

106TH CONGRESS
2^D SESSION

H. R. 5001

To amend title XVIII of the Social Security Act to provide for equitable payments to providers of services under the Medicare Program, and to amend title XIX of such Act to provide for coverage of additional children under the Medicaid Program.

IN THE HOUSE OF REPRESENTATIVES

JULY 27, 2000

Mrs. WILSON (for herself, Mr. LUTHER, Mr. RYAN of Wisconsin, Ms. HOOLEY of Oregon, Mr. SABO, and Mr. MINGE) introduced the following bill; which was referred to the Committee on Commerce, and in addition to the Committee on Ways and Means, 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 provide for equitable payments to providers of services under the Medicare Program, and to amend title XIX of such Act to provide for coverage of additional children under the Medicaid Program.

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 SECU-**
 2 **RITY ACT; TABLE OF CONTENTS.**

3 (a) **SHORT TITLE.**—This Act may be cited as the
 4 “Fair Care for Seniors and Children Act of 2000”.

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

11 (c) **TABLE OF CONTENTS.**—The table of contents of
 12 this Act is as follows:

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

TITLE I—MEDICARE PROGRAM

Subtitle A—Medicare+Choice Program

- Sec. 101. Increasing minimum payment amount.
 Sec. 102. Increase in national per capita Medicare+Choice growth percentage
 in 2001 and 2002.
 Sec. 103. Permanently removing application of budget neutrality beginning in
 2001.
 Sec. 104. Allowing movement to 50:50 percent blend in 2001.
 Sec. 105. Increased update for payment areas with only one or no
 Medicare+Choice contracts.
 Sec. 106. Permitting higher negotiated rates in certain Medicare+Choice pay-
 ment areas below national average.
 Sec. 107. Reasonable cost reimbursement for payment areas with no more than
 one medicare+choice contract.
 Sec. 108. 10-Year phase in of risk adjustment based on data from all settings.
 Sec. 109. Delay from July to November 2000 in deadline for offering and with-
 drawing Medicare+Choice plans for 2001.

Subtitle B—Inpatient Hospital Services

- Sec. 111. Elimination of authority to estimate costs incurred by a hospital for
 wages.

Subtitle C—Home Health Services

- Sec. 121. Elimination of 15 percent reduction in payment rates under the medi-
 care prospective payment system for home health services.

TITLE II—MEDICAID PROGRAM

Subtitle A—Expansion of Coverage of Children under the Medicaid Program

Sec. 201. Use of State Children’s Health Insurance Program funds for enhanced matching rate for coverage of additional children under the medicaid program.

Sec. 202. Expansion of presumptive eligibility option for children under the medicaid program.

Sec. 203. Increased SCHIP flexibility for states with high medicaid child income levels when SCHIP initiated.

Subtitle B—Prospective Payment System for Federally-qualified Health Centers and Rural Health Clinics

Sec. 211. Establishment of prospective payment system for federally-qualified health centers and rural health clinics.

1 **TITLE I—MEDICARE PROGRAM**

2 **Subtitle A—Medicare+Choice**
 3 **Program**

4 **SEC. 101. INCREASING MINIMUM PAYMENT AMOUNT.**

5 Section 1853(c)(1)(B)(ii) (42 U.S.C. 1395w–
 6 23(c)(1)(B)(ii)) is amended—

7 (1) by striking “(ii) For a succeeding year” and
 8 inserting “(ii)(I) Subject to subclause (II), for a suc-
 9 ceeding year”; and

10 (2) by adding at the end the following new sub-
 11 clause:

12 “(II) For 2001 for any area in a Met-
 13 ropolitan Statistical Area with a population
 14 of more than 250,000, \$525 (and for any
 15 other area, \$475).”.

1 **SEC. 102. INCREASE IN NATIONAL PER CAPITA**
2 **MEDICARE+CHOICE GROWTH PERCENTAGE**
3 **IN 2001 AND 2002.**

4 Section 1853(c)(6)(B) (42 U.S.C. 1395w-
5 23(c)(6)(B)) is amended—

6 (1) in clause (iv), by striking “for 2001, 0.5
7 percentage points” and inserting “for 2001, 0 per-
8 centage points”; and

9 (2) in clause (v), by striking “for 2002, 0.3 per-
10 centage points” and inserting “for 2002, 0 percent-
11 age points”.

