—Section
17 1886(b)(3)(D) (42 U.S.C. 1395ww(b)(3)(D)) is
18 amended—

19 (1) in the matter preceding clause (i), by strik-
20 ing “March 31, 1993” and inserting “September 30,
21 1999”; and

22 (2) by amending clause (iii) to read as follows:

23 “(iii) with respect to discharges occurring in fis-
24 cal years 1994 through 1999, the target amount for
25 the cost reporting period beginning in the previous

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1 fiscal year increased by the applicable percentage in-
2 crease under subparagraph (B)(iv).”

3 **SEC. 8103. PROVISIONS RELATING TO RURAL HEALTH**
4 **TRANSITION GRANT PROGRAM.**

5 (a) **ELIGIBILITY OF RURAL PRIMARY CARE HOS-**
6 **PITALS FOR GRANTS.—**

7 (1) **IN GENERAL.—**Section 4005(e)(2) of the
8 Omnibus Budget Reconciliation Act of 1987 is
9 amended in the matter preceding subparagraph (A)
10 by inserting “any rural primary care hospital as de-
11 fined in section 1861(mm)(1), or” after “means”.

12 (2) **EFFECTIVE DATE.—**The amendment made
13 by paragraph (1) shall apply to grants made on or
14 after October 1, 1993.

15 (b) **EXTENSION OF AUTHORIZATION OF APPROPRIA-**
16 **TIONS.—**Section 4005(e)(9) of Omnibus Budget Reconcili-
17 ation Act of 1987 is amended—

18 (1) by striking “1989 and” and inserting
19 “1989,”; and

20 (2) by striking “1992” and inserting “1992
21 and \$30,000,000 for each of the fiscal years 1993
22 through 1999”.

23 (c) **FREQUENCY OF REQUIRED REPORTS.—**Section
24 4008(e)(8)(B) of the Omnibus Budget Reconciliation Act

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1 of 1987 is amended by striking "every 6 months" and in-
2 serting "every 12 months".

3 **SEC. 8104. SUBACUTE CARE STUDY.**

4 (a) STUDY.—The Secretary shall—

5 (1) define the level and type of care that should
6 constitute subacute care;

7 (2) determine the appropriateness of furnishing
8 subacute care in different settings by evaluating the
9 quality of care and patient outcomes;

10 (3) determine the cost and effectiveness of pro-
11 viding subacute care under the medicare program
12 under title XVIII of such Act to individuals who are
13 eligible for benefits under part A of such title;

14 (4) determine the extent to which hospital DRG
15 prospective payment rates under section 1886(d) of
16 such Act (42 U.S.C. 1395ww(d)) are appropriate for
17 the less restrictive institutional settings that provide
18 subacute care; and

19 (5) study the relationships between institutions
20 and their payment methodologies in order to develop
21 ways in which to maximize the continuity of care for
22 each patient episode in which subacute care is fur-
23 nished.

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1 (b) REPORT.—Not later than October 1, 1996, the
2 Secretary shall submit to the Congress a report on the
3 matters studied under subsection (a).

4 **SEC. 8105. PSYCHOLOGY SERVICES IN HOSPITALS.**

5 Section 1861(e)(4) (42 U.S.C. 1395x(e)(4)) is
6 amended by striking “physician;” and inserting “physi-
7 cian, except that a patient receiving qualified psychologist
8 services (as defined in subsection (ii)) may be under the
9 care of a clinical psychologist with respect to such services
10 to the extent permitted under State law;”.

11 **SEC. 8106. MEDICARE-DEPENDENT RURAL SECONDARY**
12 **SPECIALTY CENTER DEMONSTRATION**
13 **PROJECT.**

14 (a) ESTABLISHMENT.—The Secretary shall enter into
15 an agreement with not more than 2 eligible entities for
16 the purpose of conducting a rural secondary specialty cen-
17 ter demonstration project under which an eligible entity
18 described in subsection (c) receives payment for inpatient
19 hospital services under part A of title XVIII of the Social
20 Security Act in accordance with subsection (d).

21 (b) APPLICATION.—Each eligible entity desiring to
22 participate in the demonstration project under this section
23 shall prepare and submit to the Secretary an application,
24 at such time, in such manner, and containing such infor-
25 mation as the Secretary may require.

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1 (c) ELIGIBLE ENTITY.—For purposes of this section,
2 the term “eligible entity” means a hospital that—

3 (1) meets the criteria of subclauses (I), (III),
4 and (IV) of section 1886(d)(5)(G)(iv) of the Social
5 Security Act (42 U.S.C. 1395ww(d)(5)(G)(iv)); and

6 (2) has a case-mix index (defined as the aver-
7 age weight of all cases in the hospital for all diag-
8 nosis-related groups as determined in accordance
9 with section 1886(d)(4) of such Act) of at least 90
10 percent of the national average case-mix index of all
11 hospitals;

12 (3) is located in a county that is adjacent to a
13 Metropolitan Statistical Area county;

14 (4) has between 99 and 130 licensed acute care
15 beds; and

16 (5)(A) had been named as a rural secondary
17 specialty center as part of a demonstration project
18 pursuant to section 9302(d)(4) of the Omnibus
19 Budget Reconciliation Act of 1986; or

20 (B) is located within 60 miles of a hospital that
21 had been named as a rural secondary specialty cen-
22 ter as part of such demonstration project.

23 (d) PAYMENTS.—The Secretary shall provide that
24 payment under section 1886(d)(1)(A) of the Social Secu-
25 rity Act (42 U.S.C. 1395ww(d)(1)(A)) to an eligible entity

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1 participating in the demonstration project under this sec-
2 tion shall be made using the wage index of the Metropoli-
3 tan Statistical Area described in subsection (c)(3).

4 (e) DURATION.—A demonstration project under this
5 section shall be conducted for a period not to exceed 3
6 years.

7 (f) REPORT TO CONGRESS.—Not later than 6 months
8 after the completion of all of the demonstration projects
9 conducted under this section, the Secretary shall submit
10 a final report to Congress evaluating whether such dem-
11 onstration projects—

12 (1) reduced the cost of medical care under part
13 A of title XVIII of the Social Security Act;

14 (2) improved the access of medicare bene-
15 ficiaries located in rural areas to quality health care;
16 and

17 (3) aided in the development of integrated
18 health delivery systems in rural areas.

19 (g) EFFECTIVE DATE.—This section shall take effect
20 on January 1, 1995.

21 **SEC. 8107. PROVIDER STATUS FOR BLOOD CENTERS.**

22 (a) IN GENERAL.—Section 1861 (42 U.S.C. 1395x)
23 is amended—

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1 (1) in subsection (u), by inserting "and FDA li-
2 censed or registered blood establishment," after
3 "hospice program,"; and

4 (2) by adding at the end the following new sub-
5 section:

6 "FDA Licensed or Registered Blood Establishment

7 "(oo) The term 'FDA licensed or registered blood es-
8 tablishment' means for the purposes of direct patient serv-
9 ices, a health care provider which is a private non-profit
10 community blood center licensed under section 315(d) of
11 the Public Health Service Act or registered under section
12 510 of the Federal Food, Drug, and Cosmetic Act."

13 (b) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to services furnished on or after
15 January 1, 1996.

16 **PART 2—PROVISIONS RELATING TO PART B**

17 **SEC. 8201. DEVELOPMENT AND IMPLEMENTATION OF RE-**

18 **SOURCE-BASED METHODOLOGY FOR PRAC-**

19 **TICE EXPENSES.**

20 (a) DEVELOPMENT.—

21 (1) IN GENERAL.—The Secretary shall develop
22 a methodology for implementing in 1997 a resource-
23 based system for determining practice expense rel-
24 ative value units for each physician's service. The
25 methodology utilized shall recognize the staff, equip-

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1 ment, and supplies used in the provision of various
2 medical and surgical services in various settings.

3 (2) REPORT.—The Secretary shall transmit a
4 report by January 1, 1996, on the methodology de-
5 veloped under paragraph (1) to the Committee on
6 Ways and Means and the Committee on Energy and
7 Commerce of the House of Representatives and the
8 Committee on Finance of the Senate. The report
9 shall include a presentation of data utilized in devel-
10 oping the methodology and an explanation of the
11 methodology.

12 (b) IMPLEMENTATION.—

13 (1) IN GENERAL.—Section 1848(c)(2)(C)(ii)
14 (42 U.S.C. 1395w-4(c)(2)(C)(ii)) is amended—

15 (A) by inserting “for the service for years
16 before 1997” before “equal to”,

17 (B) by striking the period at the end of
18 subclause (II) and inserting a comma, and

19 (C) by adding after and below subclause
20 (II) the following:

21 “and for years beginning with 1997 based
22 on the relative practice expense resources
23 involved in furnishing the service.”

24 (2) CONFORMING AMENDMENT.—Section
25 1848(c)(3)(C)(ii) (42 U.S.C. 1395w-4(c)(3)(C)(ii))

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1 is amended by striking "The practice" and inserting
2 "For years before 1997, the practice".

3 (3) APPLICATION OF CERTAIN PROVISIONS.—In
4 implementing the amendment made by paragraph
5 (1)(C), the provisions of clauses (ii)(II) and (iii) of
6 section 1848(c)(2)(B) of the Social Security Act
7 shall apply in the same manner as they apply to ad-
8 justments under clause (ii)(I) of such section.

