

106TH CONGRESS
1ST SESSION

H. R. 3075

To amend title XVIII of the Social Security Act to make corrections and refinements in the Medicare Program as revised by the Balanced Budget Act of 1997.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 14, 1999

Mr. THOMAS (for himself, Mr. ARCHER, Mr. CRANE, Mr. SHAW, Mrs. JOHNSON of Connecticut, Mr. HOUGHTON, Mr. HERGER, Mr. McCRERY, Mr. CAMP, Mr. RAMSTAD, Mr. NUSSLE, Mr. SAM JOHNSON of Texas, Ms. DUNN, Mr. COLLINS, Mr. PORTMAN, Mr. ENGLISH, Mr. WATKINS, Mr. HAYWORTH, Mr. WELLER, Mr. HULSHOF, Mr. McINNIS, Mr. LEWIS of Kentucky, Mr. FOLEY, Mr. BLUNT, Mr. THUNE, Mr. RYAN of Wisconsin, Mr. HUTCHINSON, Mr. RILEY, Mr. PETERSON of Pennsylvania, Mr. LATHAM, Mr. STUMP, Mr. SMITH of Michigan, Mr. WALDEN of Oregon, Ms. DANNER, Mr. SWEENEY, Mr. HASTINGS of Washington, Mr. BACHUS, Mr. KOLBE, Mr. LATOURETTE, Mr. BASS, Mr. PICKERING, Mr. SHAYS, Mr. MORAN of Kansas, Mr. LUCAS of Oklahoma, and Ms. PRYCE of Ohio) 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 make corrections and refinements in the Medicare Program as revised by the Balanced Budget Act of 1997.

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

1 **SECTION 1. SHORT TITLE; AMENDMENTS TO SOCIAL SECUR-**
 2 **RITY ACT; REFERENCES TO BBA; TABLE OF**
 3 **CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
 5 “Medicare Balanced Budget Refinement Act of 1999”.

6 (b) **AMENDMENTS TO SOCIAL SECURITY ACT.**—Ex-
 7 cept as otherwise specifically provided, whenever in this
 8 title an amendment is expressed in terms of an amend-
 9 ment to or repeal of a section or other provision, the ref-
 10 erence shall be considered to be made to that section or
 11 other provision of the Social Security Act.

12 (c) **REFERENCES TO BALANCED BUDGET ACT OF**
 13 **1997.**—In this Act, the term “BBA” means the Balanced
 14 Budget Act of 1997 (Public Law 105–33).

15 (d) **TABLE OF CONTENTS.**—The table of contents of
 16 this Act is as follows:

Sec. 1. Short title; amendments to Social Security Act; references to BBA;
 table of contents.

Sec. 2. Congressional policies regarding implementation of certain provisions.

TITLE I—PROVISIONS RELATING TO PART A

Subtitle A—PPS Hospitals

Sec. 101. One-year delay in transition for indirect medical education (IME)
 percentage adjustment.

Subtitle B—PPS Exempt Hospitals

Sec. 111. Wage adjustment of percentile cap for PPS-exempt hospitals.

Sec. 112. Enhanced payments for long-term care and psychiatric hospitals until
 development of prospective payment systems for those hos-
 pitals.

Sec. 113. Per discharge prospective payment system for long-term care hos-
 pitals.

Sec. 114. Per diem prospective payment system for psychiatric hospitals.

Subtitle C—Adjustments to PPS Payments for Skilled Nursing Facilities

- Sec. 121. Temporary increase in payment for certain high cost patients.
- Sec. 122. Market basket increase.
- Sec. 123. Authorizing for facilities to elect immediate transition to federal rate.
- Sec. 124. Part a pass-through payment for certain ambulance services, prostheses, and chemotherapy drugs.
- Sec. 125. Provision for part B add-ons for facilities participating in the NHCMQ demonstration project.

TITLE II—PROVISIONS RELATING TO PART B

Subtitle A—Adjustments to Physician Payment Updates

- Sec. 201. Modification of update adjustment factor provisions to reduce update oscillations and allow for estimate revisions.

Subtitle B—Hospital Outpatient Services

- Sec. 211. Outlier adjustment and transitional pass-through for certain medical devices, drugs, and biologicals.
- Sec. 212. Establishing a transitional corridor for application of OPD PPS.

Subtitle C—Other

- Sec. 221. Application of separate caps to physical and speech therapy services.
- Sec. 222. Optional exemption of certain high acuity facility patients.
- Sec. 223. Update in renal dialysis composite rate.
- Sec. 224. Temporary update in durable medical equipment and oxygen rates.

TITLE III—PROVISIONS RELATING TO PARTS A AND B

Subtitle A—Home Health Services

- Sec. 301. Adjustment to reflect administrative costs not included in the interim payment system.
- Sec. 302. Delay in application of 15 percent reduction in payment rates for home health services until 1 year after implementation of prospective payment system.

Subtitle B—Direct Graduate Medical Education

- Sec. 311. Use of national average payment methodology in computing direct graduate medical education (DGME) payments.

TITLE IV—RURAL PROVIDER PROVISIONS

- Sec. 401. Permitting reclassification of certain urban hospitals as rural hospitals.
- Sec. 402. Update of standards applied for geographic reclassification for certain hospitals.
- Sec. 403. Improvements in the critical access hospital (CAH) program.
- Sec. 404. 5-year extension of medicare dependent hospital (MDH) program.
- Sec. 405. Rebased for certain sole community hospitals.
- Sec. 406. Increased flexibility in providing graduate physician training in rural areas.
- Sec. 407. Elimination of certain restrictions with respect to hospital swing bed program.

- Sec. 408. Grant program for rural hospital transition to prospective payment.
 Sec. 409. MedPAC study of rural providers.

**TITLE V—PROVISIONS RELATING TO PART C
 (MEDICARE+CHOICE PROGRAM)**

Subtitle A—Medicare+Choice

- Sec. 501. Phase-in of new risk adjustment methodology.
 Sec. 502. Encouraging offering of medicare+choice plans in areas without plans.
 Sec. 503. Modification of 5-year re-entry rule for contract terminations.
 Sec. 504. Continued computation and publication of AAPCC data.
 Sec. 505. Permitting enrollment in alternative medicare+choice plans and medigap coverage in case of involuntary termination of medicare+choice enrollment.
 Sec. 506. Allowing variation in premium waivers within a service area if Medicare+Choice payment rates vary within the area.
 Sec. 507. Delay in deadline for submission of adjusted community rates and related information.
 Sec. 508. 2 year extension of medicare cost contracts.
 Sec. 509. Miscellaneous changes.
 Sec. 510. MedPAC report on medicare MSA (medical savings account) plans.

Subtitle B—Social Health Maintenance Organizations (SHMOs)

- Sec. 511. Extension of social health maintenance organization demonstration project authority.

1 SEC. 2. CONGRESSIONAL POLICIES REGARDING IMPLE-
2 MENTATION OF CERTAIN PROVISIONS.

3 (a) INTENTION TO MAKE 1999 BASELINE BUDGET
4 NEUTRAL IN APPLYING THE HOSPITAL OUTPATIENT
5 PROSPECTIVE PAYMENT SYSTEM.—With respect to deter-
6 mining the amount of copayments described in paragraph
7 (3)(a)(ii) of section 1833(t) of the Social Security Act, as
8 added by section 4523(a) of Balanced Budget Act of 1997,
9 Congress finds that such amount should be determined in
10 a budget neutral manner without regard to such section
11 and that the Secretary of Health and Human Services has
12 the authority to determine such amount without regard
13 to such section.

1 (b) INTENTION TO USE CURRENT RISK ADJUST-
2 MENT AND CONTINUOUS OPEN ENROLLMENT UNDER
3 THE FRAIL ELDERLY DEMONSTRATION PROJECT.—Con-
4 gress finds that, in any period in which the demonstration
5 project (known as the “EverCare” project) to demonstrate
6 the application of capitation payment rates for frail elderly
7 medicare beneficiaries under a specialized program that
8 utilizes a specialized interdisciplinary team is in effect,
9 with respect to a nursing facility which is participating
10 in such project as of the date of the enactment of this
11 Act, the Secretary of Health and Human Services has the
12 authority to provide, and the Secretary should provide,
13 that the risk-adjustment described in section 1853(e)(3)
14 of such Act will not apply to a frail elderly
15 Medicare+Choice beneficiary who is receiving services
16 from the facility under the demonstration project.

17 (c) INTENTION TO USE REGULATORY PROCESS FOR
18 IMPLEMENTING INHERENT REASONABLENESS POLICY.—
19 Congress finds that the Secretary of Health and Human
20 Services should not use, or permit fiscal intermediaries or
21 carriers to use, the inherent reasonableness authority
22 under part B of title XVIII of such Act until the Secretary
23 has published proposed and final rules outlining the proc-
24 ess for the exercise of such authority.

1 (d) INTENTION TO DELAY VOLUME CAPS FOR HOS-
2 PITAL OUTPATIENT SERVICES.—Congress finds that the
3 Secretary of Health and Human Services has the author-
4 ity to delay, and should delay for a period of 2 years, im-
5 plementation of a volume cap for hospital outpatient serv-
6 ices under part B of title XVIII of such Act.

7 (e) INTENTION TO PROTECT HOSPITALS FROM
8 RECOUPMENT RESULTING FROM ERRORS BY FISCAL
9 INTERMEDIARIES IN CERTAIN DSH DETERMINATIONS.—

10 (1) IN GENERAL.—Congress finds that the Sec-
11 retary of Health and Human Services has the au-
12 thority to not seek recoupment of (or otherwise to
13 reduce, disallow, or adjust payments), and should
14 not seek to recoup, payments that result from an
15 error of a fiscal intermediary in providing for the
16 treatment described in paragraph (2) for discharges
17 occurring before October 1, 1998.

18 (2) TREATMENT DESCRIBED.—The treatment
19 described in this paragraph is that, in calculating
20 the disproportionate patient percentage (as defined
21 in section 1886(d)(5)(F)(vi) of such Act) of a hos-
22 pital, patient days for individuals eligible for general
23 assistance under the laws of the State in which the
24 hospital is located, for purposes of subclause (II) of
25 such section, consist of patients who (for such days)

1 were eligible for medical assistance under a State
2 plan approved under title XIX of such Act.

3 **TITLE I—PROVISIONS RELATING**
4 **TO PART A**
5 **Subtitle A—PPS Hospitals**

6 **SEC. 101. ONE-YEAR DELAY IN TRANSITION FOR INDIRECT**
7 **MEDICAL EDUCATION (IME) PERCENTAGE**
8 **ADJUSTMENT.**

9 (a) IN GENERAL.—Section 1886(d)(5)(B)(ii) (42
10 U.S.C. 1395ww(d)(5)(B)(ii)), as amended by section
11 4621(a)(1) of BBA, is amended—

12 (1) in subclause (IV), by inserting “and 2001”
13 after “2000”; and

14 (2) by striking “2000” in subclause (V) and in-
15 serting “2001”.

16 (b) CONFORMING AMENDMENT RELATING TO DE-
17 TERMINATION OF STANDARDIZED AMOUNT.—Section
18 1886(d)(2)(C)(i) (42 U.S.C. 1395ww(d)(2)(C)(i)), as
19 amended by section 4621(a)(2) of BBA, is amended by
20 inserting “or any additional payments under such para-
21 graph resulting from the amendment made by section
22 101(a) of Medicare Balanced Budget Refinement Act of
23 1999” after “Balanced Budget Act of 1997”.

1 **Subtitle B—PPS Exempt Hospitals**

2 **SEC. 111. WAGE ADJUSTMENT OF PERCENTILE CAP FOR** 3 **PPS-EXEMPT HOSPITALS.**

4 (a) IN GENERAL.—Section 1886(b)(3)(H) (42 U.S.C.
5 1395ww(b)(3)(H)), as amended by section 4414 of BBA,
6 is amended—

7 (1) in clause (i), by inserting “, as adjusted
8 under clause (iii)”,

9 (2) in clause (ii), by striking “clause (i)” and
10 “such clause” and inserting “subclause (I)” and
11 “such subclause” respectively,

12 (3) by striking “(H)(i)” and inserting “(ii)(I)”,

13 (4) by redesignating clauses (ii) and (iii) as
14 subclauses (II) and (III),

15 (5) by inserting after clause (ii), as so redesign-
16 nated, the following new clause:

17 “(iii) In applying clause (ii)(I) in the case of a hos-
18 pital or unit, the Secretary shall provide for an appro-
19 priate adjustment to the labor-related portion of the
20 amount determined under such subparagraph to take into
21 account differences between average wage-related costs in
22 the area of the hospital and the national average of such
23 costs within the same class of hospital.”,

24 and

1 (6) by inserting before clause (ii), as so redesignated, the following new clause:

2
3 “(H)(i) In the case of a hospital or unit that is within
4 a class of hospital described in clause (iv), for a cost reporting period beginning during fiscal years 1998 through
5 2002, the target amount for such a hospital or unit may
6 not exceed the amount as updated up to or for such cost
7 reporting period under clause (ii).”