12 **SEC. 103. PERMANENTLY REMOVING APPLICATION OF**
13 **BUDGET NEUTRALITY BEGINNING IN 2002.**

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

16 (1) in paragraph (1)(A), in the matter following
17 clause (ii), by inserting “(for years before 2001)”
18 after “multiplied”; and

19 (2) in paragraph (5), by inserting “(before
20 2001)” after “for each year”.

21 **SEC. 104. ALLOWING MOVEMENT TO 50:50 PERCENT BLEND**
22 **IN 2001.**

23 Section 1853(c)(2) (42 U.S.C. 1395w-23(c)(2)) is
24 amended—

25 (1) by adding “and” at the end of subpara-
26 graph (C);

1 (2) by striking subparagraphs (D) and (E);

2 (3) by redesignating subparagraph (F) and sub-
3 paragraph (D); and

4 (4) in subparagraph (D), as so redesignated, by
5 striking “2002” and inserting “2000”.

6 **SEC. 105. INCREASED UPDATE FOR PAYMENT AREAS WITH**
7 **ONLY ONE OR NO MEDICARE+CHOICE CON-**
8 **TRACTS.**

9 (a) IN GENERAL.—Section 1853(c)(1)(C)(ii) (42
10 U.S.C. 1395w–23(c)(1)(C)(ii)) is amended—

11 (1) by striking “(ii) For a subsequent year”
12 and inserting “(ii)(I) Subject to subclause (II), for
13 a subsequent year”; and

14 (2) by adding at the end the following new sub-
15 clause:

16 “(II) During 2001, 2002, 2003, 2004,
17 and 2005, in the case of a
18 Medicare+Choice payment area in which
19 there is no more than one contract entered
20 into under this part as of July 1 before the
21 beginning of the year, 102.5 percent of the
22 annual Medicare+Choice capitation rate
23 under this paragraph for the area for the
24 previous year.”.

1 (b) CONSTRUCTION.—The amendments made by sub-
2 section (a) do not affect the payment of a first-time bonus
3 under section 1853(i) of the Social Security Act (42
4 U.S.C. 1395w–23(i)).

5 **SEC. 106. PERMITTING HIGHER NEGOTIATED RATES IN**
6 **CERTAIN MEDICARE+CHOICE PAYMENT**
7 **AREAS BELOW NATIONAL AVERAGE.**

8 Section 1853(c)(1) (42 U.S.C. 1395w–23(c)(1)) is
9 amended—

10 (1) in the matter before subparagraph (A), by
11 striking “or (C)” and inserting “(C), or (D)”; and

12 (2) by adding at the end the following new sub-
13 paragraph:

14 “(D) PERMITTING HIGHER RATES
15 THROUGH NEGOTIATION.—

16 “(i) IN GENERAL.—For each year be-
17 ginning with 2001, in the case of a
18 Medicare+Choice payment area for which
19 the Medicare+Choice capitation rate under
20 this paragraph would otherwise be less
21 than the United States per capita cost
22 (USPCC), as calculated by the Secretary,
23 a Medicare+Choice organization may ne-
24 gotiate with the Secretary an annual per
25 capita rate that—

1 “(I) reflects an annual rate of in-
2 crease up to the rate of increase speci-
3 fied in clause (ii);

4 “(II) takes into account audited
5 current data supplied by the organiza-
6 tion on its adjusted community rate
7 (as defined in section 1854(f)(3)); and

8 “(III) does not exceed the United
9 States per capita cost, as projected by
10 the Secretary for the year involved.

11 “(ii) MAXIMUM RATE DESCRIBED.—
12 The rate of increase specified in this clause
13 for a year is the rate of inflation in private
14 health insurance for the year involved, as
15 projected by the Secretary, and includes
16 such adjustments as may be necessary to
17 reflect the demographic characteristics in
18 the population under this title.

19 “(iii) ADJUSTMENTS FOR OVER OR
20 UNDER PROJECTIONS.—If this subpara-
21 graph is applied to an organization and
22 payment area for a year, in applying this
23 subparagraph for a subsequent year the
24 provisions of paragraph (6)(C) shall apply

1 in the same manner as such provisions
2 apply under this paragraph.”.