9 **SEC. 8202. DEMONSTRATION PROJECTS FOR MEDICARE**
10 **STATE-BASED PERFORMANCE STANDARD**
11 **RATE OF INCREASE.**

12 Section 1848(f) (42 U.S.C. 1395w-4(f)) is amended
13 by adding at the end the following new paragraph:

14 "(6) STATE-BASED PERFORMANCE STANDARD
15 RATES OF INCREASE DEMONSTRATION PROJECTS.—
16 The Secretary shall establish demonstration projects
17 in not more than 3 States under which a State
18 elects State-based performance standard rates of in-
19 crease to substitute for the national performance
20 standard rates of increase established for the year
21 under paragraph (2). The Secretary shall develop
22 criteria for the establishment of such demonstration
23 projects which shall include the requirement of
24 budget-neutrality for payments made under this part

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1 with respect to physicians' services furnished in a
2 State participating in the demonstration project."

3 **SEC. 8203. EXPANDED COVERAGE FOR PHYSICIAN ASSIST-**
4 **ANTS AND NURSE PRACTITIONERS.**

5 (a) COVERAGE IN OUTPATIENT SETTINGS; DIRECT
6 PAYMENTS TO NURSE PRACTITIONERS.—

7 (1) IN GENERAL.—Section 1861(s)(2)(K) (42
8 U.S.C. 1395x(s)(2)(K)) is amended—

9 (A) in clause (i)—

10 (i) by striking "or" at the end of
11 subclause (II); and

12 (ii) by inserting "or (IV) in an out-
13 patient setting as defined by the Sec-
14 retary" following "shortage area,"; and

15 (B) in clause (ii)—

16 (i) by striking "in a skilled" and in-
17 serting "in (I) a skilled"; and

18 (ii) by inserting ", or (II) in an out-
19 patient setting (as defined by the Sec-
20 retary)," after "(as defined in section
21 1919(a))".

22 (2) DIRECT PAYMENTS TO NURSE PRACTITION-
23 ERS IN OUTPATIENT SETTINGS.—(A) Section
24 1833(r)(1) (42 U.S.C. 1395l(r)(1)) is amended by
25 inserting "or for services described in section

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1 1861(s)(2)(K)(ii)(II) (relating to nurse practitioner
2 services in outpatient settings),” after “rural
3 area),”.

4 (B) Section 1842(b)(6)(C) (42 U.S.C.
5 1395u(b)(6)(C)) is amended by striking “clauses (i),
6 (ii), or (iv)” and inserting “clauses (i), (ii)(I), or
7 (iv)”.

8 (b) PAYMENT BASED ON PHYSICIAN FEE SCHED-
9 ULE.—

10 (1) Section 1833(a)(1)(O) (42 U.S.C.
11 1395l(a)(1)(O)) is amended—

12 (A) by striking “section 1861(s)(2)(K)(iii)
13 (relating to nurse practitioner and clinical nurse
14 specialist services provided in a rural area)”
15 and inserting “section 1861(s)(2)(K)”;

16 (B) by striking “for services furnished on
17 or after January 1, 1992,” and inserting “for
18 services described in section 1861(s)(2)(K)(iii)
19 furnished on or after January 1, 1992, and for
20 services described in clauses (i), (ii), and (iv) of
21 section 1861(s)(2)(K) furnished on or after
22 January 1, 1997,”; and

23 (C) by striking “subsection (r)(2)” and in-
24 serting “subsection (r)(2) or subparagraph (A)
25 or (B) of section 1842(b)(12)”.

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1 (2) Section 1842(b)(12)(A) (42 U.S.C.
2 1395u(b)(12)(A)) is amended—

3 (A) by striking “and” at the end of clause
4 (i);

5 (B) in clause (ii) in the matter preceding
6 subclause (I), by striking “the prevailing” and
7 inserting “for services furnished before January
8 1, 1997, the prevailing”;

9 (C) by striking the period at the end of
10 clause (ii)(II) and inserting “; and”; and

11 (D) by inserting at the end the following
12 clause:

13 “(iii) in the case of services furnished
14 on or after January 1, 1997, the fee sched-
15 ule amount shall be equal to—

16 “(I) in the case of services per-
17 formed as an assistant at surgery, 65
18 percent of the amount that would oth-
19 erwise be recognized if performed by a
20 physician who is serving as an assist-
21 ance at surgery,

22 “(II) in the case of services per-
23 formed (other than as an assistant at
24 surgery) in a hospital, 75 percent of

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1 the fee schedule amount specified
2 under section 1848, and

3 “(III) in the case of other serv-
4 ices, 85 percent of the fee schedule
5 amount specified under section
6 1848.”

7 (c) RURAL NURSE PRACTITIONERS AS ASSISTANTS
8 AT SURGERY IN URBAN AREAS.—Section
9 1861(s)(2)(K)(ii) (42 U.S.C. 1395x(s)(2)(K)(ii)), as
10 amended by subsection (a)(1)(B), is further amended by
11 adding “or services as an assistant at surgery furnished
12 by a nurse practitioner whose primary practice location
13 (as defined by the Secretary) is in a rural area (as defined
14 in section 1886(d)(2)(D)) to an individual who resides in
15 a rural area when the service is furnished to such individ-
16 ual in an urban area by such practitioner when such prac-
17 titioner refers such individual to an urban area for the
18 furnishing of services” after “as defined by the Sec-
19 retary”.

20 (d) CONFORMING AMENDMENTS.—

21 (1) Section 1861(b)(4) (42 U.S.C. 1395x(b)(4))
22 is amended by striking “subsection (s)(2)(K)(i)” and
23 inserting “subsection (s)(2)(K)”.

24 (2) Section 1862(a)(14) (42 U.S.C.
25 1395y(a)(14)) is amended by striking “section.

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1 1861(s)(2)(K)(i)" and inserting "section
2 1861(s)(2)(K)".

3 (3) Section 1866(a)(1)(H) (42 U.S.C.
4 1395cc(a)(1)(H)) is further amended by striking
5 "section 1861(s)(2)(K)(i)" and inserting "section
6 1861(s)(2)(K)".

7 (e) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to services furnished on or after
9 January 1, 1997.

10 **SEC. 8204. DIRECT PAYMENT FOR SERVICES OF REG-**
11 **ISTERED NURSES WHO ARE CERTIFIED AS**
12 **ASSISTANTS AT SURGERY.**

13 (a) SERVICES COVERED.—Section 1861(s)(2)(K) (42
14 U.S.C. 1395x(s)(2)(K)) is amended—

15 (1) in clause (iii), by striking "and" at the end;

16 (2) in clause (iv), by striking "clause (i) or (ii)"

17 and inserting "clause (i), (ii), or (iv)";

18 (3) by redesignating clause (iv) as clause (v);

19 and

20 (4) by inserting after clause (iii) the following

21 new clause:

22 "(iv) services which would be physi-
23 cians' services if furnished by a physician
24 (as defined in subsection (r)(1)) and which
25 are performed by a registered nurse under

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1 the supervision of a physician (as so de-
2 fined) as an assistant at surgery and which
3 the registered nurse is certified and legally
4 authorized to perform by the State in
5 which the services are performed, and”.

6 (b) PAYMENT AMOUNT.—Section 1842(b)(12) (42
7 U.S.C. 1395u(b)(12)) is amended—

8 (1) in subparagraphs (A) and (C), by striking
9 “clauses (i), (ii), or (iv)” each place it appears and
10 inserting “clauses (i), (ii), (iv), or (v)”; and

11 (2) in subparagraph (A), by striking “physician
12 assistants and nurse practitioners” and inserting
13 “physician assistants, nurse practitioners, and reg-
14 istered nurses”.

15 (c) PAYMENTS TO EMPLOYERS.—Section
16 1842(b)(6)(C) (42 U.S.C. 1395u(b)(6)(C)) is amended—

17 (1) by striking “clauses (i), (ii), or (iv)” and in-
18 serting “clauses (i), (ii), (iv), or (v)”; and

19 (2) by striking “physician assistant or nurse
20 practitioner” and inserting “physician assistant,
21 nurse practitioner, or registered nurse”.

22 (d) REDUCTION IN PAYMENTS TO AVOID DUPLICATE
23 PAYMENT.—Notwithstanding any other provision of law,
24 the Secretary may reduce the amount of payments other-
25 wise made to hospitals under title XVIII of the Social Se-

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1 curity Act to eliminate estimated duplicate payments for
2 historical or current costs attributable to services de-
3 scribed in section 1861(s)(2)(K)(iv) of such Act (as
4 amended by subsection (a)).

5 (e) STUDY OF PAYMENT RATES.—Not later than
6 April 1, 1995, the Secretary shall submit a report to Con-
7 gress containing recommendations for adjustments to the
8 payment amounts established under part B of title XVIII
9 of the Social Security Act for services described in section
10 1861(s)(2)(K)(iv) of such Act (as amended by subsection
11 (a)) to ensure that the payment amounts reflect the ap-
12 proximate costs of furnishing the services, taking into ac-
13 count the costs of compensation, overhead, and super-
14 vision attributable to registered nurses.

15 (f) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to services furnished on or after
17 January 1, 1995.

18 **SEC. 8205. PAYMENT FOR ANESTHESIA SERVICES.**

19 (a) REVIEW OF CONDITIONS OF PAYMENT RELATING
20 TO ANESTHESIA SERVICES FURNISHED BY CERTIFIED
21 REGISTERED NURSE ANESTHETISTS.—

22 (1) REVIEW OF REGULATIONS.—The Secretary
23 shall review and if necessary revise any regulations
24 describing the conditions under which payment may
25 be made for anesthesia services under the medicare

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1 program under title XVIII of the Social Security Act
2 so that certified registered nurse anesthetists are
3 able to perform, and receive payment for, those an-
4 esthesia and related services that they are legally au-
5 thorized to perform in the State in which the serv-
6 ices are furnished.