8
9 (b) EFFECTIVE DATE.—The amendments made by
10 subsection (a) apply to cost reporting periods beginning
11 on or after October 1, 1999.

12 **SEC. 112. ENHANCED PAYMENTS FOR LONG-TERM CARE**
13 **AND PSYCHIATRIC HOSPITALS UNTIL DEVELOPMENT OF PROSPECTIVE PAYMENT SYSTEMS FOR THOSE HOSPITALS.**

14
15
16 Section 1886(b)(2) (42 U.S.C. 1395ww(b)(2)), as
17 added by section 4415(b) of BBA, is amended—

18 (1) in subparagraph (A), by striking “In addition to” and inserting “Except as provided in subparagraph (E), in addition to”; and

19
20
21 (2) by adding at the end the following new subparagraph:

22
23 “(E)(i) In the case of an eligible hospital that is a
24 hospital or unit that is within a class of hospital described
25 in clause (ii) with a 12-month cost reporting period begin-

1 ning before the enactment of this subparagraph, in deter-
 2 mining the amount of the increase under subparagraph
 3 (A), the Secretary shall substitute for the percentage of
 4 the target amount applicable under subparagraph
 5 (A)(ii)—

6 “(I) for a cost reporting period beginning on or
 7 after October 1, 2000, and before September 30,
 8 2001, 1.5 percent; and

9 “(II) for a cost reporting period beginning on
 10 or after October 1, 2001, and before September 30,
 11 2002, 2 percent.

12 “(ii) For purposes of clause (i), each of the following
 13 shall be treated as a separate class of hospital:

14 “(I) Hospitals described in clause (i) of sub-
 15 section (d)(1)(B) and psychiatric units described in
 16 the matter following clause (v) of such subsection.

17 “(II) Hospitals described in clause (iv) of such
 18 subsection.”.

19 **SEC. 113. PER DISCHARGE PROSPECTIVE PAYMENT SYS-**
 20 **TEM FOR LONG-TERM CARE HOSPITALS.**

21 (a) DEVELOPMENT OF SYSTEM.—

22 (1) IN GENERAL.—The Secretary of Health and
 23 Human Services shall develop a per discharge pro-
 24 spective payment system for payment for inpatient
 25 hospital services of long-term care hospitals de-

1 scribed in section 1886(d)(1)(B)(iv) of the Social Se-
2 curity Act (42 U.S.C. 1395ww(d)(1)(B)(iv)) under
3 the medicare program. Such system shall include an
4 adequate patient classification system that reflects
5 the differences in patient resource use and costs and
6 shall maintain budget neutrality.

7 (2) COLLECTION OF DATA AND EVALUATION.—
8 In developing the system described in paragraph (1),
9 the Secretary may require such long-term care hos-
10 pitals to submit such information to the Secretary as
11 the Secretary may require to develop the system.

12 (b) REPORT.—Not later than October 1, 2001, the
13 Secretary shall submit to the appropriate committees of
14 Congress a report that includes a description of the system
15 developed under subsection (a)(1).

16 (c) IMPLEMENTATION OF PROSPECTIVE PAYMENT
17 SYSTEM.—Notwithstanding section 1886(b)(3) of the So-
18 cial Security Act (42 U.S.C. 1395ww(b)(3)), the Secretary
19 shall provide, for cost reporting periods beginning on or
20 after October 1, 2002, for payments for inpatient hospital
21 services furnished by long-term care hospitals and units
22 under title XVIII of the Social Security Act (42 U.S.C.
23 1395 et seq.) in accordance with the system described in
24 subsection (a).

1 **SEC. 114. PER DIEM PROSPECTIVE PAYMENT SYSTEM FOR**
2 **PSYCHIATRIC HOSPITALS.**

3 (a) DEVELOPMENT OF SYSTEM.—

4 (1) IN GENERAL.—The Secretary of Health and
5 Human Services shall develop a per diem prospective
6 payment system for payment for inpatient hospital
7 services of psychiatric hospitals and units (as de-
8 fined in paragraph (3)) under the medicare pro-
9 gram. Such system shall include an adequate patient
10 classification system that reflects the differences in
11 patient resource use and costs among such hospitals
12 and shall maintain budget neutrality.

13 (2) COLLECTION OF DATA AND EVALUATION.—

14 In developing the system described in paragraph (1),
15 the Secretary may require such psychiatric hospitals
16 and units to submit such information to the Sec-
17 retary as the Secretary may require to develop the
18 system.

19 (3) DEFINITION.—In this section, the term
20 “psychiatric hospitals and units” means a psy-
21 chiatric hospital described in clause (i) of section
22 1886(d)(1)(B) of the Social Security Act (42 U.S.C.
23 1395ww(d)(1)(B)) and psychiatric units described in
24 the matter following clause (v) of such section.

25 (b) REPORT.—Not later than October 1, 2001, the
26 Secretary shall submit to the appropriate committees of

1 Congress a report that includes a description of the system
2 developed under subsection (a)(1).

3 (c) IMPLEMENTATION OF PROSPECTIVE PAYMENT
4 SYSTEM.—Notwithstanding section 1886(b)(3) of the So-
5 cial Security Act (42 U.S.C. 1395ww(b)(3)), the Secretary
6 shall provide, for cost reporting periods beginning on or
7 after October 1, 2002, for payments for inpatient hospital
8 services furnished by psychiatric hospitals and units under
9 title XVIII of the Social Security Act (42 U.S.C. 1395
10 et seq.) in accordance with the prospective payment sys-
11 tem established by the Secretary under this section.

12 **Subtitle C—Adjustments to PPS**
13 **Payments for Skilled Nursing**
14 **Facilities**

15 **SEC. 121. TEMPORARY INCREASE IN PAYMENT FOR CER-**
16 **TAIN HIGH COST PATIENTS.**

17 (a) ADJUSTMENT FOR MEDICALLY COMPLEX PA-
18 TIENTS UNTIL ESTABLISHMENT OF REFINED CASE-MIX
19 ADJUSTMENT.—For purposes of computing payments for
20 covered skilled nursing facility payments under paragraph
21 (1) of section 1888(e) of the Social Security Act (42
22 U.S.C. 1395yy(e)), as added by section 4432(a) of BBA,
23 for such services furnished on or after April 1, 2000, and
24 before October 1, 2000, the Secretary of Health and
25 Human Services shall increase by 10 percent the adjusted

1 Federal per diem rate otherwise determined under para-
 2 graph (4) of such section (but for this section) for covered
 3 skilled nursing facility services for RUG–III groups de-
 4 scribed in subsection (b) furnished to an individual enti-
 5 tled to benefits under part A of title XVIII of such Act
 6 during the period in which such individual is classified in
 7 such a RUG–III category.

8 (b) GROUPS DESCRIBED.—The RUG–III groups for
 9 which the adjustment described in subsection (a) applies
 10 are SE3, SE2, SE1, SSC, SSB, SSA, CC2, CC1, CB2,
 11 CB1, CA2, and CA1, as specified in Tables 3 and 4 of
 12 the final rule published in the Federal Register by the
 13 Health Care Financing Administration on July 30, 1999
 14 (64 FR 41684).

15 **SEC. 122. MARKET BASKET INCREASE.**

16 Section 1888(e)(4)(E)(ii) (42 U.S.C.
 17 1395yy(e)(4)(E)(ii)) is amended—

18 (1) by redesignating subclause (III) as sub-
 19 clause (IV); and

20 (2) by striking subclause (II) and inserting
 21 after subclause (I) the following:

22 “(II) for fiscal year 2001, the
 23 rate computed for fiscal year 2000
 24 (determined without regard to section
 25 121 of the Medicare Balanced Budget

1 Refinement Act of 1999) increased by
 2 the skilled nursing facility market
 3 basket percentage change for the fis-
 4 cal year involved plus 0.8 percentage
 5 point;

6 “(III) for fiscal year 2002, the
 7 rate computed for the previous fiscal
 8 year increased by the skilled nursing
 9 facility market basket percentage
 10 change for the fiscal year involved
 11 minus 1 percentage point; and”.

12 **SEC. 123. AUTHORIZING FACILITIES TO ELECT IMMEDIATE**
 13 **TRANSITION TO FEDERAL RATE.**

14 (a) IN GENERAL.—Section 1888(e) (42 U.S.C.
 15 1395yy(e)), as added by section 4432(a) of BBA, is
 16 amended—

17 (1) in paragraph (1), in the matter preceding
 18 subparagraph (A), by striking “paragraph (7)” and
 19 inserting “paragraphs (7) and (11)”; and

20 (2) by adding at the end the following new
 21 paragraph:

22 “(11) PERMITTING FACILITIES TO WAIVE 3-
 23 YEAR TRANSITION.—Notwithstanding paragraph
 24 (1)(A), a facility may elect to have the amount of
 25 the payment for all costs of covered skilled nursing

1 facility services for each day of such services fur-
 2 nished in cost reporting periods beginning after the
 3 date of such election determined pursuant to sub-
 4 paragraph (B) of paragraph (1).”.

5 (b) **EFFECTIVE DATE.**—The amendments made by
 6 subsection (a) shall apply to elections made more than 60
 7 days after the date of enactment of this Act.

8 **SEC. 124. PART A PASS-THROUGH PAYMENT FOR CERTAIN**
 9 **AMBULANCE SERVICES, PROSTHESES, AND**
 10 **CHEMOTHERAPY DRUGS.**

11 (a) **IN GENERAL.**—Section 1888(e) (42 U.S.C.
 12 1395yy(e)), as added by section 4432(a) of BBA, is
 13 amended—

14 (1) in paragraph (2)(A)(i)(II), by striking
 15 “services described in clause (ii)” and inserting
 16 “items and services described in clauses (ii) and
 17 (iii)”;

18 (2) by adding at the end of paragraph (2)(A)
 19 the following new clause:

20 “(iii) **EXCLUSION OF CERTAIN ADDI-**
 21 **TIONAL ITEMS.**—Items described in this
 22 clause are the following:

23 “(I) Ambulance services de-
 24 scribed in section 1861(s)(2)(F) fur-

1 nished to an individual in conjunction
2 renal dialysis services.

3 “(II) Chemotherapy items (iden-
4 tified as of July 1, 1999, by HCPCS
5 codes J9000–J9020; J9040–J9151;
6 J9170–J9185; J9200–J9201; J9206–
7 J9208; J9211; J9230–J9245; and
8 J9265–J9600 (and as subsequently
9 modified by the Secretary)).

10 “(III) Chemotherapy administra-
11 tion services (identified as of July 1,
12 1999, by HCPCS codes 36260–
13 36262; 36489; 36530–36535; 36640;
14 36823; and 96405–96542 (and as
15 subsequently modified by the Sec-
16 retary)).

17 “(IV) Radioisotope services
18 (identified as of July 1, 1999, by
19 HCPCS codes 79030–79440 (and as
20 subsequently modified by the Sec-
21 retary)).

22 “(V) Durable medical equipment
23 (commonly known as artificial limbs)
24 classified as customized prosthetic de-
25 vices under the following HCPCS

1 codes (as of July 1, 1999 (and as sub-
2 sequently modified by the Secretary))
3 if delivered to an inpatient for use
4 during the stay in the extended care
5 facility and intended to be used by the
6 patient after discharge from the facil-
7 ity: L5050–L5340; L5500–L5610;
8 L5613–L5986; L5988; L6050–
9 L6370; L6400–L6880; L6920–
10 L7274; and L7362–7366.”; and

11 (3) by adding at the end of paragraph (9), the
12 following: “In the case of an item described in clause
13 (iii) of paragraph (2)(A) that would be payable
14 under part A but for the exclusion of such item
15 under such clause, payment shall be made in an
16 amount otherwise provided under this title for the
17 item from the Federal Hospital Insurance Trust
18 Fund under section 1817 (rather than from the
19 Federal Supplementary Medical Insurance Trust
20 Fund under section 1841).”.

21 (b) CONFORMING FOR BUDGET NEUTRALITY FOR
22 FISCAL YEAR 2001.—Section 1888(e)(4)(G) (42 U.S.C.
23 1395yy(e)(4)(G)) is amended by adding at the end the fol-
24 lowing new clause:

1 “(iii) ADJUSTMENT FOR EXCLUSION
 2 OF CERTAIN ADDITIONAL ITEMS.—The
 3 Secretary shall provide for an appropriate
 4 proportional reduction in payments so that
 5 beginning with fiscal year 2001, the aggregate
 6 amount of such reductions is equal to
 7 the aggregate increase in payments attributable
 8 to the exclusion effected under
 9 clause (iii) of paragraph (2)(A).”.

