

105TH CONGRESS  
1ST SESSION

# H. R. 2640

To amend title XVIII of the Social Security Act to combat fraud and abuse under the Medicare Program with respect to partial hospitalization services.

---

## IN THE HOUSE OF REPRESENTATIVES

OCTOBER 8, 1997

Mr. STARK (for himself and Mrs. THURMAN) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

---

## A BILL

To amend title XVIII of the Social Security Act to combat fraud and abuse under the Medicare Program with respect to partial hospitalization services.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Partial Hospitalization  
5 Services Integrity Act of 1997”.

1 **SEC. 2. LIMITATION ON LOCATION OF PROVISION OF SERV-**  
2 **ICES.**

3 (a) IN GENERAL.—Section 1861(ff)(2) of the Social  
4 Security Act (42 U.S.C. 1395x(ff)(2)) is amended in the  
5 matter following subparagraph (I)—

6 (1) by striking “and furnished” and inserting  
7 “furnished”; and

8 (2) by inserting before the period the following:  
9 “, and furnished other than in a skilled nursing fa-  
10 cility or in an individual’s personal residence”.

11 (b) EFFECTIVE DATE.—The amendments made by  
12 subsection (a) shall apply to partial hospitalization serv-  
13 ices furnished on or after the first day of the third month  
14 beginning after the date of the enactment of this Act.

15 **SEC. 3. QUALIFICATIONS FOR COMMUNITY MENTAL**  
16 **HEALTH CENTERS.**

17 Section 1861(ff)(3)(B) of the Social Security Act (42  
18 U.S.C. 1395x(ff)(3)(B)) is amended by striking “entity”  
19 and all that follows and inserting the following: “entity  
20 that—

21 “(i) provides the mental health services de-  
22 scribed in paragraph (1) of section 1913(c) of the  
23 Public Health Service Act;

24 “(ii) meets applicable licensing or certification  
25 requirements for community mental health centers  
26 in the State in which it is located; and

1           “(iii) meets such additional conditions as the  
2           Secretary may specify to ensure (I) the health and  
3           safety of individuals being furnished such services,  
4           (II) the effective or efficient furnishing of such serv-  
5           ices, and (III) the compliance of such entity with the  
6           criteria described in such section.”.

7   **SEC. 4. RE-ENROLLMENT OF PROVIDERS OF CMHC PAR-**  
8                           **TIAL HOSPITALIZATION SERVICES.**

9           (a) IN GENERAL.—With respect to each community  
10          mental health center that furnishes partial hospitalization  
11          services for which payment is made under title XVIII of  
12          the Social Security Act, the Secretary of Health and  
13          Human Services shall provide for periodic re-certification  
14          to ensure that the provision of such services complies with  
15          section 1913(c) of the Public Health Service Act.

16          (b) DEADLINE FOR FIRST RE-CERTIFICATION.—The  
17          first re-certification under subsection (a) shall be com-  
18          pleted not later than 1 year after the date of the enact-  
19          ment of this Act.

20   **SEC. 5. PROSPECTIVE PAYMENT SYSTEM FOR PARTIAL**  
21                           **HOSPITALIZATION SERVICES.**

22          (a) ESTABLISHMENT OF SYSTEM.—Section 1833 of  
23          the Social Security Act (42 U.S.C. 1395l) is amended by  
24          inserting after subsection (o) the following:

1       “(p)(1) The Secretary may establish by regulation a  
2 prospective payment system for partial hospitalization  
3 services provided by a community mental health center or  
4 by a hospital to its outpatients. The system shall provide  
5 for appropriate payment levels for efficient centers and  
6 take into account payment levels for similar services fur-  
7 nished by other efficient entities.

8       “(2) A prospective payment system established pur-  
9 suant to paragraph (1) shall provide for payment amounts  
10 for—

11           “(A) the first year in which such system ap-  
12 plies, at a level so that, as estimated by the Sec-  
13 retary, the total aggregate payments under this part  
14 (including payments attributable to deductibles and  
15 coinsurance) are equal to the total aggregate pay-  
16 ments that would have otherwise been made under  
17 this part if such system had not been implemented;  
18 and

19           “(B) each subsequent year, in an amount equal  
20 to the payment amount provided for under this  
21 paragraph for the preceding year updated by the  
22 percentage increase in the consumer price index for  
23 all urban consumers (all items; United States city  
24 average) for the 12-month period ending with Sep-  
25 tember of that preceding year.”.