7 (2) CONSULTATION REQUIRED.—The Secretary
8 shall review and revise the regulations referred to in
9 paragraph (1) only after consultation with represent-
10 atives from national professional associations of cer-
11 tified registered nurse anesthetists and anesthesiol-
12 ogists.

13 (3) EFFECTIVE DATES.—Any revisions to the
14 regulations referred to in paragraph (1) shall apply
15 to anesthesia services furnished on or after July 1,
16 1995.

17 (b) ENSURING PAYMENT FOR PHYSICIAN AND CER-
18 TIFIED REGISTERED NURSE ANESTHETIST FOR JOINTLY
19 FURNISHED ANESTHESIA SERVICES.—

20 (1) PAYMENT FOR JOINTLY FURNISHED SINGLE
21 CASE.—

22 (A) PAYMENT TO PHYSICIAN.—Section
23 1848(a)(4) (42 U.S.C. 1395w-4(a)(4)), as
24 added by section 13516(a) of OBRA-1993, is

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1 amended by adding at the end of the following
2 new subparagraph:

3 “(C) PAYMENT FOR SINGLE CASE.—Not-
4 withstanding section 1862(a)(1)(A), if—

5 “(i) physicians’ services consisting of
6 the furnishing of anesthesia services for a
7 single case are furnished jointly with a cer-
8 tified registered nurse anesthetist, and

9 “(ii) the carrier determines that the
10 use of both the physician and the certified
11 registered nurse anesthetist was not medi-
12 cally necessary,

13 the fee schedule amount for the physicians’
14 services shall be equal to 50 percent of the fee
15 schedule amount applicable under this section
16 for anesthesia services personally performed by
17 the physician alone (determined without regard
18 to this subparagraph). Nothing in this subpara-
19 graph shall be deemed to prevent the physician
20 from billing the patient on a nonassigned basis,
21 to the extent otherwise permitted by law.”

22 (B) PAYMENT FOR CRNA.—Section
23 1833(l)(4)(B) (42 U.S.C. 13951(l)(4)(B)), as
24 added by section 13516(b) of OBRA-1993, is

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1 amended by adding at the end the following
2 new clause:

3 “(iv) Notwithstanding section
4 1862(a)(1)(A), if—

5 “(I) certified registered nurse an-
6 esthetist services consisting of the fur-
7 nishing of anesthesia services for a
8 single case are furnished jointly with
9 a physician, and

10 “(II) the carrier determines that
11 the use of both the certified registered
12 nurse anesthetist and the physician
13 was not medically necessary,

14 the fee schedule amount for the services
15 furnished by the certified registered nurse
16 anesthetist shall be equal to 50 percent of
17 the fee schedule amount applicable under
18 section 1848 for anesthesia services per-
19 sonally performed by the physician alone
20 (determined without regard to section
21 1848(a)(4)(C)).”

22 (C) EFFECTIVE DATE.—The amendments
23 made by subparagraphs (A) and (B) shall apply
24 to services furnished on or after July 1, 1995.

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1 (2) PROMULGATION OF DEFINITION OF MEDI-
2 CALLY NECESSARY.—After consultation with rep-
3 resentatives from national professional associations
4 of certified registered nurse anesthetists and anes-
5 thesiologists, the Secretary shall define in regulation,
6 not later than July 1, 1995, those procedures where,
7 having due regard for the anesthesia-related com-
8 plexities of the particular procedure, the use of two
9 anesthesia providers to jointly perform the procedure
10 may be deemed necessary by the clinician.

11 (c) REVIEW OF ANESTHESIA PAYMENT UNDER PHY-
12 SICIAN FEE SCHEDULE.—The Secretary shall review, in
13 consultation with representatives from national profes-
14 sional associations of anesthesiologists and certified reg-
15 istered nurse anesthetists, the basis by which the anes-
16 sia conversion factor under the physician fee schedule was
17 established under the regulations issued in 56 Federal
18 Register 59502 on November 25, 1991, to determine the
19 extent to which anesthesia procedures were undervalued
20 in comparison to other physician services, and shall de-
21 velop recommendations to correct such undervaluation by
22 regulation, and report its findings to the Congress not
23 later than July 1, 1995.

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1 **SEC. 8206. EYE OR EYE AND EAR HOSPITALS.**

2 Section 1833(i)(4)(A) (42 U.S.C. 1395l(i)(4)(A)) is
3 amended in the matter following clause (iii) by striking
4 "January 1, 1995" and inserting "September 30, 1997".

5 **PART 3—PROVISIONS RELATING TO PARTS A**6 **AND B**7 **SEC. 8301. EXTENSION OF SOCIAL HEALTH MAINTENANCE**8 **ORGANIZATION DEMONSTRATIONS.**

9 Section 4018(b) of the Omnibus Budget Reconcili-
10 ation Act of 1987, as amended by section 4207(b)(4)(B)
11 of the Omnibus Budget Reconciliation Act of 1990 and
12 section 13567(a) of the Omnibus Budget Reconciliation
13 Act of 1993, is amended—

14 (1) in paragraph (1), by striking "through De-
15 cember 31, 1997,"; and

16 (2) by striking paragraph (4).

17 **SEC. 8302. STUDY ON MEDICARE SPENDING.**

18 The Prospective Payment Assessment Commission
19 (established under section 1886(e)(2) of the Social Secu-
20 rity Act (42 U.S.C. 1395ww(e)(2))) and the Physician
21 Payment Review Commission (established under section
22 1845 of such Act (42 U.S.C. 1395w-1)) shall each con-
23 duct a study of the rate of increase in spending under
24 title XVIII of such Act and make recommendations to
25 Congress on strategies to slow the rate of growth. Such
26 studies shall include—

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1 (1) an examination of ways to slow both the na-
2 tional rate of growth and the rate of growth in com-
3 munity-rating areas; and

4 (2) an assessment of whether setting local ex-
5 penditure targets or local volume performance stand-
6 ards would be successful as part of this effort.

7 **SEC. 8303. STREAMLINED PROCESSING SYSTEMS.**

8 (a) **IN GENERAL.**—The Secretary may develop a
9 process to ensure that claims for services under title XVIII
10 of the such Act are submitted first by the medicare pro-
11 gram under such title, medicare supplemental policies (de-
12 scribed in section 1886(g)(1) of such Act (42 U.S.C.
13 1395ww(g)(1)), and other policies that provide supple-
14 mental benefits under such title before providers can sub-
15 mit claims to medicare beneficiaries.

16 (b) **SUPERSEDING CONFLICTING REQUIREMENTS.**—
17 The provisions of sections 1816 and 1842 of the Social
18 Security Act (42 U.S.C. 1395h and 1395u) (including pro-
19 vider nominating provisions in such section 1816 of such
20 Act) are superseded to the extent required to carry out
21 this section.

22 **SEC. 8304. PAYMENT FOR CERTAIN MEDICAL DEVICES.**

23 Section 1862 (42 U.S.C. 1395aa) is amended by add-
24 ing at the end the following new subsection:

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1 “(j) Payment shall be made for inpatient hospital
2 services which are subject to payment under section
3 1886(d), and physicians’ services related to such hospital
4 services, which involve the use of a device distributed
5 under the authority of section 520(g) of the Federal Food,
6 Drug, and Cosmetic Act (21 U.S.C. 360(k)) where—

7 “(1) the device is used in place of a device that
8 had been cleared for marketing under a premarket
9 approval application or notice pursuant to section
10 510(k) of such Act (21 U.S.C. 360j(g)); and

11 “(2) payment would be made if the cleared de-
12 vice had been furnished.”.

13 **SEC. 8305. NECESSARY STABILIZING TREATMENT FOR**
14 **EMERGENCY MEDICAL CONDITIONS AND**
15 **LABOR.**

16 Section 1867(b)(1)(A) (42 U.S.C. 1395dd(b)(1)(A))
17 is amended by inserting “, consistent with reasonable med-
18 ical standards,” after “treatment”.

19 **SEC. 8306. MEDICARE SELECT.**

20 (a) **AMENDMENTS TO PROVISIONS RELATING TO**
21 **MEDICARE SELECT POLICIES.—**

22 (1) **PERMITTING MEDICARE SELECT POLICIES**
23 **IN ALL STATES.—**Subsection (c) of section 4358 of
24 the Omnibus Budget Reconciliation Act of 1990 is
25 hereby repealed.

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1 (2) REQUIREMENTS OF MEDICARE SELECT
2 POLICIES.—Section 1882(t)(1) (42 U.S.C.
3 1395ss(t)(1)) is amended to read as follows:

4 “(1)(A) If a medicare supplemental policy meets the
5 requirements of the 1991 NAIC Model Regulation or 1991
6 Federal Regulation and otherwise complies with the re-
7 quirements of this section except that—

8 “(i) the benefits under such policy are re-
9 stricted to items and services furnished by certain
10 entities (or reduced benefits are provided when items
11 or services are furnished by other entities), and

12 “(ii) in the case of a policy described in sub-
13 paragraph (C)(i)—

14 “(I) the benefits under such policy are not
15 one of the groups or packages of benefits de-
16 scribed in subsection (p)(2)(A),

17 “(II) except for nominal copayments im-
18 posed for services covered under part B of this
19 title, such benefits include at least the core
20 group of basic benefits described in subsection
21 (p)(2)(B), and

22 “(III) an enrollee’s liability under such pol-
23 icy for physician’s services covered under part
24 B of this title is limited to the nominal
25 copayments described in subclause (II),

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1 the policy shall nevertheless be treated as meeting
2 those requirements if the policy meets the require-
3 ments of subparagraph (B).