10 (c) EFFECTIVE DATE.—The amendments made by
 11 subsection (a) shall apply to payments made for items furnished
 12 on or after April 1, 2000.

13 **SEC. 125. PROVISION FOR PART B ADD-ONS FOR FACILITIES PARTICIPATING IN THE NHCMQ DEMONSTRATION PROJECT.**

16 (a) IN GENERAL.—Subsection 1888(e)(3) (42 U.S.C.
 17 1395yy(e)(3)), as added by section 4432(a) of BBA, is
 18 amended—

19 (1) in subparagraph (A)—

20 (A) in clause (i), by inserting “or, in the
 21 case of a facility participating in the Nursing
 22 Home Case-Mix and Quality Demonstration
 23 (RUGS–III), the RUGS–III rate received by
 24 the facility during the cost reporting period be-

1 ginning in 1997” after “to nonsettled cost re-
2 ports”; and

3 (B) in clause (ii), by striking “furnished
4 during such period” and inserting “furnished
5 during the applicable cost reporting period de-
6 scribed in clause (i)”.

7 (2) in subparagraph (B), to read as follows:

8 “(B) UPDATE TO FIRST COST REPORTING
9 PERIOD.—The Secretary shall update the
10 amount determined under subparagraph (A),
11 for each cost reporting period after the applica-
12 ble cost reporting period described in subpara-
13 graph (A)(i) and up to the first cost reporting
14 period by a factor equal to the skilled nursing
15 facility market basket percentage increase
16 minus 1 percentage point (except that for the
17 cost reporting period beginning in fiscal year
18 2001, the factor shall be equal to such market
19 basket percentage plus 0.8 percentage point).”.

20 (b) EFFECTIVE DATE.—The amendments made by
21 subsection (a) shall be effective as if included in the enact-
22 ment of section 4432(a) of BBA.

1 **TITLE II—PROVISIONS**
2 **RELATING TO PART B**
3 **Subtitle A—Adjustments to**
4 **Physician Payment Updates**

5 **SEC. 201. MODIFICATION OF UPDATE ADJUSTMENT FAC-**
6 **TOR PROVISIONS TO REDUCE UPDATE OSCIL-**
7 **LATIONS AND ALLOW FOR ESTIMATE REVI-**
8 **SIONS.**

9 (a) UPDATE ADJUSTMENT FACTOR.—

10 (1) IN GENERAL.—Section 1848(d) (42 U.S.C.
11 1395w-4(d)) is amended—

12 (A) in paragraph (3)—

13 (i) in the heading, by inserting “FOR
14 1999” after “UPDATE”;

15 (ii) in subparagraph (A), by striking
16 “a year beginning with 1999” and insert-
17 ing “1999”; and

18 (iii) in subparagraph (C), by inserting
19 “and paragraph (4)” after “For purposes
20 of this paragraph”; and

21 (B) by adding at the end the following new
22 paragraph:

23 “(4) UPDATE FOR YEARS BEGINNING WITH
24 2000.—

1 “(A) IN GENERAL.—Unless otherwise pro-
2 vided by law, subject to the budget-neutrality
3 factor determined by the Secretary under sub-
4 section (c)(2)(B)(ii), the update to the single
5 conversion factor established in paragraph
6 (1)(C) for a year beginning with 2000 is equal
7 to the product of—

8 “(i) 1 plus the Secretary’s estimate of
9 the percentage increase in the MEI (as de-
10 fined in section 1842(i)(3)) for the year
11 (divided by 100), and

12 “(ii) 1 plus the Secretary’s estimate of
13 the update adjustment factor under sub-
14 paragraph (B) for the year.

15 “(B) UPDATE ADJUSTMENT FACTOR.—For
16 purposes of subparagraph (A)(ii), subject to
17 subparagraph (D), the ‘update adjustment fac-
18 tor’ for a year is equal (as estimated by the
19 Secretary) to the sum of the following:—

20 “(i) PAST YEAR ADJUSTMENT.—An
21 amount determined by—

22 “(I) computing the difference
23 (which may be positive or negative)
24 between the amount of the allowed ex-
25 penditures for physicians’ services for

1 the prior year (as determined under
2 subparagraph (C)) and the amount of
3 the actual expenditures for such serv-
4 ices for that year;

5 “(II) dividing that difference by
6 the amount of the actual expenditures
7 for such services for that year; and

8 “(III) multiplying that quotient
9 by 0.75.

10 “(ii) CUMULATIVE ADJUSTMENT.—An
11 amount determined by—

12 “(I) computing the difference
13 (which may be positive or negative)
14 between the amount of the allowed ex-
15 penditures for physicians’ services (as
16 determined under subparagraph (C))
17 from April 1, 1996, through the end
18 of the prior year and the amount of
19 the actual expenditures for such serv-
20 ices during that period;

21 “(II) dividing that difference by
22 actual expenditures for such services
23 for the prior year as increased by the
24 sustainable growth rate under sub-
25 section (f) for the year for which the

1 update adjustment factor is to be de-
2 termined; and

3 “(III) multiplying that quotient
4 by 0.33.

5 “(C) DETERMINATION OF ALLOWED EX-
6 PENDITURES.—For purposes of this
7 paragraph—

8 “(i) PERIOD UP TO APRIL 1, 1999.—
9 The allowed expenditures for physicians’
10 services for periods before April 1, 1999,
11 shall be the Secretary’s estimate of the
12 amount of the allowed expenditures as de-
13 termined under paragraph (3)(C).

14 “(ii) TRANSITION IN CALENDAR YEAR
15 1999.—The allowed expenditures for—

16 “(I) the 9-month period begin-
17 ning April 1, 1999, shall be the Sec-
18 retary’s estimate of the amount of the
19 allowed expenditures that would be
20 permitted under paragraph (3)(C) for
21 such period; and

22 “(II) the year of 1999, shall be
23 the Secretary’s estimate of the
24 amount of the allowed expenditures

1 that would be permitted under para-
2 graph (3)(C) for such year.

3 The Secretary shall estimate the amounts
4 under subclauses (I) and (II) of this clause
5 in a manner so that the expenditures
6 under this part for physicians' services be-
7 ginning with 2000 are not greater or less
8 than the expenditures that would have
9 been made under this part for such serv-
10 ices if the amendments made by section
11 201 of the Medicare Balanced Budget Re-
12 finement Act of 1999 had been enacted.

13 “(iii) YEARS BEGINNING WITH 2000.—
14 The allowed expenditures for a year (be-
15 ginning with 2000) is equal to the allowed
16 expenditures for physicians' services for
17 the previous year, increased by the sustain-
18 able growth rate under subsection (f) for
19 the year involved.

20 “(D) RESTRICTION ON UPDATE ADJUST-
21 MENT FACTOR.—The update adjustment factor
22 determined under subparagraph (B) for a year
23 may not be less than -0.07 or greater than
24 0.03.”.

25 (2) PUBLICATION CHANGE.—

1 (A) IN GENERAL.—Section 1848(d)(1) (42
2 U.S.C. 1395w-4(d)(1)) by amending subpara-
3 graph (E) to read as follows:

4 “(E) PUBLICATION.—The Secretary shall
5 cause to have published in the Federal Register
6 not later than—

7 “(i) November 1 of each year (begin-
8 ning with 1999) the conversion factor
9 which will apply to physicians’ services for
10 the succeeding year and the update deter-
11 mined under paragraph (4) for such suc-
12 ceeding year and the allowed expenditures
13 under such paragraph for such succeeding
14 year; and

15 “(ii) April 1 of each year (beginning
16 with 2000) an estimate of the conversion
17 factor which will apply to physicians’ serv-
18 ices for the succeeding year.

19 Such publication under clause (i) for November
20 1, 1999, shall include the allowed expenditures
21 for the 9-month period beginning on April 1,
22 1999, and for 1999, as described in subclauses
23 (I) and (II) of paragraph (4)(C)(ii), and the es-
24 timated actual expenditures for 1999.”.

1 (B) MEDPAC REVIEW OF CONVER-
2 SION FACTOR ESTIMATES.—Section
3 1805(b)(1)(D) (42 U.S.C. 1395b-
4 6(b)(1)(D)) is amended by inserting “and
5 including a review of the estimate of the
6 conversion factor submitted under section
7 1848(d)(1)(E)(ii)” before the period at the
8 end.

9 (3) CONFORMING AMENDMENTS.—

10 (A) Section 1848 (42 U.S.C. 1395w-4) is
11 amended—

12 (i) in subsection (d)(1)(A), by insert-
13 ing “(for years before 2000) and, for years
14 beginning with 2000, multiplied by the up-
15 date (established under paragraph (4)) for
16 the year involved” after “for the year in-
17 volved”; and

18 (ii) in subsection (f)(2)(D), by insert-
19 ing “or (d)(4)(B), as the case may be”
20 after “(d)(3)(B)”.

21 (B) Section 1842(k)(4)(A)(i)(VII) (42
22 U.S.C. 1395u(k)(4)(A)(i)(VII)) is amended by
23 striking “1848(d)(3)” and inserting “1848(d)”.

24 (b) SUSTAINABLE GROWTH RATES.—Section 1848(f)
25 (42 U.S.C. 1395w-4(f)) is amended—

1 (1) by amending paragraph (1) to read as fol-
2 lows:

3 “(1) PUBLICATION.—The Secretary shall cause
4 to have published in the Federal Register not later
5 than—

6 “(A) November 1, 1999, the sustainable
7 growth rate for 2000;

8 “(B) November 1, 2000, the sustainable
9 growth rate for 2000 and 2001; and

10 “(C) November 1 of each succeeding year
11 the sustainable growth rate for such succeeding
12 year and each of the preceding 2 years.”;

13 (2) in paragraph (2)—

14 (A) in the matter before subparagraph (A),
15 by striking “fiscal year 1998)” and inserting
16 “fiscal year 1998 and ending with fiscal year
17 2000) and for a year beginning with 2000”;

18 (B) in subparagraph (A), by inserting “or
19 year” after “fiscal year”;

20 (C) in subparagraphs (B) and (C), by in-
21 serting “or from the previous year to the year
22 involved (as the case may be)” after “fiscal year
23 involved”; and

24 (D) in subparagraph (D), by inserting “in
25 the year (compared with the previous year), as

1 the case may be,” after “in the fiscal year
2 (compared with the previous fiscal year)”;

3 (3) by redesignating paragraph (3) as para-
4 graph (4); and

5 (4) by inserting after paragraph (3) the fol-
6 lowing new paragraph:

7 “(3) DATA TO BE USED.—For purposes of de-
8 termining the update adjustment factor under sub-
9 section (d)(4)(B) and allowed expenditures under
10 subsection (d)(4)(C) for a year beginning with 2000,
11 the sustainable growth rate for each year taken into
12 consideration in the determination under paragraph
13 (2) shall be determined as follows:

14 “(A) FOR 2000.—For purposes of such cal-
15 culations for 2000, the sustainable growth rate
16 for such year shall be determined on the basis
17 of the best data available to the Secretary as of
18 September 1, 1999.

19 “(B) FOR 2001.—For purposes of such cal-
20 culations for 2001, the sustainable growth rate
21 for 2000 and 2001 shall be determined on the
22 basis of the best data available to the Secretary
23 as of September 1, 2000.

24 “(C) FOR 2002.—For purposes of such cal-
25 culations for 2002, the sustainable growth rate

1 for 2000, 2001, and 2002 shall be determined
2 on the basis of the best data available to the
3 Secretary as of September 1, 2001.

4 “(D) FOR 2003 AND SUCCEEDING YEARS.—
5 For purposes of such calculations for a year
6 after 2002, the sustainable growth rate for—

7 “(i) that year and the preceding 2
8 years shall be determined on the basis of
9 the best data available to the Secretary as
10 of September 1 of the year preceding the
11 year for which the calculation is made; and

12 “(ii) any year before a year described
13 in clause (i) shall be the rate as most re-
14 cently determined for that year under sub-
15 paragraph (C) or clause (i) of this sub-
16 paragraph (as the case may be) and shall
17 not be changed based upon any change in
18 the data available.

19 Nothing in this paragraph shall be construed as af-
20 fecting the sustainable growth rates established for
21 years before 2000.”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall be effective in determining the conversion
24 factor under section 1848(d) of the Social Security Act
25 for years beginning with 2000 and shall not apply to or

1 affect any update (or any update adjustment factor) for
 2 any year before 2000.