3 **SEC. 107. REASONABLE COST REIMBURSEMENT FOR PAY-**
4 **MENT AREAS WITH NO MORE THAN ONE**
5 **MEDICARE+CHOICE CONTRACT.**

6 (a) IN GENERAL.—Section 1853 (42 U.S.C. 1395w-
7 23) is amended—

8 (1) in subsection (a)(1)(A) by striking “(g), and
9 (i)” and inserting “(g), (i), and (j)”; and

10 (2) by adding at the end the following new sub-
11 section:

12 “(j) REASONABLE COST REIMBURSEMENT FOR PAY-
13 MENT AREAS WITH NO MORE THAN ONE
14 MEDICARE+CHOICE CONTRACT.—

15 “(1) IN GENERAL.—Subject to paragraph (2),
16 in the case of a Medicare+Choice payment area in
17 which there is no more than 1 contract entered into
18 under this part as of July 1 before the beginning of
19 the following year, at the election of a
20 Medicare+Choice organization the amount of pay-
21 ment under this section for such following year for
22 enrollment under a Medicare+Choice plan offered by
23 the organization in that area shall be the amount of
24 payment otherwise applicable to an eligible organiza-
25 tion that has entered into a reasonable cost reim-

1 bursement contract with the Secretary under section
2 1876(h).

3 “(2) LIMITATION.—A Medicare+Choice organi-
4 zation that has negotiated a higher an annual per
5 capita rate under subsection (c)(1)(D) for a year
6 may not elect reimbursement under paragraph (1)
7 for that year.”.

8 **SEC. 108. 10-YEAR PHASE IN OF RISK ADJUSTMENT BASED**
9 **ON DATA FROM ALL SETTINGS.**

10 Section 1853(a)(3)(C)(ii) (42 U.S.C. 1395w-
11 23(c)(1)(C)(ii)) is amended—

12 (1) by striking the period at the end of sub-
13 clause (II) and inserting a semicolon; and

14 (2) by adding after and below subclause (II) the
15 following:

16 “and, beginning in 2004, insofar as such
17 risk adjustment is based on data from all
18 settings, the methodology shall be phased
19 in in equal increments over a 10-year pe-
20 riod, beginning with 2004 or (if later) the
21 first year in which such data are used.”.

1 **SEC. 109. DELAY FROM JULY TO NOVEMBER 2000 IN DEAD-**
2 **LINE FOR OFFERING AND WITHDRAWING**
3 **MEDICARE+CHOICE PLANS FOR 2001.**

4 Notwithstanding any other provision of law, the dead-
5 line for a Medicare+Choice organization to withdraw the
6 offering of a Medicare+Choice plan under part C of title
7 XVIII of the Social Security Act (or otherwise to submit
8 information required for the offering of such a plan) for
9 2001 is delayed from July 1, 2000, to October 1, 2000,
10 and any such organization that provided notice of with-
11 drawal of such a plan during 2000 before the date of the
12 enactment of this Act may rescind such withdrawal at any
13 time before November 1, 2000.

14 **Subtitle B—Inpatient Hospital**
15 **Services**

16 **SEC. 111. ELIMINATION OF AUTHORITY TO ESTIMATE**
17 **COSTS INCURRED BY A HOSPITAL FOR**
18 **WAGES.**

19 (a) IN GENERAL.—The first sentence of section
20 1886(d)(3)(E) (42 U.S.C. 1395ww(d)(3)(E)) is amended
21 by striking “, (as estimated by the Secretary from time
22 to time) of hospitals’ costs” and inserting “of each hos-
23 pital’s costs (based on the most recent data available to
24 the Secretary with respect to each hospital)”.

25 (b) SPECIAL RULE FOR PUERTO RICO HOSPITALS.—
26 Section 1886(d)(3)(E) (42 U.S.C. 1395ww(d)(3)(E)) is

1 amended by adding at the end the following new sentence:
 2 “In the case of a subsection (d) Puerto Rico hospital, the
 3 first sentence of this subparagraph shall be applied as in
 4 effect on the date that precedes the date of the enactment
 5 of the Fair Care for Seniors and Children Act of 2000.”.

6 (c) EFFECTIVE DATE.—The amendments made by
 7 this section shall apply with respect to discharges occur-
 8 ring on or after January 1, 2001.