4 “(B) A policy meets the requirements of this sub-
5 paragraph if—

6 “(i) full benefits are provided for items and
7 services furnished through a network of entities
8 which have entered into contracts or agreements
9 with the issuer of the policy,

10 “(ii) full benefits are provided for items and
11 services furnished by other entities if the services are
12 medically necessary and immediately required be-
13 cause of an unforeseen illness, injury, or condition
14 and it is not reasonable given the circumstances to
15 obtain the services through the network,

16 “(iii) the network offers sufficient access,

17 “(iv) the issuer of the policy has arrangements
18 for an ongoing quality assurance program for items
19 and services furnished through the network,

20 “(v)(I) the issuer of the policy provides to each
21 enrollee at the time of enrollment an explanation
22 of—

23 “(aa) the restrictions on payment under
24 the policy for services furnished other than by
25 or through the network,

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1 “(bb) out of area coverage under the pol-
2 icy,

3 “(cc) the policy’s coverage of emergency
4 services and urgently needed care, and

5 “(dd) the availability of a policy through
6 the entity that meets the 1991 Model NAIC
7 Regulation or 1991 Federal Regulation without
8 regard to this subsection and the premium
9 charged for such policy, and

10 “(II) each enrollee prior to enrollment acknowl-
11 edges receipt of the explanation provided under
12 subclause (I), and

13 “(vi) the issuer of the policy makes available to
14 individuals, in addition to the policy described in this
15 subsection, any policy (otherwise offered by the is-
16 suer to individuals in the State) that meets the 1991
17 Model NAIC Regulation or 1991 Federal Regulation
18 and other requirements of this section without re-
19 gard to this subsection.

20 “(C)(i) A policy described in this subparagraph—

21 “(I) is offered by an eligible organization (as
22 defined in section 1876(b)),

23 “(II) is not a policy or plan providing benefits
24 pursuant to a contract under section 1876 or an ap-
25 proved demonstration project described in section

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1 603(c) of the Social Security Amendments of 1983,
2 section 2355 of the Deficit Reduction Act of 1984,
3 or section 9412(b) of the Omnibus Budget Reconcili-
4 ation Act of 1986, and

5 “(III) provides benefits which, when combined
6 with benefits which are available under this title, are
7 substantially similar to benefits under policies of-
8 fered to individuals who are not entitled to benefits
9 under this title.

10 “(ii) In making a determination under subclause (III)
11 of clause (i) as to whether certain benefits are substan-
12 tially similar, there shall not be taken into account, except
13 in the case of preventive services, benefits provided under
14 policies offered to individuals who are not entitled to bene-
15 fits under this title which are in addition to the benefits
16 covered by this title and which are benefits an entity must
17 provide in order to meet the definition of an eligible orga-
18 nization under section 1876(b)(1).”

19 (b) RENEWABILITY OF MEDICARE SELECT POLI-
20 CIES.—Section 1882(q)(1) (42 U.S.C. 1395ss(q)(1)) is
21 amended—

22 (1) by striking “(1) Each” and inserting
23 “(1)(A) Except as provided in subparagraph (B),
24 each”;

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1 (2) by redesignating subparagraphs (A) and
2 (B) as clauses (i) and (ii), respectively; and

3 (3) by adding at the end the following new sub-
4 paragraph:

5 “(B)(i) In the case of a policy that meets the
6 requirements of subsection (t), an issuer may cancel
7 or nonrenew such policy with respect to an individ-
8 ual who leaves the community rating area of such
9 policy; except that, if such individual moves to a geo-
10 graphic area where such issuer, or where an affiliate
11 of such issuer, is issuing medicare supplemental poli-
12 cies, such individual must be permitted to enroll in
13 any medicare supplemental policy offered by such is-
14 suer or affiliate that provides benefits comparable to
15 or less than the benefits provided in the policy being
16 canceled or nonrenewed. An individual whose cov-
17 erage is canceled or nonrenewed under this subpara-
18 graph shall, as part of the notice of termination or
19 nonrenewal, be notified of the right to enroll in other
20 medicare supplemental policies offered by the issuer
21 or its affiliates.

22 “(ii) For purposes of this subparagraph, the
23 term ‘affiliate’ shall have the meaning given such
24 term by the 1991 NAIC Model Regulation.”

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- 1 (c) CIVIL PENALTY.—Section 1882(t)(2) (42 U.S.C.
2 1395ss(t)(2)) is amended—
- 3 (1) by striking “(2)” and inserting “(2)(A)”;
- 4 (2) by redesignating subparagraphs (A), (B),
5 (C), and (D) as clauses (i), (ii), (iii), and (iv), re-
6 spectively;
- 7 (3) in clause (iv), as redesignated—
- 8 (A) by striking “paragraph (1)(E)(i)” and
9 inserting “paragraph (1)(B)(v)(I); and
- 10 (B) by striking “paragraph (1)(E)(ii)” and
11 inserting “paragraph (1)(B)(v)(II)”;
- 12 (4) by striking “the previous sentence” and in-
13 serting “this subparagraph”; and
- 14 (5) by adding at the end the following new sub-
15 paragraph:
- 16 “(B) If the Secretary determines that an issuer of
17 a policy approved under paragraph (1) has made a mis-
18 representation to the Secretary or has provided the Sec-
19 retary with false information regarding such policy, the
20 issuer is subject to a civil money penalty in an amount
21 not to exceed \$100,000 for each such determination. The
22 provisions of section 1128A (other than the first sentence
23 of subsection (a) and other than subsection (b)) shall
24 apply to a civil money penalty under this subparagraph

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1 in the same manner as such provisions apply to a penalty
2 or proceeding under section 1128A(a).”

3 (d) EFFECTIVE DATES.—

4 (1) NAIC STANDARDS.—If, within 6 months
5 after the date of the enactment of this Act, the Na-
6 tional Association of Insurance Commissioners
7 (hereafter in this subsection referred to as the
8 “NAIC”) makes changes in the 1991 NAIC Model
9 Regulation (as defined in section 1882(p)(1)(A) of
10 the Social Security Act) to incorporate the additional
11 requirements imposed by the amendments made by
12 this section, section 1882(g)(2)(A) of such Act shall
13 be applied in each State, effective for policies issued
14 to policyholders on and after the date specified in
15 paragraph (3), as if the reference to the Model Reg-
16 ulation adopted on June 6, 1979, were a reference
17 to the 1991 NAIC Model Regulation (as so defined)
18 as changed under this paragraph (such changed
19 Regulation referred to in this subsection as the
20 “1995 NAIC Model Regulation”).

21 (2) SECRETARY STANDARDS.—If the NAIC
22 does not make changes in the 1991 NAIC Model
23 Regulation (as so defined) within the 6-month period
24 specified in paragraph (1), the Secretary of Health
25 and Human Services (hereafter in this subsection re-

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1 ferred to as the "Secretary") shall promulgate a reg-
2 ulation and section 1882(g)(2)(A) of the Social Se-
3 curity Act shall be applied in each State, effective
4 for policies issued to policyholders on and after the
5 date specified in paragraph (3), as if the reference
6 to the Model Regulation adopted on June 6, 1979,
7 were a reference to the 1991 NAIC Model Regula-
8 tion (as so defined) as changed by the Secretary
9 under this paragraph (such changed Regulation re-
10 ferred to in this subsection as the "1995 Federal
11 Regulation").

12 (3) DATE SPECIFIED.—

13 (A) IN GENERAL.—Subject to subpara-
14 graph (B), the date specified in this paragraph
15 for a State is the earlier of—

16 (i) the date the State adopts the 1995
17 NAIC Model Regulation or the 1995 Fed-
18 eral Regulation, or

19 (ii) 1 year after the date the NAIC or
20 the Secretary first adopts such regulations.

21 (B) ADDITIONAL LEGISLATIVE ACTION RE-
22 QUIRED.—In the case of a State which the Sec-
23 retary identifies, in consultation with the NAIC,
24 as—

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1 (i) requiring State legislation (other
2 than legislation appropriating funds) in
3 order for medicare supplemental policies to
4 meet the 1995 NAIC Model Regulation or
5 the 1995 Federal Regulation, but

6 (ii) having a legislature which is not
7 scheduled to meet in 1995 in a legislative
8 session in which such legislation may be
9 considered,

10 the date specified in this paragraph is the first
11 day of the first calendar quarter beginning after
12 the close of the first legislative session of the
13 State legislature that begins on or after Janu-
14 ary 1, 1996. For purposes of the previous sen-
15 tence, in the case of a State that has a 2-year
16 legislative session, each year of such session
17 shall be deemed to be a separate regular session
18 of the State legislature.

19 **SEC. 8307. MEDIGAP.**

20 (a) **30-DAY OPEN ENROLLMENT PERIOD.**—Section
21 1882(s) (42 U.S.C. 1395ss(s)) is amended—

22 (1) in paragraph (3), by striking “paragraphs
23 (1) and (2)” and inserting “paragraph (1), (2), or
24 (3)”;

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1 (2) by redesignating paragraph (3) as para-
2 graph (4), and

3 (3) by inserting after paragraph (2) the follow-
4 ing new paragraph:

5 “(3) Each issuer of a medicare supplemental policy
6 shall have an open enrollment period of at least 30 days
7 duration every year (which shall be the period specified
8 by the Secretary under section 1876(e)(1)), during which
9 the issuer may not deny or condition the issuance or effec-
10 tiveness of a medicare supplemental policy, or discriminate
11 in the pricing of the policy, because of age, health status,
12 claims experience, receipt of health care, or medical condi-
13 tion. The policy may not provide any time period applica-
14 ble to pre-existing conditions, waiting periods, elimination
15 periods, and probationary periods (except as provided by
16 paragraph (2)(B)).”

