

105TH CONGRESS  
2D SESSION

# S. 2049

To provide for payments to children's hospitals that operate graduate medical education programs.

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IN THE SENATE OF THE UNITED STATES

MAY 7, 1998

Mr. KERREY (for himself, Mr. BOND, Mr. DURBIN, Mr. KENNEDY, Mr. DEWINE, and Mr. MOYNIHAN) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To provide for payments to children's hospitals that operate graduate medical education programs.

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 "Children's Hospitals  
5 Education and Research Act of 1998".

6 **SEC. 2. PROGRAM OF PAYMENTS TO CHILDREN'S HOS-**  
7 **PITALS THAT OPERATE GRADUATE MEDICAL**  
8 **EDUCATION PROGRAMS.**

9 (a) PAYMENTS.—

1           (1) IN GENERAL.—The Secretary shall make  
2           payment under this section to each children’s hos-  
3           pital for each hospital cost reporting period begin-  
4           ning after fiscal year 1998 and before fiscal year  
5           2003 for the direct and indirect expenses associated  
6           with operating approved medical residency training  
7           programs.

8           (2) CAPPED AMOUNT.—The payment to chil-  
9           dren’s hospitals established in this subsection for  
10          cost reporting periods ending in a fiscal year is lim-  
11          ited to the extent of funds appropriated under sub-  
12          section (d) for that fiscal year.

13          (3) PRO RATA REDUCTIONS.—If the Secretary  
14          determines that the amount of funds appropriated  
15          under subsection (d) for cost reporting periods end-  
16          ing in a fiscal year is insufficient to provide the total  
17          amount of payments otherwise due for such periods,  
18          the Secretary shall reduce the amount payable under  
19          this section for such period on a pro rata basis to  
20          reflect such shortfall.

21          (b) AMOUNT OF PAYMENT.—

22                 (1) IN GENERAL.—The amount payable under  
23                 this section to a children’s hospital for direct and in-  
24                 direct expenses relating to approved medical resi-

1        dency training programs for a cost reporting period  
2        is equal to the sum of—

3                (A) the product of—

4                        (i) the per resident rate for direct  
5                        medical education, as determined under  
6                        paragraph (2), for the cost reporting pe-  
7                        riod; and

8                        (ii) the weighted average number of  
9                        full-time equivalent residents in the hos-  
10                        pital's approved medical residency training  
11                        programs (as determined under section  
12                        1886(h)(4) of the Social Security Act) for  
13                        the cost reporting period; and

14                (B) the product of—

15                        (i) the per resident rate for indirect  
16                        medical education, as determined under  
17                        paragraph (3), for the cost reporting pe-  
18                        riod; and

19                        (ii) the number of full-time equivalent  
20                        residents in the hospital's approved medi-  
21                        cal residency training programs for the  
22                        cost reporting period.

23                (2) PER RESIDENT RATE FOR DIRECT MEDICAL  
24        EDUCATION.—

1 (A) IN GENERAL.—The per resident rate  
2 for direct medical education for a hospital for  
3 a cost reporting period ending in or after fiscal  
4 year 1999 is the updated rate determined under  
5 subparagraph (B), as adjusted for the hospital  
6 under subparagraph (C).

7 (B) COMPUTATION OF UPDATED RATE.—  
8 The Secretary shall—

9 (i) compute a base national DME av-  
10 erage per resident rate equal to the aver-  
11 age of the per resident rates computed  
12 under section 1886(h)(2) of the Social Se-  
13 curity Act for cost reporting periods end-  
14 ing during fiscal year 1998; and

15 (ii) update such rate by the applicable  
16 percentage increase determined under sec-  
17 tion 1886(b)(3)(B)(i) of such Act for the  
18 fiscal year involved.

19 (C) ADJUSTMENT FOR VARIATIONS IN  
20 LABOR-RELATED COSTS.—The Secretary shall  
21 adjust for each hospital the portion of such up-  
22 dated rate that is related to labor and labor-re-  
23 lated costs to account for variations in wage  
24 costs in the geographic area in which the hos-  
25 pital is located using the factor determined

1 under section 1886(d)(3)(E) of the Social Secu-  
2 rity Act.

3 (3) PER RESIDENT RATE FOR INDIRECT MEDI-  
4 CAL EDUCATION.—

5 (A) IN GENERAL.—The per resident rate  
6 for indirect medical education for a hospital for  
7 a cost reporting period ending in or after fiscal  
8 year 1999 is the updated amount determined  
9 under subparagraph (B).