9 **Subtitle C—Home Health Services**

10 **SEC. 121. ELIMINATION OF 15 PERCENT REDUCTION IN** 11 **PAYMENT RATES UNDER THE MEDICARE** 12 **PROSPECTIVE PAYMENT SYSTEM FOR HOME** 13 **HEALTH SERVICES.**

14 (a) IN GENERAL.—Section 1895(b)(3)(A) (42 U.S.C.
 15 1395fff(b)(3)(A)), as amended by sections 302(b) and
 16 303(f) of the Medicare, Medicaid, and SCHIP Balanced
 17 Budget Refinement Act of 1999 (113 Stat. 1501A–359,
 18 361), as enacted into law by section 1000(a)(6) of Public
 19 Law 106–113, is amended to read as follows:

20 “(A) INITIAL BASIS.—Under such system
 21 the Secretary shall provide for computation of
 22 a standard prospective payment amount (or
 23 amounts). Such amount (or amounts) shall ini-
 24 tially be based on the most current audited cost
 25 report data available to the Secretary and shall

1 be computed in a manner so that the total
2 amounts payable under the system for the 12-
3 month period beginning on the date the Sec-
4 retary implements the system shall be equal to
5 the total amount that would have been made if
6 the system had not been in effect and if section
7 1861(v)(1)(L)(ix) had not been enacted. Each
8 such amount shall be standardized in a manner
9 that eliminates the effect of variations in rel-
10 ative case mix and area wage adjustments
11 among different home health agencies in a
12 budget neutral manner consistent with the case
13 mix and wage level adjustments provided under
14 paragraph (4)(A). Under the system, the Sec-
15 retary may recognize regional differences or dif-
16 ferences based upon whether or not the services
17 or agency are in an urbanized area.”.

18 (b) EFFECTIVE DATE.—The amendment made by
19 subsection (a) shall take effect as if included in the enact-
20 ment of the Medicare, Medicaid, and SCHIP Balanced
21 Budget Refinement Act of 1999 (Public Law 106–113).

1 **TITLE II—MEDICAID PROGRAM**
 2 **Subtitle A—Expansion of Coverage**
 3 **of Children under the Medicaid**
 4 **Program**

5 **SEC. 201. USE OF STATE CHILDREN’S HEALTH INSURANCE**
 6 **PROGRAM FUNDS FOR ENHANCED MATCH-**
 7 **ING RATE FOR COVERAGE OF ADDITIONAL**
 8 **CHILDREN UNDER THE MEDICAID PROGRAM.**

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

11 (1) in subsection (b), by striking “or subsection
 12 (u)(3)” and inserting “, subsection (u)(3), or sub-
 13 section (u)(4)(A)”; and

14 (2) in subsection (u) (as added by section
 15 4911(a)(2) of the Balanced Budget Act of 1997 and
 16 as amended by section 162 of Public Law 105–
 17 100)—

18 (A) by redesignating paragraph (4) as
 19 paragraph (5); and

20 (B) by inserting after paragraph (3) the
 21 following new paragraph:

22 “(4)(A) For purposes of subsection (b), the expendi-
 23 tures described in this subparagraph are expenditures for
 24 medical assistance for waived low-income children de-
 25 scribed in subparagraph (B) but—

1 “(i) only in the case of children residing in a
2 State described in subparagraph (C); and

3 “(ii) only to the extent the number of full-year
4 equivalent waived low-income children enrolled
5 under the State plan under this title for the fiscal
6 year exceeds the number of waived low-income
7 children described in subparagraph (D)(i) for the
8 State for the fiscal year.

9 “(B) For purposes of this paragraph, the term
10 ‘waived low-income child’ means a child whose family in-
11 come exceeds the minimum income level required to be es-
12 tablished for the age of such child under section
13 1902(l)(2) in order for the child to be eligible for medical
14 assistance under this title, but does not exceed the med-
15 icaid applicable income level (as defined in section
16 2110(b)(4) but determined as if ‘June 1, 1997’ were sub-
17 stituted for ‘March 31, 1997’) for that child.

18 “(C) A State described in this subparagraph is a
19 State that—

20 “(i) has under a waiver authorized by the Sec-
21 retary or under section 1902(r)(2) established a
22 medicaid applicable income level (as defined in sec-
23 tion 2110(b)(4) but determined as if ‘June 1, 1997’
24 were substituted for ‘March 31, 1997’) for children

1 under 19 years of age residing in the State that is
2 at or above 185 percent of the poverty line; and

3 “(ii) demonstrates to the satisfaction of the
4 Secretary a commitment to reach and enroll children
5 who are eligible for, but not enrolled under, the
6 State plan through means, such as the following:

7 “(I) Eliminating the assets test for eligi-
8 bility of waived low-income children.

