

105TH CONGRESS  
1ST SESSION

# H. R. 1189

To amend the Social Security Act and the Public Health Service Act with respect to the health of residents of rural areas, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 20, 1997

Mr. NUSSLE (for himself, Mr. POSHARD, Mrs. EMERSON, Mr. BONILLA, Mr. BEREUTER, Mr. DEFazio, Mr. HILLIARD, Mr. KIND of Wisconsin, Mrs. JOHNSON of Connecticut, Mr. MINGE, Mr. POMEROY, Mr. MORAN of Kansas, Mr. STENHOLM, Mr. PETERSON of Pennsylvania, Mr. BARRETT of Nebraska, Mr. BOUCHER, Mr. CLYBURN, Mr. COSTELLO, Mr. CRAPO, Mr. GANSKE, Mr. HILL, Mr. LATHAM, Mr. LEACH, Mr. OBERSTAR, Mr. RAHALL, Mr. PETRI, Mr. THORNBERRY, Mr. WALSH, Mr. WATTS of Oklahoma, and Mr. PETERSON of Minnesota) 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

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## A BILL

To amend the Social Security Act and the Public Health Service Act with respect to the health of residents of rural areas, and for other purposes.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Rural Health Improve-  
5 ment Act of 1997”.

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1 **SEC. 3. SENSE OF CONGRESS ON THE WORK OF BILL EMER-**  
 2 **SON.**

3 It is the sense of the Congress that this Act reflects  
 4 the dedication of the late Representative Bill Emerson,  
 5 who served on the Steering Committee of the Rural Health  
 6 Care Coalition of the House of Representatives, to ensur-  
 7 ing health care access for all rural Americans.

8 **TITLE I—EQUALIZATION OF**  
 9 **MEDICARE REIMBURSEMENT**  
 10 **RATES TO HEALTH MAINTENANCE ORGANIZATIONS AND**  
 11 **COMPETITIVE MEDICAL**  
 12 **PLANS**

14 **SEC. 101. PAYMENTS TO HEALTH MAINTENANCE ORGANI-**  
 15 **ZATIONS AND COMPETITIVE MEDICAL PLANS.**

16 (a) IN GENERAL.—Section 1876(a) of the Social Se-  
 17 curity Act (42 U.S.C. 1395mm(a)) is amended to read as  
 18 follows:

19 “(a)(1)(A) The Secretary shall annually determine,  
 20 and shall announce (in a manner intended to provide no-  
 21 tice to interested parties) not later than August 1 before  
 22 the calendar year concerned—

1           “(i) a per capita rate of payment for individuals  
2           who are enrolled under this section with an eligible  
3           organization which has entered into a risk-sharing  
4           contract and who are entitled to benefits under part  
5           A and enrolled under part B, and

6           “(ii) a per capita rate of payment for individ-  
7           uals who are so enrolled with such an organization  
8           and who are enrolled under part B only.

9           For purposes of this section, the term ‘risk-sharing con-  
10          tract’ means a contract entered into under subsection (g)  
11          and the term ‘reasonable cost reimbursement contract’  
12          means a contract entered into under subsection (h).

13          “(B) The annual per capita rate of payment for each  
14          medicare payment area (as defined in paragraph (5)) shall  
15          be equal to the adjusted capitation rate (as defined in  
16          paragraph (4)), adjusted by the Secretary for—

17                 “(i) individuals who are enrolled under this sec-  
18                 tion with an eligible organization which has entered  
19                 into a risk-sharing contract and who are enrolled  
20                 under part B only; and

21                 “(ii) such risk factors as age, disability status,  
22                 gender, institutional status, and such other factors  
23                 as the Secretary determines to be appropriate so as  
24                 to ensure actuarial equivalence. The Secretary may  
25                 add to, modify, or substitute for such factors, if such

1 changes will improve the determination of actuarial  
2 equivalence.

3 “(C) In the case of an eligible organization with a  
4 risk-sharing contract, the Secretary shall make monthly  
5 payments in advance and in accordance with the rate de-  
6 termined under subparagraph (B) and except as provided  
7 in subsection (g)(2), to the organization for each individ-  
8 ual enrolled with the organization under this section.

9 “(D) The Secretary shall establish a separate rate of  
10 payment to an eligible organization with respect to any  
11 individual determined to have end-stage renal disease and  
12 enrolled with the organization. Such rate of payment shall  
13 be actuarially equivalent to rates paid to other enrollees  
14 in the payment area (or such other area as specified by  
15 the Secretary).

16 “(E)(i) The amount of payment under this paragraph  
17 may be retroactively adjusted to take into account any dif-  
18 ference between the actual number of individuals enrolled  
19 in the plan under this section and the number of such  
20 individuals estimated to be so enrolled in determining the  
21 amount of the advance payment.

22 “(ii)(I) Subject to subclause (II), the Secretary may  
23 make retroactive adjustments under clause (i) to take into  
24 account individuals enrolled during the period beginning  
25 on the date on which the individual enrolls with an eligible

1 organization (which has a risk-sharing contract under this  
2 section) under a health benefit plan operated, sponsored,  
3 or contributed to by the individual’s employer or former  
4 employer (or the employer or former employer of the indi-  
5 vidual’s spouse) and ending on the date on which the indi-  
6 vidual is enrolled in the plan under this section, except  
7 that for purposes of making such retroactive adjustments  
8 under this clause, such period may not exceed 90 days.