3 **Subtitle B—Hospital Outpatient**
 4 **Services**

5 **SEC. 211. OUTLIER ADJUSTMENT AND TRANSITIONAL PASS-**
 6 **THROUGH FOR CERTAIN MEDICAL DEVICES,**
 7 **DRUGS, AND BIOLOGICALS.**

8 (a) OUTLIER ADJUSTMENT.—Section 1833(t) (42
 9 U.S.C. 1395l(t)), as added by section 4523(a) of BBA,
 10 is amended—

11 (1) by redesignating paragraphs (5) through
 12 (9) as paragraphs (7) through (11), respectively;
 13 and

14 (2) by inserting after paragraph (4) the fol-
 15 lowing new paragraph:

16 “(5) OUTLIER ADJUSTMENT.—

17 “(A) IN GENERAL.—The Secretary shall
 18 provide for an additional payment for each cov-
 19 ered OPD service (or group of services) for
 20 which a hospital’s charges, adjusted to cost,
 21 exceed—

22 “(i) a fixed multiple of the sum of—

23 “(I) the applicable Medicare
 24 OPD fee schedule amount determined
 25 under paragraph (3)(D), as adjusted

1 under paragraph (4)(A) (other than
2 for adjustments under this paragraph
3 or paragraph (6)); and

4 “(II) any transitional pass-
5 through payment under paragraph
6 (6); and

7 “(ii) at the option of the Secretary,
8 such fixed dollar amount as the Secretary
9 may establish.

10 “(B) AMOUNT OF ADJUSTMENT.—The
11 amount of the additional payment under sub-
12 paragraph (A) shall be determined by the Sec-
13 retary and shall approximate the marginal cost
14 of care beyond the applicable cutoff point under
15 such subparagraph.

16 “(C) LIMIT ON AGGREGATE OUTLIER AD-
17 JUSTMENTS.—

18 “(i) IN GENERAL.—The total of the
19 additional payments made under this para-
20 graph for covered OPD services furnished
21 in a year (as projected or estimated by the
22 Secretary before the beginning of the year)
23 may not exceed the applicable percentage
24 (specified in clause (ii)) of the total pro-
25 gram payments projected or estimated to

1 be made under this subsection for all cov-
2 ered OPD services furnished in that year.
3 If this paragraph is first applied to less
4 than a full year, the previous sentence
5 shall apply only to the portion of such
6 year.

7 “(ii) APPLICABLE PERCENTAGE.—For
8 purposes of clause (i), the term ‘applicable
9 percentage’ means a percentage specified
10 by the Secretary up to (but not to ex-
11 ceed)—

12 “(I) for a year (or portion of a
13 year) before 2004, 2.5 percent; and

14 “(II) for 2004 and thereafter,
15 3.0 percent.”.

16 (b) TRANSITIONAL PASS-THROUGH FOR ADDITIONAL
17 COSTS OF INNOVATIVE MEDICAL DEVICES, DRUGS, AND
18 BIOLOGICALS.—Such section is further amended by in-
19 serting after paragraph (5) the following new paragraph:

20 “(6) TRANSITIONAL PASS-THROUGH FOR ADDI-
21 TIONAL COSTS OF INNOVATIVE MEDICAL DEVICES,
22 DRUGS, AND BIOLOGICALS.—

23 “(A) IN GENERAL.—The Secretary shall
24 provide for an additional payment under this
25 paragraph for a covered OPD service (or group

1 of services) that includes the provision of any of
2 the following:

3 “(i) CURRENT ORPHAN DRUGS.—A
4 drug or biological that is used for a rare
5 disease or condition with respect to which
6 the drug or biological has been designated
7 as an orphan drug under section 526 of
8 the Federal Food, Drug and Cosmetic Act
9 if payment for the drug or biological as an
10 outpatient hospital service under this part
11 was being made on the first date that the
12 system under this subsection is imple-
13 mented.

14 “(ii) CURRENT CANCER THERAPY
15 DRUGS AND BIOLOGICALS.—A drug or bio-
16 logical that is used in cancer therapy, in-
17 cluding a chemotherapeutic agent,
18 antiemetic, hematopoietic growth factor,
19 colony stimulating factor, and a biological
20 response modifier, if payment for the drug
21 or biological as an outpatient hospital serv-
22 ice under this part was being made on
23 such first date.

24 “(iii) NEW MEDICAL DEVICES, DRUGS,
25 AND BIOLOGICALS.—A medical device,

1 drug, or biological not described in clause
2 (i) or (ii) if—

3 “(I) payment for the device,
4 drug, or biological as an outpatient
5 hospital services under this part was
6 not being made as of December 31,
7 1996; and

8 “(II) the cost of the device, drug,
9 or biological is not insignificant in re-
10 lation to the OPD fee schedule
11 amount (as calculated under para-
12 graph (3)(D)) payable for the service
13 (or group of services) involved.

14 “(B) LIMITED PERIOD OF PAYMENT.—The
15 payment under this paragraph with respect to
16 a medical device, drug, or biological shall only
17 apply during a period of at least 2 years, but
18 not more than 3 years, that begins—

19 “(i) on the first date this subsection is
20 implemented in the case of a drug or bio-
21 logical described in clause (i) or (ii) of sub-
22 paragraph (A) and in the case of a device,
23 drug, or biological described in subpara-
24 graph (A)(iii) for which payment under

1 this part is made as an outpatient hospital
2 service before such first date; or

3 “(ii) in the case of a device, drug, or
4 biological described in subparagraph
5 (A)(iii) not described in clause (i), on the
6 first date on which payment is made under
7 this part for the device, drug, or biological
8 as an outpatient hospital service.

9 “(C) AMOUNT OF ADDITIONAL PAY-
10 MENT.—Subject to subparagraph (D)(iii), the
11 amount of the payment under this paragraph
12 with respect to a device, drug, or biological pro-
13 vided as part of a covered OPD service is—

14 “(i) in the case of a drug or biological,
15 the amount by which the amount deter-
16 mined under section 1842(o) for the drug
17 or biological exceeds the portion of the oth-
18 erwise applicable medicare OPD fee sched-
19 ule that the Secretary determines is associ-
20 ated with the drug or biological; or

21 “(ii) in the case of a medical device,
22 the amount by which the hospital’s charges
23 for the device, adjusted to cost, exceeds the
24 portion (described in clause (i)) associated
25 with the device.

1 “(D) LIMIT ON AGGREGATE ANNUAL AD-
2 JUSTMENT.—

3 “(i) IN GENERAL.—The total of the
4 additional payments made under this para-
5 graph for covered OPD services furnished
6 in a year (as projected or estimated by the
7 Secretary before the beginning of the year)
8 may not exceed the applicable percentage
9 (specified in clause (ii)) of the total pro-
10 gram payments projected or estimated to
11 be made under this subsection for all cov-
12 ered OPD services furnished in that year.
13 If this paragraph is first applied to less
14 than a full year, the previous sentence
15 shall apply only to the portion of such
16 year.

17 “(ii) APPLICABLE PERCENTAGE.—For
18 purposes of clause (i), the term ‘applicable
19 percentage’ means—

20 “(I) for a year (or portion of a
21 year) before 2004, 2.5 percent; and

22 “(II) for 2004 and thereafter, a
23 percentage specified by the Secretary
24 up to (but not to exceed) 2.0 percent.

1 “(iii) UNIFORM PROSPECTIVE REDUC-
2 TION IF AGGREGATE LIMIT PROJECTED TO
3 BE EXCEEDED.—If the Secretary projects
4 or estimates before the beginning of a year
5 that the amount of the additional pay-
6 ments under this paragraph for the year
7 (or portion thereof) as determined under
8 clause (i) without regard to this clause)
9 will exceed the limit established under such
10 clause, the Secretary shall reduce pro rata
11 the amount of each of the additional pay-
12 ments under this paragraph for that year
13 (or portion thereof) in order to ensure that
14 the aggregate additional payments under
15 this paragraph (as so projected or esti-
16 mated) do not exceed such limit.”.

17 (c) APPLICATION OF NEW ADJUSTMENTS ON A
18 BUDGET NEUTRAL BASIS.—Section 1833(t)(2)(E) (42
19 U.S.C. 1395l(t)(2)(E)) is amended by striking “other ad-
20 justments, in a budget neutral manner, as determined to
21 be necessary to ensure equitable payments, such a outlier
22 adjustments or” and inserting “, in a budget neutral man-
23 ner, outlier adjustments under paragraph (5) and transi-
24 tional pass-through payments under paragraph (6) and

1 other adjustments as determined to be necessary to ensure
2 equitable payments, such as”.

3 (d) LIMITATION ON JUDICIAL REVIEW FOR NEW AD-
4 JUSTMENTS.—Section 1833(t)(11), as redesignated by
5 subsection (a)(1), is amended—

6 (1) by striking “and” at the end of subpara-
7 graph (C);

8 (2) by striking the period at the end of sub-
9 paragraph (D) and inserting “; and”; and

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

11 “(E) the determination of the fixed mul-
12 tiple, or a fixed dollar cutoff amount, the mar-
13 ginal cost of care, or applicable percentage
14 under paragraph (5) or the determination of in-
15 significance of cost, the duration of the addi-
16 tional payments (consistent with paragraph
17 (6)(B)), the portion of the Medicare OPD fee
18 schedule amount associated with particular de-
19 vices, drugs, or biologicals, and the application
20 of any pro rata reduction under paragraph
21 (6).”.

22 (e) INCLUSION OF MEDICAL DEVICES UNDER SYS-
23 TEM.—Section 1833(t)(1)(B) (42 U.S.C. 1395l(t)(1)(B))
24 is amended—

1 (1) in clause (ii), by striking “clause (iii)” and
2 inserting “clause (iv)” and by striking “but”; and

3 (2) by redesignating clause (iii) as clause (iv)
4 and inserting after clause (ii) the following new
5 clause:

6 “(iii) includes medical devices (such
7 as implantable medical devices); but”.

8 (f) AUTHORIZING PAYMENT WEIGHTS BASED ON
9 MEAN HOSPITAL COSTS.—Section 1833(t)(2)(C) (42
10 U.S.C. 1395l(t)(2)(C)) is amended by inserting “(or, at
11 the election of the Secretary, mean)” after “median”.

12 (g) LIMITING VARIATION OF COSTS OF SERVICES
13 CLASSIFIED WITH A GROUP.—Section 1833(t)(2) (42
14 U.S.C. 1395l(t)(2)) is amended by adding at the end the
15 following: “For purposes of subparagraph (B), items and
16 services within a group shall not be treated as ‘comparable
17 with respect to the use of resources’ if the highest median
18 cost (or mean cost, if elected by the Secretary under sub-
19 paragraph (C)) for an item or service within the group
20 is more than 2 times greater than the lowest median cost
21 (or mean cost, if so elected) for an item or service within
22 the group; except that the Secretary may make exceptions
23 in unusual cases, such as low volume items and services.”.

24 (h) ANNUAL REVIEW OF OPD PPS COMPONENTS.—

1 (1) IN GENERAL.—Section 1833(t)(6)(A) (42
2 U.S.C. 1395l(t)(6)(A)) is amended by striking “may
3 periodically review” and inserting “shall review not
4 less often than annually”.

5 (2) EFFECTIVE DATE.—The amendment made
6 by paragraph (1) applies beginning with 2002.

7 (i) EFFECTIVE DATE.—Except as provided in this
8 section, the amendments made by this section shall be ef-
9 fective as if included in the enactment of BBA.

10 **SEC. 212. ESTABLISHING A TRANSITIONAL CORRIDOR FOR**
11 **APPLICATION OF OPD PPS.**

12 (a) IN GENERAL.—Section 1833(t) (42 U.S.C.
13 1395l(t)), as amended by section 211(a), is further
14 amended—

15 (1) in paragraph (4), in the matter before sub-
16 paragraph (A), by inserting “, subject to paragraph
17 (7),” after “is determined”; and

18 (2) by redesignating paragraphs (7) through
19 (11) as paragraphs (8) through (12), respectively;
20 and

21 (3) by inserting after paragraph (6), as inserted
22 by section 211(b), the following new paragraph:

23 “(7) TRANSITIONAL ADJUSTMENT TO LIMIT DE-
24 CLINE IN PAYMENT.—

1 “(A) BEFORE 2002.—For covered OPD
2 services furnished before January 1, 2002, for
3 which the PPS amount (as defined in subpara-
4 graph (D)(i)) is—

5 “(i) at least 90 percent, but less than
6 100 percent, of the pre-BBA amount (as
7 defined in subparagraph (D)(ii)), the
8 amount of payment under this subsection
9 shall be increased by 80 percent of the
10 amount of such difference;

11 “(ii) at least 80 percent, but less than
12 90 percent, of the pre-BBA amount, the
13 amount of payment under this subsection
14 shall be increased by the sum of—

15 “(I) 70 percent of the amount by
16 which 90 percent of the pre-BBA
17 amount exceeds the PPS amount; and

18 “(II) 8.0 percent of the pre-BBA
19 amount;

20 “(iii) at least 70 percent, but less
21 than 80 percent, of the pre-BBA amount,
22 the amount of payment under this sub-
23 section shall be increased by the sum of—

1 “(I) 60 percent of the amount by
2 which 80 percent of the pre-BBA
3 amount exceeds the PPS amount; and

4 “(II) 15.0 percent of the pre-
5 BBA amount; and

6 “(iv) less than 70 percent of the pre-
7 BBA amount, the amount of payment
8 under this subsection shall be increased by
9 21 percent of the pre-BBA amount.