9 “(II) Using shortened and simplified appli-
10 cations for such children.

11 “(III) Allowing applications for such chil-
12 dren to be submitted by mail or through tele-
13 phone.

14 “(IV) Outstationing State eligibility work-
15 ers at sites that are frequented by families with
16 children, including schools, child care centers,
17 churches, centers providing Head Start services,
18 local offices of the special supplemental food
19 program for women, infants and young children
20 (WIC) established under section 17 of the Child
21 Nutrition Act of 1966, community centers, Job
22 Corps centers established under part B of title
23 IV of the Job Training Partnership Act or sub-
24 title C of title I of the Workforce Investment
25 Act of 1998, sites offering the recognized equiv-

1 alent of a secondary school degree, offices of
2 tribal organizations (as defined in section 4(l)
3 of the Indian Self-Determination and Education
4 Assistance Act), and Social Security Adminis-
5 tration field offices.

6 “(V) Using presumptive eligibility for
7 waivered low-income children.

8 “(VI) Collaborating with public and private
9 entities to conduct outreach campaigns to enroll
10 such children.

11 “(D)(i) For purposes of subparagraph (A)(ii), the
12 number of waived low-income children for a State de-
13 scribed in this clause for—

14 “(I) fiscal year 1998, is equal to the number of
15 full-year equivalent waived low-income children en-
16 rolled under the State plan under this title for fiscal
17 year 1997; and

18 “(II) fiscal year 1999 or a succeeding fiscal
19 year, is equal to the number of waived low-income
20 children determined under this clause for the pre-
21 ceding fiscal year increased by the number of per-
22 centage points determined under clause (ii) for the
23 State for the fiscal year involved.

1 “(ii) The number of percentage points determined
2 under this clause for a State for a fiscal year is equal to
3 the number of percentage points by which—

4 “(I) the arithmetic average of the total number
5 of children in the State set forth in the 3 most re-
6 cent March supplements to the Current Population
7 Survey of the Bureau of the Census before the be-
8 ginning of the fiscal year; exceeds

9 “(II) the arithmetic average of such total num-
10 ber set forth in the second, third, and fourth most
11 recent March supplements to such Survey before the
12 beginning of the fiscal year.

13 “(E) For purposes of section 2104(d) (regarding the
14 reduction of an allotment under title XXI) the amount de-
15 termined under paragraph (2) of that section shall, with
16 respect to expenditures described in subparagraph (A),
17 only take into account the amount by which—

18 “(i) the payments made to a State for such ex-
19 penditures for a fiscal year on the basis of an en-
20 hanced FMAP under the fourth sentence of sub-
21 section (b); exceed

22 “(ii) the amount of payments that would have
23 been made for the expenditures if the enhanced
24 FMAP did not apply.

1 (1) by striking “or (II)” and inserting “, (II)”;
2 and

3 (2) by inserting before the semicolon “, eligi-
4 bility for assistance under the State plan under part
5 A of title IV, eligibility of a child to receive medical
6 assistance under the State plan under this title or
7 title XXI, (III) is a staff member of an elementary
8 school or secondary school, as such terms are de-
9 fined in section 14101 of the Elementary and Sec-
10 ondary Education Act of 1965 (20 U.S.C. 8801), a
11 child care resource and referral center, or an agency
12 administering a State plan under part D of title IV,
13 or (IV) is so designated by the State”.

14 (b) CONFORMING AMENDMENTS.—Section 1920A
15 (42 U.S.C. 1396r–1a) is amended—

16 (1) in subsection (b)(3)(A)(ii), by striking
17 “paragraph (1)(A)” and inserting “paragraph
18 (2)(A)”;

19 (2) in subsection (c)(2), in the matter preceding
20 subparagraph (A), by striking “subsection
21 (b)(1)(A)” and inserting “subsection (b)(2)(A)”.