17 (b) EFFECTIVE DATES.—

18 (1) NAIC STANDARDS.—If, within 9 months
19 after the date of the enactment of this Act, the Na-
20 tional Association of Insurance Commissioners
21 (hereafter in this subsection referred to as the
22 “NAIC”) makes changes in the 1991 NAIC Model
23 Regulation (as defined in section 1882(p)(1)(A) of
24 the Social Security Act) to incorporate the additional
25 requirements imposed by the amendments made by

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1 this section, section 1882(g)(2)(A) of such Act shall
2 be applied in each State, effective for policies issued
3 to policyholders on and after the date specified in
4 paragraph (3), as if the reference to the Model Reg-
5 ulation adopted on June 6, 1979, were a reference
6 to the 1991 NAIC Model Regulation (as so defined)
7 as changed under this paragraph (such changed
8 Regulation referred to in this subsection as the
9 "1995 NAIC Model Regulation").

10 (2) SECRETARY STANDARDS.—If the NAIC
11 does not make changes in the 1991 NAIC Model
12 Regulation (as so defined) within the 9-month period
13 specified in paragraph (1), the Secretary of Health
14 and Human Services (hereafter in this subsection re-
15 ferred to as the "Secretary") shall promulgate a reg-
16 ulation and section 1882(g)(2)(A) of the Social Se-
17 curity Act shall be applied in each State, effective
18 for policies issued to policyholders on and after the
19 date specified in paragraph (3), as if the reference
20 to the Model Regulation adopted on June 6, 1979,
21 were a reference to the 1991 NAIC Model Regula-
22 tion (as so defined) as changed by the Secretary
23 under this paragraph (such changed Regulation re-
24 ferred to in this subsection as the "1995 Federal
25 Regulation").

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1 **SEC. 8308. FUNDING UNDER DIRECT GRADUATE MEDICAL**
2 **EDUCATION FOR TRAINING IN NON-HOS-**
3 **PITAL OWNED FACILITIES.**

4 Section 1886(h)(4)(E) (42 U.S.C. 1395ww(h)(4)(E))
5 is amended by striking “, if the hospital incurs all, or sub-
6 stantially all, of the costs for the training program in that
7 setting”.

8 **SEC. 8309. CLARIFICATION OF SECONDARY PAYER FOR**
9 **BENEFICIARIES COVERED UNDER GROUP**
10 **HEALTH PLANS.**

11 Effective as if included in the enactment of the Omni-
12 bus Budget and Reconciliation Act of 1993, section
13 1862(b)(1)(C) (42 U.S.C. 1395y(b)(1)(C)) is amended by
14 adding at the end the following new sentence: “This sub-
15 paragraph shall not apply to retired individuals who do
16 not have current employment status with an employer at
17 the beginning of the 18-month period referred to above.”.

18 **PART 4—OTHER PROVISIONS**

19 **SEC. 8401. COOPERATIVE CARE RESEARCH.**

20 (a) **GRANT PROGRAM.—**

21 (1) **ESTABLISHMENT.—**The Secretary, acting
22 through the Administrator for Health Care Policy
23 and Research, shall make grants to health care pro-
24 viders that establish or operate research programs at
25 cooperative care facilities which are designed to

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1 study patient recoveries at such facilities and which
2 satisfy the requirements of this section.

3 (2) USE OF FUNDS.—Grant funds received
4 under this section may be used for the costs of es-
5 tablishing or operating a research program at a co-
6 operative care facility, including costs related to ac-
7 quiring or maintaining for the cooperative care
8 facility—

9 (A) appropriate staff;

10 (B) information systems;

11 (C) physical space;

12 (D) materials to conduct the research pro-
13 gram; and

14 (E) a mechanism or procedures for the dis-
15 semination of the results of the research pro-
16 gram.

17 (b) SUBMISSION OF APPLICATIONS.—To be eligible
18 for a grant under this section, a health care provider must
19 submit an application to the Secretary under such terms
20 and conditions as are determined appropriate by the Sec-
21 retary.

22 (c) RESEARCH REQUIREMENTS.—

23 (1) IN GENERAL.—Research programs operated
24 with grant funds received under this section shall
25 conduct research on the areas described under para-

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1 graph (2) and at the stages described under para-
2 graph (3).

3 (2) AREAS OF RESEARCH.—The areas of re-
4 search described in this paragraph are the following:

5 (A) the cost-effectiveness of cooperative
6 care;

7 (B) medication errors occurring under co-
8 operative care;

9 (C) readmission rates for related illnesses
10 for patients involved in cooperative care; and

11 (D) overall patient and family satisfaction
12 with cooperative care.

13 (3) STAGES OF RESEARCH.—The stages of re-
14 search described in this paragraph are the following:

15 (A) patient intake (with a statistical ad-
16 justment for acuity);

17 (B) treatment; and

18 (C) post-hospitalization recovery.

19 (d) COLLECTION OF INFORMATION.—A health care
20 provider receiving a grant under this section shall collect
21 and submit information on the results of the research con-
22 ducted with such grant funds to the Secretary under such
23 terms and conditions as are determined appropriate by the
24 Secretary.

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1 (e) COMPLIANCE.—If the Secretary determines that
2 a health care provider receiving grant funds under this
3 section has failed to operate a research program in accord-
4 ance with the terms of its approved application, the Sec-
5 retary may withhold payment of such funds until the
6 health care provider remedies such noncompliance.

7 (f) REPORT.—Not later than December 31, 1997, the
8 Secretary shall submit a report to the Congress based on
9 the information required to be collected under subsection
10 (d) which describes the results of the research conducted
11 with grants funds received under this section, together
12 with any recommendations for legislation, if necessary.

13 (g) DEFINITIONS.—For purposes of this section—

14 (1) the term “cooperative care” means a treat-
15 ment program which serves recovering patients who
16 require supervised care through the use of care part-
17 ners; and

18 (2) the term “care partner” means a person
19 who will assist with a patient’s supervision and par-
20 ticipate in such patient’s treatment program and in-
21 cludes the following persons:

- 22 (A) a spouse;
23 (B) an adult child;
24 (C) a relative of the patient; or
25 (D) a friend of the patient.

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1 (h) AUTHORIZATION.—

2 (1) IN GENERAL.—For the purpose of carrying
3 out this section, there are authorized to be appro-
4 priated out of the Federal Hospital Insurance Trust
5 Fund established under section 1817 of the Social
6 Security Act not more than—

7 (A) \$3,000,000 for fiscal year 1995;

8 (B) \$1,000,000 for fiscal year 1996; and

9 (C) \$1,000,000 for fiscal year 1997.

10 (2) AVAILABILITY.—Any amounts appropriated
11 pursuant to the authority of paragraph (1) shall re-
12 main available until expended.

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Subtitle B—Medicaid Program

PART 1—LONG-TERM CARE PROVISIONS

SEC. 8501. ELIMINATION OF RULE REGARDING AVAILABILITY OF BEDS IN CERTAIN INSTITUTIONS.

(a) IN GENERAL.—The first sentence of section 1915(c)(1) (42 U.S.C. 1396n(c)(1)) is amended by inserting the following before the end period: “(at the option of the State, such determination may be made without regard to the availability of beds in such a hospital, nursing facility, or intermediate care facility for the mentally retarded located in the State)”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall be effective with respect to waivers granted or renewed on or after January 1, 1995.

SEC. 8502. CERTAIN DEMONSTRATION PROJECTS PERMITTED UNDER THE MEDICAID PROGRAM.

(a) IN GENERAL.—Section 1917(b) of the Social Security Act (42 U.S.C. 1396p(b)) is amended—

(1) in paragraph (1), by striking subparagraph (C);

(2) in paragraph (3), by striking “(other than paragraph (1)(C))”; and

(3) in paragraph (4)(B), by striking “(and shall include, in the case of an individual to whom paragraph (1)(C)(i) applies)”.

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1 (b) EFFECTIVE DATE.—Section 1917(b) of the So-
2 cial Security Act (42 U.S.C. 1396p(b)) shall be applied
3 and administered as if the provisions stricken by para-
4 graph (1) had not been enacted.

5 **SEC. 8503. ELIMINATION OF REQUIREMENT OF PRIOR IN-**
6 **STITUTIONALIZATION WITH RESPECT TO HA-**
7 **BILITATION SERVICES FURNISHED UNDER A**
8 **WAIVER FOR HOME OR COMMUNITY-BASED**
9 **SERVICES.**

10 (a) IN GENERAL.—Section 1915(c)(5) (42 U.S.C.
11 1396n(c)(5)) is amended in the matter preceding subpara-
12 graph (A) by striking “, with respect to individuals who
13 receive such services after discharge from a nursing facil-
14 ity or intermediate care facility for the mentally retarded”.

15 (b) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to services furnished on or after
17 January 1, 1995.

18 **SEC. 8504. RELIEF FROM THIRD PARTY LIABILITY RE-**
19 **QUIREMENTS WHEN COST-EFFECTIVE.**

20 (a) IN GENERAL.—Section 1902(a)(25)(B) (42
21 U.S.C. 1396a(a)(25)(B)) is amended to read as follows—

22 “(B) that in any case where such a legal liabil-
23 ity is found to exist after medical assistance has
24 been made available, the State or local agency will

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1 seek reimbursement for such assistance to the extent
2 of such legal liability, unless—

3 “(i) the amount of reimbursement the
4 State can reasonably expect to recover for medi-
5 cal assistance furnished to an individual does
6 not exceed the costs of such recovery, or

7 “(ii) with respect to case management
8 services (as defined in section 1915(g)(2)), the
9 State demonstrates to the satisfaction of the
10 Secretary that it is not cost-effective in the ag-
11 gregate to seek such recovery with respect to
12 such services furnished to individuals covered
13 under the State plan, using methods specified
14 by the Secretary which may include a dem-
15 onstration that such services are not generally
16 covered by health insurers in the State;”

17 (b) EFFECTIVE DATE.—The amendments made by
18 this section shall become effective on January 1, 1995.