10 “(B) 2002.—For covered OPD services
11 furnished during 2002, for which the PPS
12 amount is—

13 “(i) at least 90 percent, but less than
14 100 percent, of the pre-BBA amount, the
15 amount of payment under this subsection
16 shall be increased by 70 percent of the
17 amount of such difference;

18 “(ii) at least 80 percent, but less than
19 90 percent, of the pre-BBA amount, the
20 amount of payment under this subsection
21 shall be increased by the sum of—

22 “(I) 60 percent of the amount by
23 which 90 percent of the pre-BBA
24 amount exceeds the PPS amount; and

1 “(II) 7.0 percent of the pre-BBA
2 amount; and

3 “(iii) less than 80 percent of the pre-
4 BBA amount, the amount of payment
5 under this subsection shall be increased by
6 13 percent of the pre-BBA amount.

7 “(C) 2003.—For covered OPD services
8 furnished during 2003, for which the PPS
9 amount is—

10 “(i) at least 90 percent, but less than
11 100 percent, of the pre-BBA amount, the
12 amount of payment under this subsection
13 shall be increased by 60 percent of the
14 amount of such difference; or

15 “(iii) less than 90 percent of the pre-
16 BBA amount, the amount of payment
17 under this subsection shall be increased by
18 6 percent of the pre-BBA amount.

19 “(D) DEFINITIONS.—For purposes of this
20 subparagraph:

21 “(i) PPS AMOUNT.—The term ‘PPS
22 amount’ means, with respect to a covered
23 OPD service, the amount of payment
24 under this title for such service (deter-
25 mined without regard to this paragraph).

1 “(ii) PRE-BBA AMOUNT.—The term
2 ‘pre-BBA amount’ means, with respect to
3 a covered OPD service, the amount that
4 would have been paid under this title for
5 such service if this subsection did not
6 apply.

7 “(E) CONSTRUCTION.—Nothing in this
8 paragraph shall be construed to affect the co-
9 payment amount under paragraph (5).”.

10 (b) EFFECTIVE DATE.—The amendments made by
11 subsection shall be effective as if included in the enact-
12 ment of BBA.

13 **Subtitle C—Other**

14 **SEC. 221. APPLICATION OF SEPARATE CAPS TO PHYSICAL** 15 **AND SPEECH THERAPY SERVICES.**

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

18 (1) in paragraph (1)—

19 (A) by inserting “(A)” after “(g)(1)”; and

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

22 “(B) Subparagraph (A) shall be applied separately
23 for speech-language pathology services described in the
24 fourth sentence of section 1861(p) and for other out-
25 patient physical therapy services.”;

1 and

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

4 “(4) The limitations of this subsection apply to the
5 services involved on a per beneficiary, per facility basis.”.

6 (b) EFFECTIVE DATE.—The amendments made by
7 subsection (a) apply to services furnished on or after Jan-
8 uary 1, 2000.

9 **SEC. 222. OPTIONAL EXEMPTION OF CERTAIN HIGH ACUITY**
10 **FACILITY PATIENTS.**

11 Section 1833(g) (42 U.S.C. 1395l(g)), as amended
12 by section 221, is further amended by adding at the end
13 the following new paragraph:

14 “(5) The Secretary shall establish a process under
15 which a facility that is providing therapy services to which
16 the limitation of this subsection applies may elect, for each
17 of calendar years 2000 and 2001, to exempt from such
18 limitation up to 1 percent of its patients who are receiving
19 such services under this title. The process shall include
20 a method by which the facility identifies and selects such
21 patients.”.

22 **SEC. 223. UPDATE IN RENAL DIALYSIS COMPOSITE RATE.**

23 (a) IN GENERAL.—Section 1881(b)(7) (42 U.S.C.
24 1395rr(b)(7)) is amended by adding at the end the fol-
25 lowing new flush sentence:

1 “The Secretary shall increase the amount of each com-
2 posite rate payment for dialysis services furnished on or
3 after January 1, 2000, and on or before December 31,
4 2000, by 1.2 percent above such composite rate payment
5 amounts for such services furnished on December 31,
6 1999, and for such services furnished on or after January
7 1, 2001, by 1.2 percent above such composite rate pay-
8 ment amounts for such services furnished on December
9 31, 2000.”.

10 (b) CONFORMING AMENDMENT.—

11 (1) IN GENERAL.—Section 9335(a) of the Om-
12 nibus Budget Reconciliation Act of 1986 (42 U.S.C.
13 1395rr note) is amended by striking paragraph (1).

14 (2) EFFECTIVE DATE.—The amendment made
15 by paragraph (1) shall take effect on January 1,
16 2000.

17 **SEC. 224. TEMPORARY UPDATE IN DURABLE MEDICAL**
18 **EQUIPMENT AND OXYGEN RATES.**

19 (a) DURABLE MEDICAL EQUIPMENT AND OXYGEN.—
20 Section 1834(a)(14) (42 U.S.C. 1395m(a)(14)), as
21 amended by section 4551(a)(1) of BBA, is amended—

22 (1) by redesignating subparagraph (D) as sub-
23 paragraph (E); and

24 (2) by striking subparagraph (C) and inserting
25 the following:

1 “(C) for each of the years 1998 through
2 2000, 0 percentage points;

3 “(D) for each of the years 2001 and 2002,
4 the percentage increase in the consumer price
5 index for all urban consumers (U.S. city aver-
6 age) for the 12-month period ending with June
7 of the previous year minus 2 percentage points;
8 and”.

9 (c) TECHNICAL CORRECTION.—Section
10 1834(a)(9)(B) (42 U.S.C. 1395m(a)(9)(B)), as amended
11 by section 4552(a) of BBA, is amended—

12 (1) by striking “and” at the end of clause (v);

13 (2) in clause (vi), by striking “and each subse-
14 quent year” and inserting “and 2000” and by strik-
15 ing the period at the end and inserting “; and”; and

16 (3) by adding at the end the following new
17 clause:

18 “(vii) for 2001 and each subsequent
19 year, the amount determined under this
20 subparagraph for the preceding year in-
21 creased by the covered item update for
22 such subsequent year.”.

1 **TITLE III—PROVISIONS**
2 **RELATING TO PARTS A AND B**
3 **Subtitle A—Home Health Services**

4 **SEC. 301. ADJUSTMENT TO REFLECT ADMINISTRATIVE**
5 **COSTS NOT INCLUDED IN THE INTERIM PAY-**
6 **MENT SYSTEM.**

7 (a) **IN GENERAL.**—In the case of a home health agen-
8 cy that furnishes home health services to a medicare bene-
9 ficiary, for each such beneficiary to whom the agency fur-
10 nished such services during the agency’s cost reporting pe-
11 riod beginning in fiscal year 2000, the Secretary of Health
12 Services shall pay the agency, in addition to any amount
13 of payment made under subsection (v)(1)(L) of such sec-
14 tion for the beneficiary and only for such cost reporting
15 period, an amount of \$10 to defray costs incurred by the
16 agency attributable to data collection and reporting re-
17 quirements under the Outcome and Assessment Informa-
18 tion Set (OASIS) required by reason of section 4602(e)
19 of the Balanced Budget Act of 1997 (42 U.S.C. 1395fff
20 note).

21 (b) **PAYMENT UPON SETTLED COST REPORT.**—The
22 Secretary may not make any payment under subsection
23 (a) to a home health agency until such time as the cost
24 report submitted by the agency for the cost reporting pe-
25 riod beginning in fiscal year 2000 is settled.

1 (c) PAYMENT FROM TRUST FUNDS.—Payments
 2 under this section shall be made, in appropriate part as
 3 specified by the Secretary, from the Federal Hospital In-
 4 surance Trust Fund and from the Federal Supplementary
 5 Medical Insurance Trust Fund.

6 (d) DEFINITIONS.—In this section:

7 (1) HOME HEALTH AGENCY.—The term “home
 8 health agency” has the meaning given that term
 9 under section 1861(o) of the Social Security Act (42
 10 U.S.C. 1395x(o)).

11 (2) HOME HEALTH SERVICES.—The term
 12 “home health services” has the meaning given that
 13 term under section 1861(m) of such Act (42 U.S.C.
 14 1395x(m)).

15 (3) MEDICARE BENEFICIARY.—The term
 16 “medicare beneficiary” means an individual entitled
 17 to benefits under part A, B, or C of title XVIII of
 18 the Social Security Act (42 U.S.C. 1395 et seq.).

19 **SEC. 302. DELAY IN APPLICATION OF 15 PERCENT REDUC-**
 20 **TION IN PAYMENT RATES FOR HOME HEALTH**
 21 **SERVICES UNTIL 1 YEAR AFTER IMPLEMEN-**
 22 **TATION OF PROSPECTIVE PAYMENT SYSTEM.**

23 (a) CONTINGENCY REDUCTION.—Section 4603(e) of
 24 the Balanced Budget Act of 1997 (42 U.S.C. 1395fff
 25 note) (as amended by section 5101(c)(3) of the Tax and

1 Trade Relief Extension Act of 1998 (contained in division
2 J of Public Law 105–277)) is amended by striking “Sep-
3 tember 30, 2000” and inserting “September 30, 2001”.

4 (b) PROSPECTIVE PAYMENT SYSTEM.—Section
5 1895(b)(3)(A)(i) (42 U.S.C. 1395fff(b)(3)(A)(i)) (as
6 amended by section 5101 of the Tax and Trade Relief Ex-
7 tension Act of 1998 (contained in division J of Public Law
8 105–277)) is amended to read as follows:

9 “(i) IN GENERAL.—Under such sys-
10 tem the Secretary shall provide for com-
11 putation of a standard prospective pay-
12 ment amount (or amounts). Such amount
13 (or amounts) shall initially be based on the
14 most current audited cost report data
15 available to the Secretary and shall be
16 computed in a manner so that the total
17 amounts payable under the system—

18 “(I) for fiscal year 2001, shall be
19 equal to the total amount that would
20 have been made if the system had not
21 been in effect; and

22 “(II) for fiscal year 2002, shall
23 be equal to the total amount that
24 would have been made for fiscal year
25 2001 if the system had not been in ef-

1 fect but if the reduction in limits de-
 2 scribed in clause (ii) had been in ef-
 3 fect, and updated under subparagraph
 4 (B).

5 Each such amount shall be standardized in
 6 a manner that eliminates the effect of vari-
 7 ations in relative case mix and wage levels
 8 among different home health agencies in a
 9 budget neutral manner consistent with the
 10 case mix and wage level adjustments pro-
 11 vided under paragraph (4)(A). Under the
 12 system, the Secretary may recognize re-
 13 gional differences or differences based
 14 upon whether or not the services or agency
 15 are in an urbanized area.”.