1 **SEC. 203. INCREASED SCHIP FLEXIBILITY FOR STATES**
2 **WITH HIGH MEDICAID CHILD INCOME LEV-**
3 **ELS WHEN SCHIP INITIATED.**

4 (a) USE OF ENHANCED MATCH FOR EXPANDED
5 MEDICAID CHILD COVERAGE.—Section 1905 (42 U.S.C.
6 1396d), as amended by section 201, is further amended—

7 (1) in subsection (b), by striking “or subsection
8 (u)(4)(A)” and inserting “, subsection (u)(4)(A), or
9 subsection (u)(5)(A)”; and

10 (2) in subsection (u)—

11 (A) by redesignating paragraph (5) as
12 paragraph (6); and

13 (B) by inserting after paragraph (4) the
14 following new paragraph:

15 “(5)(A) For purposes of subsection (b), the expendi-
16 tures described in this subparagraph are expenditures for
17 medical assistance for expansion children (as defined in
18 subparagraph (B)) but—

19 “(i) only in the case of expansion children resid-
20 ing in a State that has, under a waiver authorized
21 by the Secretary under section 1115 or under sec-
22 tion 1902(r)(2), established a medicaid applicable in-
23 come level (as defined in section 2110(b)(4)) for
24 children under 19 years of age residing in the State
25 that is at or above 185 percent of the poverty line;
26 and

1 “(ii) only for a fiscal year to the extent the full-
2 year equivalent number of expansion children en-
3 rolled under the State plan under this title for the
4 fiscal year exceeds the number of such children en-
5 rolled under the plan for the State during the first
6 month in which the State’s child health plan under
7 title XXI was effective.

8 “(B) For purposes of this paragraph, the term ‘ex-
9 pansion child’ means a child who is eligible for medical
10 assistance under this title only due to a waiver described
11 in subparagraph (A)(i), and whose family income does not
12 exceed the medicaid applicable income level (as defined in
13 section 2110(b)(4)) for that child.”.

14 (b) APPLICATION OF INCREASED PROPORTION OF
15 SCHIP ALLOTMENT FOR SPECIAL INITIATIVES AND SIMI-
16 LAR PURPOSES.—Section 2105(c)(2) of such Act (42
17 U.S.C. 1397ee(c)(2)) is amended by adding at the end the
18 following new subparagraph:

19 “(C) INCREASED FLEXIBILITY FOR CER-
20 TAIN STATES.—In the case of a State with a
21 medicaid applicable income level that is at or
22 above 185 percent of the poverty line—

23 “(i) the limitation under subpara-
24 graph (A) shall not apply to payments and

1 expenditures described in subsection
2 (a)(2)(A) or (a)(2)(B); and

3 “(ii) in applying such limitation to ex-
4 penditures and costs described in sub-
5 section (a)(2)(C) or (a)(2)(D), any ref-
6 erence in subparagraph (A) to a sum is
7 deemed a reference to the amount of the
8 State’s allotment under section 2104 for
9 the fiscal year involved.”.

10 (c) EFFECTIVE DATE.—The amendments made by
11 this section shall be effective as if included in the enact-
12 ment of section 4911 of the Balanced Budget Act of 1997.

13 **Subtitle B—Prospective Payment**
14 **System for Federally-qualified**
15 **Health Centers and Rural**
16 **Health Clinics**

17 **SEC. 211. ESTABLISHMENT OF PROSPECTIVE PAYMENT**
18 **SYSTEM FOR FEDERALLY-QUALIFIED**
19 **HEALTH CENTERS AND RURAL HEALTH CLIN-**
20 **ICS.**

21 (a) IN GENERAL.—Section 1902(a) (42 U.S.C.
22 1396a(a)) is amended—

23 (1) in paragraph (13)—

24 (A) in subparagraph (A), by adding “and”
25 at the end;

1 (B) in subparagraph (B), by striking
2 “and” at the end; and

3 (C) by striking subparagraph (C); and
4 (2) by inserting after paragraph (14) the fol-
5 lowing new paragraph:

6 “(15) for payment for services described in
7 clause (B) or (C) of section 1905(a)(2) under the
8 plan in accordance with subsection (aa);”.

9 (b) NEW PROSPECTIVE PAYMENT SYSTEM.—Section
10 1902 (42 U.S.C. 1396a) is amended by adding at the end
11 the following:

12 “(aa) PAYMENT FOR SERVICES PROVIDED BY FED-
13 ERALLY-QUALIFIED HEALTH CENTERS AND RURAL
14 HEALTH CLINICS.—

15 “(1) IN GENERAL.—Beginning with fiscal year
16 2000 and each succeeding fiscal year, the State plan
17 shall provide for payment for services described in
18 section 1905(a)(2)(C) furnished by a Federally-
19 qualified health center and services described in sec-
20 tion 1905(a)(2)(B) furnished by a rural health clinic
21 in accordance with the provisions of this subsection.