19 **SEC. 8505. STATE EXPENDITURES FOR MEDICAL ASSIST-**
20 **ANCE WITH RESPECT TO HOME AND COMMU-**
21 **NITY-BASED SERVICES PROVIDED UNDER A**
22 **WAIVER.**

23 (a) IN GENERAL.—Section 1915(d)(5)(B) (42 U.S.C.
24 1396n(d)(5)(B)) is amended—

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1 (1) in clause (i), by striking "times the number
2 of years" and inserting "compounded annually for
3 years";

4 (2) in clause (ii), by striking "times the number
5 of years" and inserting "compounded annually for
6 years"; and

7 (3) in clause (iv), by striking "December 22,
8 1987" and inserting "the date of the enactment of
9 the Omnibus Budget Reconciliation Act of 1986".

10 (b) EFFECTIVE DATE.—The amendments made by
11 subsection (a) shall be effective as if included in the enact-
12 ment of the Omnibus Budget Reconciliation Act of 1987.

13 **SEC. 8506. EXTENSION AND CONSOLIDATION OF FRAIL EL-**
14 **DERLY DEMONSTRATION PROJECT WAIVERS.**

15 (a) LIMITATION ON NUMBER OF WAIVERS.—Section
16 9412(b)(1) of the Omnibus Budget Reconciliation Act of
17 1986 is amended by striking "not more than 15" and in-
18 serting "not more than 40".

19 (b) INDEFINITE EXTENSION OF PARTICIPATION AND
20 STATUS AS PROVIDERS.—Section 9412(b)(2) of the Om-
21 nibus Budget Reconciliation Act of 1986 is amended—

22 (1) in subparagraph (A), by striking "subpara-
23 graph (B)" and inserting "this paragraph".

24 (2) in subparagraph (A), by adding at the end
25 the following: "Except as otherwise provided by law

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1 or regulation, such terms and conditions, with re-
2 spect to an organization, shall be substantially equiv-
3 alent to the terms and conditions provided under the
4 Protocol for the Program of All-inclusive Care for
5 the Elderly (PACE), as published by On Lok, Inc.
6 (and as recognized by the Health Care Financing
7 Administration) as of June 30, 1994, and made gen-
8 erally available.”;

9 (2) in subparagraph (C), by striking “may ex-
10 tend” and inserting “shall extend for an indefinite
11 period”; and

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

13 “(D) Upon successful completion of the initial period
14 of the waiver under this subsection, an organization shall
15 be afforded regular provider status under titles XVIII and
16 XIX of the Social Security Act in accordance with appro-
17 priate regulations to be promulgated by the Secretary.
18 This subparagraph shall apply to organizations operating
19 under a waiver on or after July 1, 1997.

20 “(E) The provisions of this paragraph also shall
21 apply to the organization under the On Lok waiver de-
22 scribed in subparagraph (A).

23 “(F) Organizations under this paragraph shall ordi-
24 narily be reimbursed on a capitation basis. The organiza-
25 tions may provide additional services as may be deemed

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1 appropriate by the organizations without regard to whether
2 er such services are specifically reimbursable through capi-
3 tation payments.”

4 (c) TREATMENT OF APPLICATIONS.—Section
5 9412(b)(1) of such Act is amended by adding at the end
6 the following: “An appropriately completed application for
7 a waiver under this subsection is deemed approved unless
8 the Secretary specifically disapproves it in writing within
9 90 days of the date of its filing (or, if the Secretary re-
10 quests reasonable and substantial additional information
11 within such 90 day period, within 90 days of the date of
12 providing such additional information). The Secretary
13 shall have sole authority to approve or disapprove the ini-
14 tial and subsequent eligibility of an organization for a
15 waiver and shall make such determinations in a timely
16 manner.”

17 (d) PROMOTION OF ADDITIONAL APPLICATIONS.—
18 Section 9412(b) of such Act is amended by adding at the
19 end the following:

20 “(5) The Secretary shall institute an organized
21 effort to promote the development of organizations
22 under this subsection.”

23 (e) PROVISION OF ADDITIONAL SERVICES.—Section
24 9412(b) of such Act, as amended by subsection (d), is fur-
25 ther amended by adding at the end the following:

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1 “(6) Nothing in this subsection shall prevent an
2 organization with a waiver under this subsection
3 from developing and providing appropriate services
4 to frail populations that may not be elderly, except
5 where the Secretary finds that such an extension im-
6 pair the ability of the organization to provide serv-
7 ices required under the waiver.”

8 **SEC. 8507. CERTAIN IMPROVEMENTS IN MEDICAID CASE**
9 **MANAGEMENT SERVICES AND HOME AND**
10 **COMMUNITY-BASED WAIVERS.**

11 (a) IN GENERAL.—Section 1902(a) (42 U.S.C.
12 1396a) is amended—

13 (1) in paragraph (23), by inserting “(including
14 case management services under subsections (c), (d),
15 and (g) of such section)” after “in section 1915”;
16 and

17 (2) in paragraph (32)—

18 (A) by striking the period at the end of
19 subparagraph (C) and inserting “; and”; and

20 (B) by adding at the end the following new
21 subparagraph:

22 “(D) in the case of services arranged
23 through the case management agency under
24 subsections (c), (d), or (g) of section 1915, pay-
25 ments made by the case management agency to

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1 providers of services shall be permitted provided
2 that—

3 “(i) the case management entity is a
4 nonprofit entity;

5 “(ii) the case management entity
6 maintains a clear system of records dem-
7 onstrating conformity between payments
8 made and services required under the indi-
9 vidual’s plan of care; and

10 “(iii) the entity makes assurances sat-
11 isfactory to the State that providers paid
12 by the entity, for covered services to indi-
13 viduals eligible under this title, are eligible
14 for payments under the provisions of this
15 title.”

16 (b) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to payments for medical assistance
18 for calendar quarters beginning on or after January 1,
19 1995.

20 **SEC. 8508. DEMONSTRATION PROJECTS ON ACUTE AND**
21 **LONG-TERM CARE INTEGRATION; CHRONIC**
22 **CARE COMMISSION.**

23 (a) PROJECTS AUTHORIZED.—Not later than Janu-
24 ary 1, 1996, the Secretary shall begin to conduct dem-
25 onstration projects under which qualified entities test the

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1 effectiveness of various approaches to financing and pro-
2 viding integrated acute and long-term care services to
3 chronically ill individuals and individuals with disabilities.

4 (b) DEMONSTRATION PROJECTS DESCRIBED.—Dem-
5 onstration projects conducted under this section shall es-
6 tablish an approach to financing and providing integrated
7 acute and long-term care services to chronically ill individ-
8 uals and individuals with disabilities which—

9 (1) improves quality through—

10 (A) management of ongoing chronic condi-
11 tions rather than treatment of episodes;

12 (B) increasing the competency of individ-
13 uals furnishing care; and

14 (C) providing care which produces the best
15 outcomes;

16 (2) increases the satisfaction of individuals re-
17 ceiving care by—

18 (A) offering unified care over the duration
19 of an individual's condition;

20 (B) simplifying access and transfer proce-
21 dures; and

22 (C) permitting such individuals to partici-
23 pate in decisionmaking regarding their care;
24 and

25 (3) contains cumulative costs by—

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1 (A) managing costs as an individual's con-
2 dition progresses;

3 (B) allowing providers of care to have con-
4 trol and flexibility;

5 (C) financing and fostering preventive
6 health services and functional independence;
7 and

8 (D) establishing financial mechanisms for
9 joint risk-sharing among providers across the
10 continuum of care which include incentives to
11 work together to prevent, delay, or minimize the
12 effects of disability progression and to contain
13 cumulative costs across time, place, and profes-
14 sion.

15 (c) APPLICATIONS.—Each qualified entity desiring to
16 conduct a demonstration project under this section shall
17 submit an application at such time as the Secretary deter-
18 mines appropriate containing—

19 (1) assurances that the acute and long-term
20 care services furnished by the entity to chronically ill
21 individuals and individuals with disabilities under
22 the demonstration project will cost less than if such
23 services were furnished to such individuals other
24 than under the demonstration project; and

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1 (2) such other information as the Secretary de-
2 termines appropriate.

3 (d) NUMBER AND DURATION OF DEMONSTRATION
4 PROJECTS.—

5 (1) NUMBER.—The Secretary shall authorize
6 not more than 25 demonstration projects under this
7 section.

8 (2) DURATION.—A demonstration project under
9 this section shall be conducted for a period of 7
10 years beginning on the date the application to con-
11 duct the project is approved.

12 (e) EVALUATION AND REPORTS.—The Secretary
13 shall evaluate the demonstration projects conducted under
14 this section and shall submit to Congress—

15 (1) biennially from the date on which the first
16 demonstration project begins, a report describing the
17 status of the demonstration projects; and

18 (2) not later than 1 year after the last dem-
19 onstration project is completed, a final report evalu-
20 ating the effectiveness of the demonstration projects
21 and the feasibility and cost of standardizing the fi-
22 nancing and delivery structures of the demonstration
23 projects under a reformed health care system.

24 (f) CHRONIC CARE COMMISSION.—

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1 (1) ESTABLISHMENT.—There is established a
2 commission to be known as the Chronic Care Com-
3 mission.