16 **Subtitle B—Direct Graduate**
 17 **Medical Education**

18 **SEC. 311. USE OF NATIONAL AVERAGE PAYMENT METHOD-**
 19 **OLOGY IN COMPUTING DIRECT GRADUATE**
 20 **MEDICAL EDUCATION (DGME) PAYMENTS.**

21 Section 1886(h) (42 U.S.C. 1395ww(h)) is
 22 amended—

23 (1) by amending clause (i) of paragraph (3)(B)
 24 to read as follows:

1 “(i)(I) for a cost reporting period be-
2 ginning before October 1, 2000, the hos-
3 pital’s approved FTE resident amount (de-
4 termined under paragraph (2)) for that pe-
5 riod;

6 “(II) for a cost reporting period be-
7 ginning on or after October 1, 2000, and
8 before October 1, 2003, the national aver-
9 age per resident amount determined under
10 paragraph (9) or, if greater, the sum of
11 the hospital-specific percentage (as defined
12 in subparagraph (E)) of the hospital’s ap-
13 proved FTE resident amount (determined
14 under paragraph (2)) for the period and
15 the national percentage (as defined in such
16 subparagraph) of the national average per
17 resident amount determined under para-
18 graph (9); and

19 “(III) for a cost reporting period be-
20 ginning on or after October 1, 2003, the
21 national average per resident amount de-
22 termined under paragraph (9); and”;

23 (2) in paragraph (3), by adding at the end the
24 following new subparagraph:

1 “(E) TRANSITION TO NATIONAL AVERAGE
2 PER RESIDENT PAYMENT SYSTEM.—For pur-
3 poses of subparagraph (B)(i)(II), for the cost
4 reporting period of a hospital beginning—

5 “(i) during fiscal year 2001, the hos-
6 pital-specific percentage is 75 percent and
7 the national percentage is 25 percent;

8 “(ii) during fiscal year 2002, the hos-
9 pital-specific percentage is 50 percent and
10 the national percentage is 50 percent; and

11 “(iii) during fiscal year 2003, the hos-
12 pital-specific percentage is 25 percent and
13 the national percentage is 75 percent.”;

14 and

15 (3) by adding at the end the following new
16 paragraph:

17 “(7) NATIONAL AVERAGE PER RESIDENT
18 AMOUNT.—The national average per resident
19 amount for a hospital for a cost reporting period be-
20 ginning in a fiscal year is an amount determined as
21 follows:

22 “(A) DETERMINATION OF HOSPITAL SIN-
23 GLE PER RESIDENT AMOUNT.—The Secretary
24 shall compute for each hospital operating an
25 approved graduate medical education program a

1 single per resident amount equal to the average
2 (weighted by number of full-time equivalent
3 residents) of the primary care per resident
4 amount and the non-primary care per resident
5 amount computed under paragraph (2) for cost
6 reporting periods ending during fiscal year
7 1997.

8 “(B) DETERMINATION OF WAGE AND NON-
9 WAGE-RELATED PROPORTION OF THE SINGLE
10 PER RESIDENT AMOUNT.—The Secretary shall
11 estimate the average proportion of the single
12 per resident amounts computed under subpara-
13 graph (A) that is attributable to wages and
14 wage-related costs.

15 “(C) STANDARDIZING PER RESIDENT
16 AMOUNTS.—The Secretary shall establish a
17 standardized per resident amount for each such
18 hospital—

19 “(i) by dividing the single per resident
20 amount computed under subparagraph (A)
21 into a wage-related portion and a non-
22 wage-related portion by applying the pro-
23 portion determined under subparagraph
24 (B);

1 “(ii) by dividing the wage-related por-
2 tion by the factor applied under subsection
3 (d)(3)(E) for discharges occurring during
4 fiscal year 1999 for the hospital’s area;
5 and

6 “(iii) by adding the non-wage-related
7 portion to the amount computed under
8 clause (ii).

9 “(D) DETERMINATION OF NATIONAL AV-
10 ERAGE.—The Secretary shall compute a na-
11 tional average per resident amount equal to the
12 average of the standardized per resident
13 amounts computed under subparagraph (C) for
14 such hospitals, with the amount for each hos-
15 pital weighted by the average number of full-
16 time equivalent residents at such hospital.

17 “(E) APPLICATION TO INDIVIDUAL HOS-
18 PITALS.—The Secretary shall compute for each
19 such hospital a per resident amount—

20 “(i) by dividing the national average
21 per resident amount computed under sub-
22 paragraph (D) into a wage-related portion
23 and a non-wage-related portion by applying
24 the proportion determined under subpara-
25 graph (B);

1 “(ii) by multiplying the wage-related
2 portion by the factor described in subpara-
3 graph (C)(ii) for the hospital’s area; and

4 “(iii) by adding the non-wage-related
5 portion to the amount computed under
6 clause (ii).

7 “(F) INITIAL UPDATING RATE.—The Sec-
8 retary shall update such per resident amount
9 for the hospital’s cost reporting period that be-
10 gins during fiscal year 2001 for each such hos-
11 pital by the estimated percentage increase in
12 the consumer price index for all urban con-
13 sumers during the period beginning October
14 1997 and ending with the midpoint of the hos-
15 pital’s cost reporting period that begins during
16 fiscal year 2001.

17 “(G) SUBSEQUENT UPDATING.—For each
18 subsequent cost reporting period, the national
19 average per resident amount for a hospital is
20 equal to the amount determined under this
21 paragraph for the previous cost reporting period
22 updated, through the midpoint of the period, by
23 projecting the estimated percentage change in
24 the consumer price index during the 12-month
25 period ending at that midpoint, with appro-

1 appropriate adjustments to reflect previous under-or
2 over-estimations under this subparagraph in the
3 projected percentage change in the consumer
4 price index.”.

5 **TITLE IV—RURAL PROVIDER** 6 **PROVISIONS**

7 **SEC. 401. PERMITTING RECLASSIFICATION OF CERTAIN** 8 **URBAN HOSPITALS AS RURAL HOSPITALS.**

9 (a) IN GENERAL.—Section 1886(d)(8) (42 U.S.C.
10 1395ww(d)(8)) is amended by adding at the end the fol-
11 lowing new subparagraph:

12 “(E)(i) For purposes of this subsection
13 and section 1833(t), not later than 60 days
14 after the receipt of an application from a sub-
15 section (d) hospital described in clause (ii), the
16 Secretary shall treat the hospital as being lo-
17 cated in the rural area (as defined in such
18 paragraph (2)(D)) of the State in which the
19 hospital is located.

20 “(ii) For purposes of clause (i), a sub-
21 section (d) hospital described in this clause is a
22 subsection (d) hospital that is located in an
23 urban area (as defined in paragraph (2)(D))
24 and satisfies any of the following criteria:

1 “(I) The hospital is located in a rural
2 census tract of a metropolitan statistical
3 area (as determined under the Goldsmith
4 Modification, as published in the Federal
5 Register on February 27, 1992 (57 FR
6 6725)).

7 “(II) The hospital is located in an
8 area designated by any law or regulation of
9 such State as a rural area (or is des-
10 ignated by such State as a rural hospital).

11 “(III) The hospital would qualify as a
12 sole community hospital under paragraph
13 (5)(D) if the hospital were located in a
14 rural area.

15 “(IV) The hospital meets such other
16 criteria as the Secretary may specify.”.

17 (b) CONFORMING CHANGE.—Section
18 1820(c)(2)(B)(i) (42 U.S.C. 1395i-4(c)(2)(B)(i)) is
19 amended by inserting “or is treated as being located in
20 a rural area pursuant to section 1886(d)(8)(E)” after
21 “section 1886(d)(2)(D)).”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall become effective on January 1, 2000.

1 **SEC. 402. UPDATE OF STANDARDS APPLIED FOR GEO-**
2 **GRAPHIC RECLASSIFICATION FOR CERTAIN**
3 **HOSPITALS.**

4 (a) IN GENERAL.—Section 1886(d)(8)(B) (42 U.S.C.
5 1395ww(d)(8)(B)) is amended—

6 (1) by inserting “(i)” after “(B)”;

7 (2) by striking “for designating Metropolitan
8 Statistical Areas (and for designating New England
9 County Metropolitan Areas) published in the Federal
10 Register on January 3, 1980” and inserting “de-
11 scribed in clause (ii)”;

12 (3) by adding at the end the following new
13 clause:

14 “(ii)(I) For fiscal years ending on or before Sep-
15 tember 30, 2002, standards described in this clause are
16 standards for designating Metropolitan Statistical Areas
17 (and for designating New England County Metropolitan
18 Areas) published in the Federal Register on January 3,
19 1980.

20 “(II) For fiscal years beginning on or after October
21 1, 2002, standards described in this clause are standards
22 for designating Metropolitan Statistical Areas (and for
23 designating New England County Metropolitan Areas)
24 based on the most recent available decennial population
25 data published by the Bureau of the Census, as revised

1 by the Director of the Office of Management and
2 Budget.”.

3 (b) TRANSITIONAL RULE FOR CERTAIN HOS-
4 PITALS.—

5 (1) IN GENERAL.—Notwithstanding clause
6 (ii)(I) of section 1886(d)(8)(B) of the Social Secu-
7 rity Act (42 U.S.C. 1395ww(d)(8)(B)), in the case
8 of a hospital that would be described in that section
9 if the standards for designating Metropolitan Statis-
10 tical Areas (and for designating New England Coun-
11 ty Metropolitan Areas) applicable to the hospital
12 under that section were those standards published
13 on March 30, 1990, such hospital is deemed to be
14 described in such section for discharges occurring
15 during cost reporting periods beginning during fiscal
16 years 2001 and 2002.

17 (2) WAIVING BUDGET NEUTRALITY ADJUST-
18 MENT.—Subparagraphs (C) and (D) of section
19 1886(d)(8) shall not apply in the case of a hospital
20 deemed to be described in subparagraph (B) of such
21 section under paragraph (1).

22 (c) EFFECTIVE DATE.—The amendment made by
23 subsection (a) applies with respect to discharges occurring
24 during cost reporting periods beginning on or after Octo-
25 ber 1, 2000.

1 **SEC. 403. IMPROVEMENTS IN THE CRITICAL ACCESS HOS-**
2 **PITAL (CAH) PROGRAM.**

3 (a) APPLYING 96-HOUR LIMIT ON A AVERAGE AN-
4 NUAL BASIS.—

5 (1) IN GENERAL.—Section 1820(c)(2)(B)(iii)
6 (42 U.S.C. 1395i-4(c)(2)(B)(iii)), as added by sec-
7 tion 4201(a) of BBA, is amended by striking “for
8 a period not to exceed 96 hours” and all that follows
9 and inserting “for a period that does not exceed, as
10 determined on an annual, average basis, 96 hours
11 per patient.”.

12 (2) EFFECTIVE DATE.—The amendment made
13 by paragraph (1) takes effect on the date of the en-
14 actment of this Act.

15 (b) PERMITTING FOR-PROFIT HOSPITALS TO QUAL-
16 IFY FOR DESIGNATION AS A CRITICAL ACCESS HOS-
17 PITAL.—Section 1820(c)(2)(B)(i)(I) (42 U.S.C. 1395i-
18 4(c)(2)(B)(i)(I)), as added by section 4201(a) of BBA, is
19 amended by striking “nonprofit or public hospital” and
20 inserting “hospital”.

21 (c) ALLOWING CLOSED OR DOWNSIZED HOSPITALS
22 TO CONVERT TO CRITICAL ACCESS HOSPITALS.—Section
23 1820(c)(2) (42 U.S.C. 1395i-4(c)(2)), as added by section
24 4201(a) of BBA, is amended—

1 (1) in subparagraph (A), by striking “subpara-
2 graph (B)” and inserting “subparagraphs (B), (C),
3 and (D)”; and

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

6 “(C) RECENTLY CLOSED FACILITIES.—A
7 State may designate a facility as a critical ac-
8 cess hospital if the facility—

9 “(i) was a hospital that ceased oper-
10 ations on or after the date that is 10 years
11 before the date of enactment of this sub-
12 paragraph; and

13 “(ii) as of the effective date of such
14 designation, meets the criteria for designa-
15 tion under subparagraph (B).

16 “(D) DOWNSIZED FACILITIES.—A State
17 may designate a health clinic or a health center
18 (as defined by the State) as a critical access
19 hospital if such clinic or center—

20 “(i) is licensed by the State as a
21 health clinic or a health center;

22 “(ii) was a hospital that was
23 downsized to a health clinic or health cen-
24 ter; and

1 “(iii) as of the effective date of such
2 designation, meets the criteria for designa-
3 tion under subparagraph (B).”.

4 (d) ALL-INCLUSIVE PAYMENT OPTION FOR OUT-
5 PATIENT CRITICAL ACCESS HOSPITAL SERVICES.—

6 (1) IN GENERAL.—Section 1834(g) (42 U.S.C.
7 1395m(g)), as added by section 4201(c)(5) of BBA,
8 is amended to read as follows:

9 “(g) PAYMENT FOR OUTPATIENT CRITICAL ACCESS
10 HOSPITAL SERVICES.—

11 “(1) ELECTION OF CAH.—At the election of a
12 critical access hospital, the amount of payment for
13 outpatient critical access hospital services under this
14 part shall be determined under paragraph (2) or (3),
15 such amount determined under either paragraph
16 without regard to the amount of the customary or
17 other charge.

18 “(2) COST-BASED HOSPITAL OUTPATIENT SERV-
19 ICE PAYMENT PLUS FEE SCHEDULE FOR PROFES-
20 SIONAL SERVICES.—If a hospital elects this para-
21 graph to apply, there shall be paid amounts equal to
22 the sum of the following:

23 “(A) FACILITY FEE.—With respect to fa-
24 cility services, not including any services for
25 which payment may be made under subpara-

1 graph (B), the reasonable costs of the critical
2 access hospital in providing such services, less
3 the amount that such hospital may charge as
4 described in section 1866(a)(2)(A).