22 “(2) FISCAL YEAR 2000.—Subject to paragraph
23 (4), for services furnished during fiscal year 2000,
24 the State plan shall provide for payment for such
25 services in an amount (calculated on a per visit

1 basis) that is equal to 100 percent of the costs of
2 the center or clinic of furnishing such services dur-
3 ing fiscal year 1999 which are reasonable and re-
4 lated to the cost of furnishing such services, or
5 based on such other tests of reasonableness as the
6 Secretary prescribes in regulations under section
7 1833(a)(3), or, in the case of services to which such
8 regulations do not apply, the same methodology used
9 under section 1833(a)(3), adjusted to take into ac-
10 count any increase in the scope of such services fur-
11 nished by the center or clinic during fiscal year
12 2000.

13 “(3) FISCAL YEAR 2001 AND SUCCEEDING FIS-
14 CAL YEARS.—Subject to paragraph (4), for services
15 furnished during fiscal year 2001 or a succeeding
16 fiscal year, the State plan shall provide for payment
17 for such services in an amount (calculated on a per
18 visit basis) that is equal to the amount calculated for
19 such services under this subsection for the preceding
20 fiscal year—

21 “(A) increased by the percentage increase
22 in the MEI (as defined in section 1842(i)(3))
23 applicable to primary care services (as defined
24 in section 1842(i)(4)) for that fiscal year; and

1 “(B) adjusted to take into account any in-
2 crease in the scope of such services furnished by
3 the center or clinic during that fiscal year.

4 “(4) ESTABLISHMENT OF INITIAL YEAR PAY-
5 MENT AMOUNT FOR NEW CENTERS OR CLINICS.—In
6 any case in which an entity first qualifies as a Fed-
7 erally-qualified health center or rural health clinic
8 after fiscal year 1999, the State plan shall provide
9 for payment for services described in section
10 1905(a)(2)(C) furnished by the center or services
11 described in section 1905(a)(2)(B) furnished by the
12 clinic in the first fiscal year in which the center or
13 clinic so qualifies in an amount (calculated on a per
14 visit basis) that is equal to 100 percent of the costs
15 of furnishing such services during such fiscal year in
16 accordance with the regulations and methodology re-
17 ferred to in paragraph (2). For each fiscal year fol-
18 lowing the fiscal year in which the entity first quali-
19 fies as a Federally-qualified health center or rural
20 health clinic, the State plan shall provide for the
21 payment amount to be calculated in accordance with
22 paragraph (3).

23 “(5) ADMINISTRATION IN THE CASE OF MAN-
24 AGED CARE.—In the case of services furnished by a
25 Federally-qualified health center or rural health clin-

1 ic pursuant to a contract between the center or clinic
2 and a managed care entity (as defined in section
3 1932(a)(1)(B)), the State plan shall provide for pay-
4 ment to the center or clinic (at least quarterly) by
5 the State of a supplemental payment equal to the
6 amount (if any) by which the amount determined
7 under paragraphs (2), (3), and (4) of this subsection
8 exceeds the amount of the payments provided under
9 the contract.

10 “(6) ALTERNATIVE PAYMENT METHODOLO-
11 GIES.—Notwithstanding any other provision of this
12 section, the State plan may provide for payment in
13 any fiscal year to a Federally-qualified health center
14 for services described in section 1905(a)(2)(C) or to
15 a rural health clinic for services described in section
16 1905(a)(2)(B) in an amount which is determined
17 under an alternative payment methodology that—

18 “(A) is agreed to by the State and the cen-
19 ter or clinic; and

20 “(B) results in payment to the center or
21 clinic of an amount which is at least equal to
22 the amount otherwise required to be paid to the
23 center or clinic under this section.”.

24 (c) CONFORMING AMENDMENTS.—

1 (1) Section 4712 of the Balanced Budget Act
2 of 1997 (Public Law 105-33; 111 Stat. 508) is
3 amended by striking subsection (c).

4 (2) Section 1915(b) (42 U.S.C. 1396n(b)) is
5 amended by striking “1902(a)(13)(E)” and insert-
6 ing “1902(a)(15), 1902(aa),”.

7 (d) EFFECTIVE DATE.—The amendments made by
8 this section take effect on October 1, 1999, and apply to
9 services furnished on or after such date.

○