10 (B) COMPUTATION OF UPDATED  
11 AMOUNT.—The Secretary shall—

12 (i) determine, for each hospital with a  
13 graduate medical education program which  
14 is paid under section 1886(d) of the Social  
15 Security Act, the amount paid to that hos-  
16 pital pursuant to section 1886(d)(5)(B) of  
17 such Act for the equivalent of a full twelve-  
18 month cost reporting period ending during  
19 the preceding fiscal year and divide such  
20 amount by the number of full-time equiva-  
21 lent residents participating in its approved  
22 residency programs and used to calculate  
23 the amount of payment under such section  
24 in that cost reporting period;

1                   (ii) take the sum of the amounts de-  
2                   termined under clause (i) for all the hos-  
3                   pitals described in such clause and divide  
4                   that sum by the number of hospitals so de-  
5                   scribed; and

6                   (iii) update the amount computed  
7                   under clause (ii) for a hospital by the ap-  
8                   plicable percentage increase determined  
9                   under section 1886(b)(3)(B)(i) of such Act  
10                  for the fiscal year involved.

11               (c) MAKING OF PAYMENTS.—

12               (1) INTERIM PAYMENTS.—The Secretary shall  
13               estimate, before the beginning of each cost reporting  
14               period for a hospital for which a payment may be  
15               made under this section, the amount of payment to  
16               be made under this section to the hospital for such  
17               period and shall make payment of such amount, in  
18               26 equal interim installments during such period.

19               (2) FINAL PAYMENT.—At the end of each such  
20               period, the hospital shall submit to the Secretary  
21               such information as the Secretary determines to be  
22               necessary to determine the final payment amount  
23               due under this section for the hospital for the pe-  
24               riod. Based on such determination, the Secretary  
25               shall recoup any overpayments made, or pay any

1 balance due. The final amount so determined shall  
2 be considered a final intermediary determination for  
3 purposes of applying section 1878 of the Social Se-  
4 curity Act and shall be subject to review under that  
5 section in the same manner as the amount of pay-  
6 ment under section 1886(d) is subject to review  
7 under such section.

8 (d) LIMITATION ON EXPENDITURES.—

9 (1) IN GENERAL.—Subject to paragraph (2),  
10 there are hereby appropriated, out of any money in  
11 the Treasury not otherwise appropriated, for pay-  
12 ments under this section for cost reporting periods  
13 beginning in—

14 (A) fiscal year 1999 \$100,000,000;

15 (B) fiscal year 2000, \$285,000,000;

16 (C) fiscal year 2001, \$285,000,000; and

17 (D) fiscal year 2002, \$285,000,000.

18 (2) CARRYOVER OF EXCESS.—If the amount of  
19 payments under this section for cost reporting peri-  
20 ods ending in fiscal year 1999, 2000, or 2001 is less  
21 than the amount provided under this subsection for  
22 such payments for such periods, then the amount  
23 available under this subsection for cost reporting pe-  
24 riods ending in the following fiscal year shall be in-  
25 creased by the amount of such difference.

1 (e) RELATION TO MEDICARE AND MEDICAID PAY-  
2 MENTS.—Notwithstanding any other provision of law,  
3 payments under this section to a hospital for a cost report-  
4 ing period—

5 (1) are in lieu of any amounts otherwise pay-  
6 able to the hospital under section 1886(h) or  
7 1886(d)(5)(B) of the Social Security Act to the hos-  
8 pital for such cost reporting period, but

9 (2) shall not affect the amounts otherwise pay-  
10 able to such hospitals under a State medicaid plan  
11 under title XIX of such Act.

12 (f) DEFINITIONS.—In this section:

13 (1) APPROVED MEDICAL RESIDENCY TRAINING  
14 PROGRAM.—The term “approved medical residency  
15 training program” has the meaning given such term  
16 in section 1886(h)(5)(A) of the Social Security Act  
17 (42 U.S.C. 1395ww(h)(5)(A)).

18 (2) CHILDREN’S HOSPITAL.—The term “chil-  
19 dren’s hospital” means a hospital described in sec-  
20 tion 1886(d)(1)(B)(iii) of the Social Security Act  
21 (42 U.S.C. 1395ww(d)(1)(B)(iii)).

22 (3) DIRECT GRADUATE MEDICAL EDUCATION  
23 COSTS.—The term “direct graduate medical edu-  
24 cation costs” has the meaning given such term in

1 section 1886(h)(5)(C) of the Social Security Act (42  
2 U.S.C. 1395ww(h)(5)(C)).

3 (4) SECRETARY.—The term “Secretary” means  
4 the Secretary of Health and Human Services.

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