5 “(B) FEE SCHEDULE FOR PROFESSIONAL
6 SERVICES.—With respect to professional serv-
7 ices otherwise included within outpatient critical
8 access hospital services, such amounts as would
9 otherwise be paid under this part if such serv-
10 ices were not included in outpatient critical ac-
11 cess hospital services.

12 “(3) ALL-INCLUSIVE RATE.—If a hospital elects
13 this paragraph to apply, with respect to both facility
14 services and professional services, there shall be paid
15 amounts equal to the reasonable costs of the critical
16 access hospital in providing such services, less the
17 amount that such hospital may charge as described
18 in section 1866(a)(2)(A).

19 (2) EFFECTIVE DATE.—The amendment made
20 by subsection (a) shall apply for cost reporting peri-
21 ods beginning on or after October 1, 1999.

22 (e) ELIMINATION OF COINSURANCE FOR CLINICAL
23 DIAGNOSTIC LABORATORY TESTS FURNISHED BY A CRIT-
24 ICAL ACCESS HOSPITAL ON AN OUTPATIENT BASIS.—

1 (1) in clause (i), by striking “and before Octo-
2 ber 1, 2001,” and inserting “and before October 1,
3 2006”; and

4 (2) in clause (ii)(II), by striking “and before
5 October 1, 2001,” and inserting “and before Octo-
6 ber 1, 2006”.

7 (b) CONFORMING AMENDMENTS.—

8 (1) EXTENSION OF TARGET AMOUNT.—Section
9 1886(b)(3)(D) (42 U.S.C. 1395ww(b)(3)(D)), as
10 amended by section 4204(a)(2) of BBA, is
11 amended—

12 (A) in the matter preceding clause (i), by
13 striking “and before October 1, 2001,” and in-
14 serting “and before October 1, 2006”; and

15 (B) in clause (iv), by striking “during fis-
16 cal year 1998 through fiscal year 2000” and in-
17 serting “during fiscal year 1998 through fiscal
18 year 2005”.

19 (2) PERMITTING HOSPITALS TO DECLINE RE-
20 CLASSIFICATION.—Section 13501(e)(2) of Omnibus
21 Budget Reconciliation Act of 1993 (42 U.S.C.
22 1395ww note), as amended by section 4204(a)(3) of
23 BBA, is amended by striking “or fiscal year 2000”
24 and inserting “or fiscal year 2005”.

1 **SEC. 405. REBASING FOR CERTAIN SOLE COMMUNITY HOS-**
2 **PITALS.**

3 Section 1886(b)(3) (42 U.S.C. 1395ww(b)(3)), as
4 amended by sections 4413 and 4414 of BBA, is
5 amended—

6 (1) in subparagraph (C), by inserting “subject
7 to subparagraph (I)” before “the term ‘target
8 amount’ means”; and

9 (2) by adding at the end the following new sub-
10 paragraph:

11 “(I)(i) For cost reporting periods beginning on or
12 after October 1, 2000, in the case of a sole community
13 hospital that for its cost reporting period beginning during
14 1999 is paid on the basis of the target amount applicable
15 to the hospital under subparagraph (C) and that elects
16 (in a form and manner determined by the Secretary) this
17 subparagraph to apply to the hospital, there shall be sub-
18 stituted for the base cost reporting period described sub-
19 paragraph (C) the rebased target amount determined
20 under this subparagraph.

21 “(ii) For purposes of clause (i), the rebased target
22 amount applicable to a hospital making an election under
23 this subparagraph is equal to the sum of the following:

24 “(I) With respect to discharges occurring in fis-
25 cal year 2001, 75 percent of the target amount ap-
26 plicable to the hospital under subparagraph (C)

1 (hereinafter in this subparagraph referred to as the
2 ‘subparagraph (C) target amount’) and 25 percent
3 of the amount of the allowable operating costs of in-
4 patient hospital services (as defined in subsection
5 (a)(4)) recognized under this title for the hospital
6 for the 12-month cost reporting period beginning
7 during fiscal year 1996 (hereinafter in this subpara-
8 graph referred to as the ‘rebase target amount’), in-
9 creased by the applicable percentage increase under
10 subparagraph (B)(iv).

11 “(II) With respect to discharges occurring in
12 fiscal year 2002, 50 percent of the subparagraph (C)
13 target amount and 50 percent of the rebase target
14 amount, increased by the applicable percentage in-
15 crease under subparagraph (B)(iv).

16 “(III) With respect to discharges occurring in
17 fiscal year 2003, 25 percent of the subparagraph (C)
18 target amount and 75 percent of the rebase target
19 amount, increased by the applicable percentage in-
20 crease under subparagraph (B)(iv).

21 “(IV) With respect to discharges occurring in
22 fiscal year 2003 or any subsequent fiscal year, 100
23 percent of the rebase target amount, increased by
24 the applicable percentage increase under subpara-
25 graph (B)(iv).”.

1 **SEC. 406. INCREASED FLEXIBILITY IN PROVIDING GRAD-**
2 **UATE PHYSICIAN TRAINING IN RURAL AREAS.**

3 (a) PERMITTING 30 PERCENT EXPANSION IN CUR-
4 RENT GME TRAINING PROGRAMS FOR HOSPITALS LO-
5 CATED IN RURAL AREAS.—

6 (1) PAYMENT FOR DIRECT GRADUATE MEDICAL
7 EDUCATION COSTS.—Section 1886(h)(4)(F) (42
8 U.S.C. 1395ww(h)(4)(F)), as added by section 4623
9 of BBA, is amended by inserting “(or, 130 percent
10 of such number in the case of a hospital located in
11 a rural area)” after “may not exceed the number”.

12 (2) PAYMENT FOR INDIRECT GRADUATE MED-
13 ICAL EDUCATION COSTS.—Section 1886(d)(5)(B)(v)
14 (42 U.S.C. 1395ww(d)(5)(B)(v)), as added by sec-
15 tion 4621(b)(1) of BBA, is amended by inserting
16 “(or, 130 percent of such number in the case of a
17 hospital located in a rural area)” after “may not ex-
18 ceed the number”.

19 (3) EFFECTIVE DATES.—(A) The amendment
20 made by paragraph (1) applies to cost reporting pe-
21 riods beginning on or after October 1, 1999.

22 (B) The amendment made by paragraph (2) ap-
23 plies to discharges occurring during cost reporting
24 periods beginning on or after October 1, 1999.

25 (b) SPECIAL RULE FOR NON-RURAL FACILITIES
26 SERVING RURAL AREAS.—

1 (1) IN GENERAL.—Section 1886(h)(4)(H) (42
2 U.S.C. 1395ww(h)(4)(H)), as added by section 4623
3 of BBA, is amended by adding at the end the fol-
4 lowing new clause:

5 “(iv) NON-RURAL HOSPITALS OPER-
6 ATING TRAINING PROGRAMS IN UNDER-
7 SERVED RURAL AREAS.—In the case of a
8 hospital that is not located in a rural area
9 but establishes separately accredited ap-
10 proved medical residency training pro-
11 grams (or rural tracks) in an underserved
12 rural area, the Secretary shall adjust the
13 limitation under subparagraph (F) in an
14 appropriate manner insofar as it applies to
15 such programs in such underserved rural
16 areas in order to encourage the training of
17 physicians in underserved rural areas.”.

18 (2) EFFECTIVE DATE.—The amendment made
19 by paragraph (1) apply with respect to payments to
20 hospitals for cost reporting periods beginning on or
21 after October 1, 1999.

1 **SEC. 407. ELIMINATION OF CERTAIN RESTRICTIONS WITH**
2 **RESPECT TO HOSPITAL SWING BED PRO-**
3 **GRAM.**

4 (a) **ELIMINATION OF REQUIREMENT FOR STATE**
5 **CERTIFICATE OF NEED.**—Section 1883(b) (42 U.S.C.
6 1395tt(b)) is amended to read as follows:

7 “(b) The Secretary may not enter into an agreement
8 under this section with any hospital unless, except as pro-
9 vided under subsection (g), the hospital is located in a
10 rural area and has less than 100 beds.”.

11 (b) **ELIMINATION OF SWING BED RESTRICTIONS ON**
12 **CERTAIN HOSPITALS WITH MORE THAN 49 BEDS.**—Sec-
13 tion 1883(d) (42 U.S.C. 1395tt(d)) is amended—

14 (1) by striking paragraphs (2) and (3); and

15 (2) by striking “(d)(1)” and inserting “(d)”.

16 (c) **EFFECTIVE DATE.**—The amendments made by
17 this section take effect on the date that is the first day
18 after the expiration of the transition period under section
19 1888(e)(2)(E) of the Social Security Act (42 U.S.C.
20 1395yy(e)(2)(E)), as added by section 4432(a) of BBA,
21 for payments for covered skilled nursing facility services
22 under the medicare program.

1 **SEC. 408. GRANT PROGRAM FOR RURAL HOSPITAL TRANSI-**
2 **TION TO PROSPECTIVE PAYMENT.**

3 Section 1820(g) (42 U.S.C. 1395i-4(g)), as added by
4 section 4201(a) of BBA, is amended by adding at the end
5 the following new paragraph:

6 “(3) UPGRADING DATA SYSTEMS.—

7 “(A) GRANTS TO HOSPITALS.—The Sec-
8 retary may award grants to hospitals that have
9 submitted applications in accordance with sub-
10 paragraph (C) to assist eligible small rural hos-
11 pitals in meeting the costs of implementing data
12 systems required to meet requirements estab-
13 lished under the medicare program pursuant to
14 amendments made by the Balanced Budget Act
15 of 1997.

16 “(B) ELIGIBLE SMALL RURAL HOSPITAL
17 DEFINED.—For purposes of this paragraph, the
18 term “eligible small rural hospital” means a
19 non-Federal, short-term general acute care hos-
20 pital that—

21 “(i) is located in a rural area (as de-
22 fined for purposes of section 1886(d)); and

23 “(ii) has less than 50 beds.

24 “(C) APPLICATION.—A hospital seeking a
25 grant under this paragraph shall submit an ap-
26 plication to the Secretary on or before such

1 date and in such form and manner as the Sec-
2 retary specifies.

3 “(D) AMOUNT OF GRANT.—A grant to a
4 hospital under this paragraph may not exceed
5 \$50,000.

6 “(E) USE OF FUNDS.—A hospital receiving
7 a grant under this paragraph may use the
8 funds for the purchase of computer software
9 and hardware and for the education and train-
10 ing of hospital staff on computer information
11 systems and costs related to the implementation
12 of prospective payment systems.

13 “(F) REPORT.—

14 “(i) INFORMATION.—A hospital re-
15 ceiving a grant under this section shall fur-
16 nish the Secretary with such information
17 as the Secretary may require to evaluate
18 the project for which the grant is made
19 and to ensure that the grant is expended
20 for the purposes for which it is made.

21 “(ii) REPORTING.—

22 “(I) INTERIM REPORTS.—The
23 Secretary shall report to the Com-
24 mittee on Ways and Means of the
25 House of Representatives and the

1 Committee on Finance of the Senate
2 at least annually on the grant pro-
3 gram established under this section,
4 including in such report information
5 on the number of grants made, the
6 nature of the projects involved, the ge-
7 ographic distribution of grant recipi-
8 ents, and such other matters as the
9 Secretary deems appropriate.

10 “(II) FINAL REPORT.—The Sec-
11 retary shall submit a final report to
12 such committees not later than 180
13 days after the completion of all of the
14 projects for which a grant is made
15 under this section.”.

16 **SEC. 409. MEDPAC STUDY OF RURAL PROVIDERS.**

17 (a) STUDY.—The Medicare Payment Advisory Com-
18 mission shall conduct a study on rural providers fur-
19 nishing items and services for which payment is made
20 under title XVIII of the Social Security Act. Such study
21 shall examine and evaluate the adequacy and appropriate-
22 ness of the categories of special payments (and payment
23 methodologies) established for rural hospitals under the
24 medicare program, and their impact on beneficiary access
25 and quality of health care services.

1 (b) REPORT.—By not later than 18 months after the
 2 date of the enactment of this Act, the Medicare Payment
 3 Advisory Commission shall submit a report to Congress
 4 on the study conducted under subsection (a).