4 (2) MEMBERSHIP.—

5 (A) IN GENERAL.—The Commission shall
6 consist of—

7 (i) the Secretary; and

8 (ii) 10 other members to be appointed
9 by the President, in consultation with the
10 Majority and Minority Leaders of the
11 House of Representatives and the Senate,
12 not later than 30 days after the date of the
13 enactment of this Act.

14 (B) CHAIR.—The Secretary shall serve as
15 the Chair of the Commission.

16 (C) EXPERTISE.—The members of the
17 Commission appointed under subparagraph
18 (A)(ii) shall include representatives of—

19 (i) acute and long-term care dem-
20 onstration projects established under this
21 section;

22 (ii) chronically ill individuals and indi-
23 viduals with disabilities;

24 (iii) health care providers who
25 furnish—

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- 1 (I) primary care services;
2 (II) acute care services;
3 (III) institutional services; and
4 (IV) home and community-based
5 services;
6 (iv) the health insurance industry; and
7 (v) Federal and State health pro-
8 grams.

9 (D) TERMS.—Members of the Commission
10 shall be appointed for the life of the Commis-
11 sion. A vacancy on the Commission shall be
12 filled in the manner in which the original ap-
13 pointment was made and shall be subject to any
14 conditions which applied with respect to the
15 original appointment.

16 (3) DUTIES.—Not later than July 1, 1997, the
17 Commission shall submit to Congress legislative rec-
18 ommendations to simplify and improve chronic care
19 services furnished to chronically ill individuals and
20 individuals with disabilities. Such recommendations
21 shall—

22 (A) encourage health care providers to es-
23 tablish community based networks which fur-
24 nish chronic care services to chronically ill indi-
25 viduals and individuals with disabilities;

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1 (B) result in a reduction in the growth of
2 the cumulative costs of furnishing chronic care
3 services to such individuals across time and set-
4 ting;

5 (C) outline chronic care service delivery re-
6 form which simplifies systems for administra-
7 tion, financing, and delivery of such services to
8 such individuals;

9 (D) identify barriers to integration of
10 chronic care services as established by existing
11 legislative, regulatory, and administrative prac-
12 tices; and

13 (E) provide for a private sector, commu-
14 nity-based approach to furnishing chronic care
15 services to such individuals.

16 (4) CONSULTATION WITH CERTAIN ENTITIES.—

17 In developing its legislative recommendations under
18 paragraph (3), the Commission shall consult with
19 qualified entities participating in the demonstration
20 projects on acute and long-term care integration
21 conducted by the Secretary under this section.

22 (5) MEETINGS.—

23 (A) IN GENERAL.—Except as provided in
24 subparagraph (B), the Commission shall meet
25 at the call of the Chair.

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1 (B) INITIAL MEETING.—Not later than 30
2 days after the date on which all members of the
3 Commission have been appointed, the Commis-
4 sion shall hold its first meeting.

5 (C) QUORUM.—A majority of the members
6 of the Commission shall constitute a quorum,
7 but a lesser number of members may hold hear-
8 ings.

9 (6) POWER OF THE COMMISSION TO HOLD
10 HEARINGS.—The Commission may hold such hear-
11 ings, sit and act at such times and places, take such
12 testimony, and receive such evidence as the Commis-
13 sion considers advisable to carry out the purposes of
14 this subsection.

15 (7) COMMISSION PERSONNEL MATTERS.—

16 (A) COMPENSATION OF MEMBERS.—Each
17 member of the Commission who is not an offi-
18 cer or employee of the Federal Government
19 shall be compensated at a rate equal to the
20 daily equivalent of the annual rate of basic pay
21 prescribed for level IV of the Executive Sched-
22 ule under section 5315 of title 5, United States
23 Code, for each day (including travel time) dur-
24 ing which such member is engaged in the per-
25 formance of the duties of the Commission. All

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1 members of the Commission who are officers or
2 employees of the United States shall serve with-
3 out compensation in addition to that received
4 for their services as officers or employees of the
5 United States.

6 (B) TRAVEL EXPENSES.—The members of
7 the Commission shall be allowed travel ex-
8 penses, including per diem in lieu of subsist-
9 ence, at rates authorized for employees of agen-
10 cies under subchapter I of chapter 57 of title 5,
11 United States Code, while away from their
12 homes or regular places of business in the per-
13 formance of services for the Commission.

14 (C) DETAIL OF GOVERNMENT EMPLOY-
15 EES.—Any Federal Government employee may
16 be detailed to the Commission without reim-
17 bursement, and such detail shall be without
18 interruption or loss of civil service status or
19 privilege.

20 (8) TERMINATION OF THE COMMISSION.—The
21 Commission shall terminate 90 days after the date
22 on which the Commission submits its legislative rec-
23 ommendations under paragraph (3).

24 (g) DEFINITIONS.—For purposes of this section—

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1 (1) the term "chronic care services" means a
2 full range of individualized services for chronically ill
3 individuals and individuals with disabilities, includ-
4 ing primary care, hospital, nursing home, and com-
5 munity-based services which satisfy the functional,
6 psychological, environmental, social, and medical
7 needs of such individuals and which enable such in-
8 dividuals to optimize functional independence and
9 well being;

10 (2) the term "Commission" means the Chronic
11 Care Commission established under subsection (f);

12 (3) the term "chronically ill individuals" means
13 an individual with a serious and persistent chronic
14 health condition;

15 (4) the term "individual with disabilities"
16 means any individual who is within one or more of
17 the categories of individuals described in subpara-
18 graphs (A) through (D) of paragraph (2) of section
19 3303(a) of the Health Reform Act; and

20 (5) the term "qualified entity" means an entity
21 meeting the eligibility criteria established by the Sec-
22 retary.

23 (h) AUTHORIZATION OF APPROPRIATIONS.—

24 (1) AGENCY.—

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1 (A) IN GENERAL.—There are authorized to
2 be appropriated \$7,000,000 for fiscal year
3 1996, and \$4,500,000 for each of fiscal years
4 1997 through 2002, for payment of costs of the
5 Secretary in carrying out this section, including
6 costs for technical assistance to potential serv-
7 ice providers, and research and evaluation.

8 (B) CHRONIC CARE COMMISSION.—Of the
9 total amount authorized to be appropriated
10 under subparagraph (A) for fiscal years 1996
11 and 1997, not less than \$1,000,000 shall be
12 available to carry out the purposes of sub-
13 section (f) with respect to the establishment of
14 the Commission.

15 (2) COVERED BENEFITS.—There are authorized
16 to be appropriated \$50,000,000 for the first fiscal
17 year for which applications to conduct demonstration
18 projects under this section are approved, and for
19 each of the 4 fiscal years thereafter, for payment of
20 costs of benefits for which no public or private pro-
21 gram or entity is legally obligated to pay.

22 (3) AVAILABILITY.—Any sums appropriated
23 under the authorizations contained in this subsection
24 shall remain available, without fiscal year limitation,
25 until expended.

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1 SEC. 8509. PREADMISSION SCREENING FOR MENTALLY RE-
2 TARDED INDIVIDUALS:

3 (a) IN GENERAL.—Section 1919(b)(3)(F)(ii) (42
4 U.S.C. 1396r(b)(3)(F)(ii)) is amended by striking “that,
5 because” and all that follows through the period at the
6 end and inserting “that the individual’s primary need is
7 for medical services that are at the level provided by the
8 nursing facility and that the nursing facility has the capa-
9 bility to provide, in addition to such medical services, any
10 specialized services necessary for habilitation of the indi-
11 vidual.”.

12 (b) STATE REQUIREMENT FOR ANNUAL RESIDENT
13 REVIEW FOR MENTALLY RETARDED RESIDENTS.—Sec-
14 tion 1919(e)(7)(B)(ii)(I) (42 U.S.C.
15 1396r(e)(7)(B)(ii)(I)) is amended to read as follows:

16 “(I) whether or not the resident’s
17 primary need, taking into account the
18 resident’s physical and mental condi-
19 tion, is for medical services that are
20 at the level provided by the nursing
21 facility and that the nursing facility
22 has the capability to provide, in addi-
23 tion to such medical services, any spe-
24 cialized services necessary for habili-
25 tation of the individual; and”.

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1 (c) LONG-TERM RESIDENTS NOT REQUIRING NURS-
2 ING FACILITY SERVICES, BUT REQUIRING SPECIALIZED
3 SERVICES.—Section 1919(e)(7)(C)(i) (42 U.S.C.
4 1396r(e)(7)(C)(i)) is amended—

5 (1) in the matter preceding subclause (I), by
6 striking “nursing facility, but to require” and insert-
7 ing “nursing facility or in the case of an individual
8 or resident of a nursing facility who is mentally re-
9 tardated and meets the criteria specified in subsection
10 (b)(3)(F) or subsection (e)(7)(B)(ii)(I), who re-
11 quires”; and

12 (2) in the matter following subclause (IV), by
13 striking “a facility, if” and inserting “a facility or
14 in the case of an individual or resident of a nursing
15 facility who is mentally retarded and meets the cri-
16 teria specified in subsection (b)(3)(F) or subsection
17 (e)(7)(B)(ii)(I), if”.

18 (d) OTHER RESIDENTS NOT REQUIRING NURSING
19 FACILITY SERVICES, BUT REQUIRING SPECIALIZED SERV-
20 ICES.—Section 1919(e)(7)(C)(ii) (42 U.S.C.
21 1396r(e)(7)(C)(ii)) is amended in the matter preceding
22 subclause (I), by striking “nursing facility, but to require”
23 and inserting “nursing facility or in the case of an individ-
24 ual or resident of a nursing facility who is mentally re-

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1 retarded and meets the criteria specified in subsection
2 (b)(3)(F) or subsection (e)(7)(B)(ii)(I), who requires”.