1 (b) COINSURANCE.—Section 1866(a)(2)(A) of such  
2 Act (42 U.S.C. 1395cc(a)(2)(A)) is amended by adding  
3 at the end the following: “In the case of services described  
4 in section 1832(a)(2)(J), clause (ii) of the first sentence  
5 of this subparagraph shall be applied by substituting the  
6 payment basis established under section 1833(p) for the  
7 reasonable charges.”.

8 (c) CONFORMING AMENDMENTS.—(1) Section  
9 1832(a)(2) of such Act (42 U.S.C. 1395k(a)(2)) is amend-  
10 ed—

11 (A) in subparagraph (B), by striking “or sub-  
12 paragraph (I)” and inserting “, (I), or (J)”; and

13 (B) in subparagraph (J), by striking “provided  
14 by a community mental health center (as described  
15 in section 1861(ff)(2)(B))”.

16 (2) Section 1833(a) of such Act (42 U.S.C. 1395l(a))  
17 is amended—

18 (A) in paragraph (2) preceding subparagraph  
19 (A), by striking “(H), and (I)” and inserting “(H),  
20 (I), and (J)”; and

21 (B) by striking “and” at the end of paragraph  
22 (8); and

23 (C) by striking the period at the end of para-  
24 graph (9) and inserting “; and”; and

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

3 “(10) in the case of partial hospitalization serv-  
4 ices, 80 percent of the payment basis under the pro-  
5 spective payment system established under section  
6 1833(p).”.

7 (d) EFFECTIVE DATE.—The amendments made by  
8 subsections (b) and (c) apply to services furnished on or  
9 after January 1 of the first year that begins at least 6  
10 months after the date on which regulations are issued  
11 under section 1833(p) of such Act (42 U.S.C. 1395l(p))  
12 as inserted by subsection (a).

13 **SEC. 6. DEMONSTRATION FOR IMPROVED PARTIAL HOS-**  
14 **PITALIZATION SERVICES.**

15 (a) ESTABLISHMENT.—

16 (1) IN GENERAL.—The Secretary of Health and  
17 Human Services shall implement a demonstration  
18 project (in this section referred to as the “project”)  
19 under part B of title XVIII of the Social Security  
20 Act under which community mental health centers  
21 may offer expanded partial hospitalization services  
22 (described in paragraph (2)) for purposes of provid-  
23 ing for a full continuum of ambulatory behavioral  
24 health care services.

1           (2) ADDITIONAL MENTAL HEALTH SERVICES  
2 DESCRIBED.—For purposes of paragraph (1), the  
3 expanded partial hospitalization services are out-  
4 patient mental health services and such other mental  
5 health services as the Secretary determines appro-  
6 priate which are not partial hospitalization services  
7 as defined in section 1861(ff)(1) of such Act (42  
8 U.S.C. 1395x(ff)(1)).

9           (b) SELECTION OF CENTERS.—For purposes of im-  
10 plementing such project, the Secretary shall select for par-  
11 ticipation in the project community mental health centers  
12 that serve populations in 3 different States, 1 of which  
13 predominantly serves rural populations.

14           (c) CAPITATED PAYMENT.—Under this project, pay-  
15 ment for expanded partial hospitalization services shall be  
16 made on a capitated basis.

17           (d) WAIVER AUTHORITY.—The Secretary may waive  
18 such provisions of title XVIII of the Social Security Act  
19 as the Secretary deems necessary to conduct the project  
20 established under this section.

21           (e) EVALUATION AND REPORT.—

22           (1) EVALUATION.—The Secretary shall evaluate  
23 the project. Such evaluation shall include an exam-  
24 ination of—

1 (A) the project's effect on the health and  
2 well-being of beneficiaries;

3 (B) any savings to the medicare program  
4 by reason of capitated payments for partial hos-  
5 pitalization services;

6 (C) the impact of basing payment for such  
7 services on a capitated basis; and

8 (D) the project's effect on utilization of in-  
9 patient services (including inpatient mental  
10 health services) and associated costs.

11 (2) REPORT.—Not later than 4 years after the  
12 date of the enactment of this Act, the Secretary  
13 shall submit to Congress a report containing a state-  
14 ment of the findings and conclusions of the Sec-  
15 retary pursuant to the evaluation conducted under  
16 paragraph (1), together with any recommendations  
17 for legislation the Secretary considers appropriate  
18 with respect to—

19 (A) the provision of additional mental  
20 health services by community mental health  
21 centers under partial hospitalization services;  
22 and

23 (B) payment for such services on a  
24 capitated basis.

1       (f) DURATION.—The project shall be conducted for  
2 a 3 year period.

○