5 **TITLE V—PROVISIONS RELAT-**
 6 **ING TO PART C**
 7 **(MEDICARE+CHOICE PRO-**
 8 **GRAM)**

9 **Subtitle A—Medicare+Choice**

10 **SEC. 501. PHASE-IN OF NEW RISK ADJUSTMENT METHOD-**
 11 **LOGY.**

12 Section 1853(a)(3)(C) (42 U.S.C. 1395w-
 13 23(a)(3)(C)) is amended—

14 (1) by redesignating the first sentence as clause
 15 (i) with the heading “IN GENERAL.—” and appro-
 16 priate indentation; and

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

19 “(ii) PHASE-IN.—Such risk adjust-
 20 ment methodology shall be implemented in
 21 a phased-in manner so that the new meth-
 22 odology applies only to—

23 “(I) 10 percent of the payment
 24 amount in 2000 and 2001;

1 “(II) 20 percent of such amount
2 in 2002;

3 “(III) 30 percent of such amount
4 in 2003; and

5 “(IV) 100 percent of such
6 amount in any subsequent year (in
7 which the risk adjustment method-
8 ology should reflect data from all set-
9 tings).”.

10 **SEC. 502. ENCOURAGING OFFERING OF MEDICARE+CHOICE**
11 **PLANS IN AREAS WITHOUT PLANS.**

12 Section 1853 (42 U.S.C. 1395w-23) is amended—

13 (1) in subsection (a)(1), by striking “sub-
14 sections (e) and (f)” and inserting “subsections (e),
15 (g), and (i)”;

16 (2) in subsection (c)(5), by inserting “(other
17 than those attributable to subsection (i))” after
18 “payments under this part”; and

19 (3) by adding at the end the following new sub-
20 section:

21 “(i) NEW ENTRY BONUS.—

22 “(1) IN GENERAL.—Subject to paragraphs (2)
23 and (3), in the case of Medicare+Choice payment
24 area in which a Medicare+Choice plan has not been
25 offered since 1997 (or in which any organization

1 that offered a plan since such date has announced,
2 as of October 13, 1999, that it will not be offering
3 such plan as of January 1, 2000), the amount of the
4 monthly payment otherwise made under this sub-
5 section shall be increased—

6 “(A) only for the first 12 months in which
7 any Medicare+Choice plan is offered in the
8 area, by 5 percent of the payment rate other-
9 wise computed; and

10 “(B) only for the subsequent 12 months,
11 by 3 percent of the payment rate otherwise
12 computed.

13 If such 12 months are not a calendar year, the Sec-
14 retary shall provide for an appropriate blend of such
15 percentage increases for the second and third cal-
16 endar years in which months described in subpara-
17 graph (B) occur to reflect the proportion of such
18 months in each such year.

19 “(2) PERIOD OF APPLICATION.—Paragraph (1)
20 shall only apply to payment for Medicare+Choice
21 plans which are first offered in a Medicare+Choice
22 payment area during the 2-year period beginning
23 with January 1, 2000.

24 “(3) LIMITATION TO ORGANIZATION OFFERING
25 FIRST PLAN IN AN AREA.—Paragraph (1) shall only

1 apply to payment to the first Medicare+Choice orga-
 2 nization that offers a Medicare+Choice plan in each
 3 Medicare+Choice payment area, except that if more
 4 than one such organization first offers such a plan
 5 in an area on the same date, paragraph (1) shall
 6 apply to payment for such organizations.

7 “(4) CONSTRUCTION.—Nothing in paragraph
 8 (1) shall be construed as affecting the
 9 Medicare+Choice capitation rate for any area or as
 10 applying to payment for any period not described in
 11 such paragraph.”.

12 **SEC. 503. MODIFICATION OF 5-YEAR RE-ENTRY RULE FOR**
 13 **CONTRACT TERMINATIONS.**

14 (a) IN GENERAL.—Section 1857(c)(4) (42 U.S.C.
 15 1395w-27(c)(4)) is amended—

16 (1) by inserting “as provided in paragraph (2)
 17 and except” after “except as provided”;

18 (2) by redesignating the first sentence as a sub-
 19 paragraph (A) with an appropriate indentation and
 20 the heading “IN GENERAL.—”; and

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

23 “(B) EARLIER RE-ENTRY PERMITTED
 24 WHERE CHANGE IN PAYMENT POLICY AND NO
 25 MORE THAN ONE OTHER PLAN AVAILABLE.—

1 Subparagraph (A) shall not apply with respect
2 to the offering by a Medicare+Choice organiza-
3 tion of a Medicare+Choice plan in a
4 Medicare+Choice payment area if—

5 “(i) during the 6-month period begin-
6 ning on the date the organization notified
7 the Secretary of the intention to terminate
8 the most recent previous contract, there
9 was a legislative change enacted (or a reg-
10 ulatory change adopted) that has the effect
11 of increasing payment rates under section
12 1853 for that Medicare+Choice payment
13 area; and

14 “(ii) at the time the organization noti-
15 fies the Secretary of its intent to enter into
16 a contract to offer such a plan in the area,
17 there is no more than one
18 Medicare+Choice plan offered in the
19 area.”.

20 (b) EFFECTIVE DATE.—The amendments made by
21 subsection (a) shall apply to contract terminations occur-
22 ring before, on, or after the date of the enactment of this
23 Act.

1 **SEC. 504. CONTINUED COMPUTATION AND PUBLICATION**
2 **OF AAPCC DATA.**

3 (a) IN GENERAL.—Section 1853(b) (42 U.S.C.
4 1395w–23(b)) is amended by adding at the end the fol-
5 lowing new paragraph:

6 “(4) CONTINUED COMPUTATION AND PUBLICA-
7 TION OF COUNTY-SPECIFIC PER CAPITA FEE-FOR-
8 SERVICE EXPENDITURE INFORMATION.—The Sec-
9 retary, through the Chief Actuary of the Health
10 Care Financing Administration, shall provide for the
11 computation and publication, on an annual basis at
12 the time of publication of the annual
13 Medicare+Choice capitation rates, of information on
14 the level of the average annual per capita costs (de-
15 scribed in section 1876(a)(4)) for each
16 Medicare+Choice payment area.”.

17 (b) EFFECTIVE DATE.—The amendment made by
18 subsection (a) shall take effect on the date of the enact-
19 ment of this Act and apply to publications of the annual
20 Medicare+Choice capitation rates made on or after such
21 date.

1 **SEC. 505. PERMITTING ENROLLMENT IN ALTERNATIVE**
2 **MEDICARE+CHOICE PLANS AND MEDIGAP**
3 **COVERAGE IN CASE OF INVOLUNTARY TER-**
4 **MINATION OF MEDICARE+CHOICE ENROLL-**
5 **MENT.**

6 (a) IN GENERAL.—Section 1851(e)(4) (42 U.S.C.
7 1395w–21(e)(4)) is amended by striking subparagraph
8 (A) and inserting the following:

9 “(A)(i) the certification of the organization
10 or plan under this part has been terminated, or
11 the organization or plan has notified the indi-
12 vidual or the Secretary of an impending termi-
13 nation of such certification; or

14 “(ii) the organization has terminated or
15 otherwise discontinued providing the plan in the
16 area in which the individual resides, or has no-
17 tified the individual or Secretary of an impend-
18 ing termination or discontinuation of such
19 plan;”.

20 (b) CONFORMING MEDIGAP AMENDMENT.—Section
21 1882(s)(3)(A) (42 U.S.C. 1395ss(s)(3)(A)) is amended, in
22 the matter following clause (iii)—

23 (1) by inserting “(or, if elected by the indi-
24 vidual, the date of notification of the individual or
25 the Secretary by the plan or organization of the im-
26 pending termination or discontinuance of the plan in

1 the area in which the individual resides)” after “the
 2 date of the termination of enrollment described in
 3 such subparagraph”; and

4 (2) by inserting “(or the date of such notifica-
 5 tion)” after “the date of termination or
 6 disenrollment”.

7 (c) EFFECTIVE DATE.—The amendments made by
 8 this subsection shall apply to notices of impending termi-
 9 nations or discontinuances made before, on, or after the
 10 date of the enactment of this Act, except that, for pur-
 11 poses of applying such amendments with respect to a no-
 12 tice of a termination or discontinuance that was made be-
 13 fore such date and for which the termination or dis-
 14 continuance occurs after such date, such notice shall be
 15 treated as having occurred on the date of the enactment
 16 of this Act.

17 **SEC. 506. ALLOWING VARIATION IN PREMIUM WAIVERS**
 18 **WITHIN A SERVICE AREA IF**
 19 **MEDICARE+CHOICE PAYMENT RATES VARY**
 20 **WITHIN THE AREA.**

21 (a) IN GENERAL.—Section 1854(c) (42 U.S.C.
 22 1395w-24(c)) is amended—

23 (1) by striking “The” and inserting “Subject to
 24 paragraph (2), the”;

1 (2) by redesignating the first sentence as a
2 paragraph (1) with an appropriate indentation and
3 the heading “IN GENERAL.—”; and

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

6 “(2) VARIATION IN PREMIUM WAIVER PER-
7 MITTED.—A Medicare+Choice organization may
8 waive part or all of a premium described in para-
9 graph (1) for one or more Medicare+Choice pay-
10 ment areas within its service area if the annual
11 Medicare+Choice capitation rates under section
12 1853(c) vary between such payment area and other
13 payment areas within such service area.”.

14 (b) EFFECTIVE DATE.—The amendments made by
15 subsection (a) apply to premiums for contract years begin-
16 ning on or after January 1, 2001.

17 **SEC. 507. DELAY IN DEADLINE FOR SUBMISSION OF AD-**
18 **JUSTED COMMUNITY RATES AND RELATED**
19 **INFORMATION.**

20 (a) DELAY IN DEADLINE FOR SUBMISSION OF AD-
21 JUSTED COMMUNITY RATES AND RELATED INFORMA-
22 TION.—Section 1854(a)(1) (42 U.S.C. 1395w–24(a)(1)) is
23 amended by striking “May 1” and inserting “July 1”.

24 (b) ADJUSTMENT IN INFORMATION DISCLOSURE
25 PROVISIONS.—Section 1851(d)(2)(A)(ii) (42 U.S.C.

1 1395w–21(d)(2)(A)(ii)) is amended by inserting after “in-
 2 formation described in paragraph (4) concerning such
 3 plans” the following: “, to the extent such information is
 4 available at the time of preparation of the material for
 5 mailing”.

6 **SEC. 508. 2 YEAR EXTENSION OF MEDICARE COST CON-**
 7 **TRACTS.**

8 Section 1876(h)(5)(B) (42 U.S.C.
 9 1395mm(h)(5)(B)) is amended by striking “2002” and in-
 10 serting “2004”.

11 **SEC. 509. MISCELLANEOUS CHANGES.**

12 (a) PERMITTING RELIGIOUS FRATERNAL BENEFIT
 13 SOCIETIES TO OFFER A RANGE OF MEDICARE+CHOICE
 14 PLANS.—Section 1859(e)(2)(A) (42 U.S.C. 1395w–
 15 29(e)(2)(A)) is amended by striking “section
 16 1851(a)(2)(A)” and inserting “section 1851(a)(2)”.

17 **SEC. 510. MEDPAC REPORT ON MEDICARE MSA (MEDICAL**
 18 **SAVINGS ACCOUNT) PLANS.**

19 Not later than 1 year after the date of the enactment
 20 of this Act, the Medicare Payment Advisory Commission
 21 shall submit to Congress a report on specific legislative
 22 changes that should be made to make MSA plans a viable
 23 option under the Medicare+Choice program.

1 **Subtitle B—Social Health Maintenance**
2 **Organizations (SHMOs)**

3 **SEC. 511. EXTENSION OF SOCIAL HEALTH MAINTENANCE**
4 **ORGANIZATION DEMONSTRATION PROJECT**
5 **AUTHORITY.**

6 (a) EXTENSION.—Section 4018(b) of the Omnibus
7 Budget Reconciliation Act of 1987, as amended by section
8 4014(a)(1) of BBA, is amended—

9 (1) in paragraph (1), by striking “December
10 31, 2000” and inserting “the date that is 18 months
11 after the date that Secretary submits to Congress
12 the report described in section 4014(c) of the Bal-
13 anced Budget Act of 1997”; and

14 (2) by adding at the end of paragraph (4) the
15 following: “Not later than 6 months after the date
16 the Secretary submits such final report, the Medi-
17 care Payment Advisory Commission shall submit to
18 Congress a report containing recommendations re-
19 garding such project.”.

20 (b) SUBSTITUTION OF AGGREGATE CAP.—Section
21 13567(c) of the Omnibus Budget Reconciliation Act of
22 1993, as amended by section 4014(b) of BBA, is amended
23 to read as follows:

24 “(c) AGGREGATE LIMIT ON NUMBER OF MEM-
25 BERS.—The Secretary of Health and Human Services

1 may not impose a limit on the number of individuals that
2 may participate in a project conducted under section 2355
3 of the Deficit Reduction Act of 1984, other than an aggre-
4 gate limit of not less than 324,000 for all sites.”.

○