3 (e) RESIDENTS NOT REQUIRING NURSING FACILITY
4 SERVICES AND NOT REQUIRING SPECIALIZED SERV-
5 ICES.—Section 1919(e)(7)(C)(iii) (42 U.S.C.
6 1396r(e)(7)(C)(iii)) is amended in the matter preceding
7 subclause (I) by striking “nursing facility and not to re-
8 quire” and inserting “nursing facility or in the case of
9 a resident of a nursing facility who is mentally retarded
10 and meets the criteria specified in subsection (b)(3)(F) or
11 subsection (e)(7)(B)(ii)(I), and does not require,”.

12 (f) PERMITTING ALTERNATIVE DISPOSITION
13 PLANS.—Section 1919(e)(7)(E) (42 U.S.C.
14 1396r(e)(7)(E)) is amended—

15 (1) by striking “a facility, but who require” and
16 inserting “a facility or in the case of a resident of
17 a nursing facility who is mentally retarded meets the
18 criteria specified in subsection (b)(3)(F) or sub-
19 section (e)(7)(B)(ii)(I), who require”; and

20 (2) by inserting “, except that in the case of
21 residents of a nursing facility who were deemed to
22 meet the criteria of subsection (b)(3)(F) or sub-
23 section (e)(7)(B)(ii)(I) as such provisions were in ef-
24 fect on June 1, 1994, such additional time as is
25 deemed necessary to complete such discharges but

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1 not later than June 30, 1998" before the period at
2 the end of the last sentence.

3 (g) EFFECTIVE DATE.—The amendment made by
4 subsection (a) shall apply to admissions on or after July
5 1, 1995.

6 **PART 2—OTHER PROVISIONS**

7 **SEC. 8601. REVISION OF FEDERAL MEDICAL ASSISTANCE**

8 **PERCENTAGE FOR CERTAIN STATES.**

9 (a) IN GENERAL.—Section 1905(b) (42 U.S.C.
10 1396d(b)) is amended—

11 (1) by redesignating clauses (1) and (2) as
12 clauses (2) and (3) and by inserting after "except
13 that" the following: "(1) for Alaska and Hawaii, the
14 State percentage shall be that percentage which
15 bears the same ratio to 45 per centum as the square
16 of the adjusted per capita income of such State
17 bears to the square of the per capita income of the
18 United States;"; and

19 (2) by inserting after the first sentence the fol-
20 lowing: "The 'adjusted per capita income' for Alaska
21 shall be determined by dividing the State 3-year av-
22 erage per capita income by 1.25, and for Hawaii by
23 dividing the State 3-year average per capita income
24 by 1.15."

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1 (b) EFFECTIVE DATE.—The amendments made by
2 this section shall become effective on October 1, 1995.

3 SEC. 8602. CRITERIA FOR DETERMINING THE AMOUNT OF
4 DISALLOWANCES.

5 (a) IN GENERAL.—

6 (1) CRITERIA FOR INITIAL DETERMINATIONS.—

7 Section 1903 (42 U.S.C. 1396b) is amended by add-
8 ing at the end the following new subsection:

9 “(x) If the Secretary determines that a disallowance
10 of Federal financial participation should be made under
11 this title with respect to any item or class of items, the
12 Secretary shall, in making a determination with respect
13 to the amount of such disallowance, take into account (to
14 the extent the State makes a showing) factors which shall
15 include—

16 “(1) whether the amount of the disallowance is
17 reasonably related to the act or omission by the
18 State which is the basis for the disallowance; and

19 “(2) whether the act or omission by the State
20 which is the basis for the disallowance was based on
21 a reasonable interpretation of Federal statutes, Fed-
22 eral regulations, or any written guidance provided by
23 the Secretary.”

24 (2) CRITERIA FOR REDETERMINATIONS.—Sec-
25 tion 1116(d) (42 U.S.C. 1316(d)) is amended—

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1 (A) by striking "(d)" and inserting
2 "(d)(1)"; and

3 (B) by adding at the end the following new
4 paragraph:

5 "(2) In conducting any reconsideration of a disallow-
6 ance of Federal financial participation by the Secretary
7 under title XIX, the Departmental Appeals Board of the
8 Department of Health and Human Services (or another
9 entity designated by the Secretary), shall, if such Board
10 or entity upholds the basis for the disallowance, determine
11 whether the amount of the disallowance properly takes
12 into account the factors listed in section 1903(x). If the
13 amount of the disallowance does not properly take into
14 account such factors, the Board shall adjust such amount
15 in accordance with such factors."

16 (b) EFFECTIVE DATE.—The amendment made by
17 subsection (a) shall apply to disallowances made after the
18 date of the enactment of this Act and shall take effect
19 without regard to the promulgation of implementing regu-
20 lations.

21 **SEC. 8603. TECHNICAL CORRECTIONS RELATING TO SEC-**
22 **TION 4752 OF OBRA-1990 (PHYSICIANS' SERV-**
23 **ICES).**

24 (a) Paragraph (59) of section 1902(a) (42 U.S.C.
25 1396a(a)), as added by section 4752(c)(1)(C) of the Om-

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1 nibus Budget Reconciliation Act of 1990 and as redesign-
2 nated by section 13623(a)(6) of the Omnibus Budget Rec-
3 onciliation Act of 1993, is amended by striking "sub-
4 section (v)" and inserting "subsection (x)".

5 (b) Section 1903(i)(12) (42 U.S.C. 1396b(i)(12)), as
6 inserted by section 4752(e) of the Omnibus Budget Rec-
7 onciliation Act of 1990 and as redesignated by section
8 13631(c)(3) of the Omnibus Budget Reconciliation Act of
9 1993, is amended—

10 (1) by amending clause (i) of subparagraph (A)
11 to read as follows:

12 " (i) is certified in family practice or
13 pediatrics by the medical specialty board
14 recognized by the American Board of Med-
15 ical Specialties for family practice or pedi-
16 atries or is certified in general practice or
17 pediatrics by the medical specialty board
18 recognized by the American Osteopathic
19 Association,";

20 (2) by amending clause (i) of subparagraph (B)
21 to read as follows:

22 " (i) is certified in family practice or
23 obstetrics by the medical specialty board
24 recognized by the American Board of Med-
25 ical Specialties for family practice or ob-

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1 stetrics or is certified in general practice or
2 obstetrics by the Medical Specialty Board
3 recognized by the American Osteopathic
4 Association,"; and

5 (3) in subparagraphs (A) and (B)—

6 (A) by striking "or" at the end of clause

7 (v);

8 (B) by redesignating clause (vi) as clause

9 (vii); and

10 (C) by inserting after clause (v) the follow-

11 ing new clause:

12 “(vi) delivers such services in the

13 emergency department of a hospital par-

14 ticipating in the State plan approved under

15 this title, or”.

16 **SEC. 8604. TECHNICAL CORRECTION RELATING TO SEC-**

17 **TION 4712 OF OBRA-1990 (COMMUNITY SUP-**

18 **PORTED LIVING ARRANGEMENTS SERVICES).**

19 Section 1930(j) (42 U.S.C. 1396u(j)) is amended by

20 striking “for fiscal year 1995” and all that follows and

21 insert “and for fiscal year 1995, \$35,000,000.”.

22 **SEC. 8605. EXTENSION OF MINNESOTA PREPAID MEDICAID**

23 **DEMONSTRATION PROJECT.**

24 (a) **IN GENERAL.**—Section 507 of the Family Sup-

25 port Act of 1988 (Public Law 100-485), as amended by

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1 section 6411(j) of the Omnibus Budget Reconciliation Act
 2 of 1989 and by section 4733 of the Omnibus Budget Rec-
 3 onciation Act of 1990, is amended by striking "1996"
 4 and inserting "1998".

(b) AUTHORITY TO IMPOSE PREMIUM.—

6 (1) IN GENERAL.—Notwithstanding section
 7 1916 of the Social Security Act and subject to para-
 8 graph (2), the State of Minnesota may impose a pre-
 9 mium on individuals receiving medical assistance
 10 under the Minnesota Prepaid Demonstration Project
 11 operated under a waiver granted by the Secretary of
 12 Health and Human Services under section 1115(a)
 13 of the Social Security Act and other individuals eligi-
 14 ble under the State's plan for medical assistance
 15 under title XIX of such Act.

(2) LIMITATION ON AMOUNT OF PREMIUM.—In

17 no case may the amount of any premium imposed on
 18 an individual receiving medical assistance under the
 19 State plan or under the Demonstration Project de-
 20 scribed in paragraph (1) exceed 10 percent of the
 21 amount by which the family income (less expenses
 22 for the care of a dependent child) of the individual
 23 exceeds 110 percent of the income official poverty
 24 line (as defined by the Office of Management and
 25 Budget, and revised annually in accordance with sec-

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1 tion 673(2) of the Omnibus Budget Reconciliation
2 Act of 1981) applicable to a family of the size in-
3 volved.

4 **SEC. 8606. EXTENSION OF MORATORIUM ON TREATMENT**
5 **OF CERTAIN FACILITIES AS INSTITUTIONS**
6 **FOR MENTAL DISEASES.**

7 Section 6408(a)(3) of the Omnibus Budget Reconcili-
8 ation Act of 1989, as amended by section 13642 of the
9 Omnibus Budget Reconciliation Act of 1993, is amended
10 by striking "December 31, 1995" and inserting "the year
11 described in section 1923(h)(2) of the Social Security
12 Act".

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