9 “(II) No adjustment may be made under subclause  
10 (I) with respect to any individual who does not certify that  
11 the organization provided the individual with the expla-  
12 nation described in subsection (c)(3)(E) at the time the  
13 individual enrolled with the organization.

14 “(F)(i) At least 45 days before making the announce-  
15 ment under subparagraph (A) for a year, the Secretary  
16 shall provide for notice to eligible organizations of pro-  
17 posed changes to be made in the methodology or benefit  
18 coverage assumptions from the methodology and assump-  
19 tions used in the previous announcement and shall provide  
20 such organizations an opportunity to comment on such  
21 proposed changes.

22 “(ii) In each announcement made under subpara-  
23 graph (A) for a year, the Secretary shall include an expla-  
24 nation of the assumptions (including any benefit coverage  
25 assumptions) and changes in methodology used in the an-

1 nouncement in sufficient detail so that eligible organiza-  
2 tions can compute per capita rates of payment for individ-  
3 uals located in each county (or equivalent medicare pay-  
4 ment area) which is in whole or in part within the service  
5 area of such an organization.

6 “(2) With respect to any eligible organization which  
7 has entered into a reasonable cost reimbursement con-  
8 tract, payments shall be made to such plan in accordance  
9 with subsection (h)(2) rather than paragraph (1).

10 “(3) Subject to subsections (c)(2)(B)(ii) and (c)(7),  
11 payments under a contract to an eligible organization  
12 under paragraph (1) or (2) shall be instead of the amounts  
13 which (in the absence of the contract) would be otherwise  
14 payable, pursuant to sections 1814(b) and 1833(a), for  
15 services furnished by or through the organization to indi-  
16 viduals enrolled with the organization under this section.

17 “(4)(A) For purposes of this section, the ‘adjusted  
18 capitation rate’ for a medicare payment area (as defined  
19 in paragraph (5)) is equal to the greatest of the following:

20 “(i) The sum of—

21 “(I) the area-specific percentage for the  
22 year (as specified under subparagraph (B) for  
23 the year) of the area-specific adjusted capita-  
24 tion rate for the year for the medicare payment

1 area, as determined under subparagraph (C),  
2 and

3 “(II) the national percentage (as specified  
4 under subparagraph (B) for the year) of the  
5 input-price-adjusted national adjusted capita-  
6 tion rate for the year, as determined under sub-  
7 paragraph (D),

8 multiplied by a budget neutrality adjustment factor  
9 determined under subparagraph (E).

10 “(ii) An amount equal to—

11 “(I) in the case of 1998, 85 percent of the  
12 input-price-adjusted national adjusted capita-  
13 tion rate for the year, as determined under sub-  
14 paragraph (D); and

15 “(II) in the case of a succeeding year, the  
16 amount specified in this clause for the preced-  
17 ing year increased by the national average per  
18 capita growth percentage specified under sub-  
19 paragraph (F) for that succeeding year.

20 “(iii) An amount equal to—

21 “(I) in the case of 1998, 100 percent of  
22 the annual per capita rate of payment for 1997  
23 for the medicare payment area (determined  
24 under this subsection, as in effect on the day

1 before the date of enactment of the Rural  
2 Health Improvement Act of 1997); and

3 “(II) in the case of a subsequent year, 100  
4 percent of the adjusted capitation rate under  
5 this subsection for the area for the previous  
6 year.

7 “(B) For purposes of subparagraph (A)(i)—

8 “(i) for 1998, the ‘area-specific percentage’ is  
9 85 percent and the ‘national percentage’ is 15 per-  
10 cent,

11 “(ii) for 1999, the ‘area-specific percentage’ is  
12 75 percent and the ‘national percentage’ is 25 per-  
13 cent,

14 “(iii) for 2000, the ‘area-specific percentage’ is  
15 65 percent and the ‘national percentage’ is 35 per-  
16 cent,

17 “(iv) for 2001, the ‘area-specific percentage’ is  
18 55 percent and the ‘national percentage’ is 45 per-  
19 cent, and

20 “(v) for a year after 2001, the ‘area-specific  
21 percentage’ is 50 percent and the ‘national percent-  
22 age’ is 50 percent.

23 “(C) For purposes of subparagraph (A)(i), the area-  
24 specific adjusted capitation rate for a medicare payment  
25 area—

1           “(i) for 1998, is the average of the annual per  
2           capita rates of payment for the area for 1995  
3           through 1997, after adjusting the 1995 and 1996  
4           rates of payment to 1997 dollars, increased by the  
5           national average per capita growth percentage for  
6           1998 (as defined in subparagraph (F)); or

7           “(ii) for a subsequent year, is the area-specific  
8           adjusted capitation rate for the previous year deter-  
9           mined under this subparagraph for the area, in-  
10          creased by the national average per capita growth  
11          percentage for such subsequent year.

12          “(D)(i) For purposes of subparagraph (A)(i) and  
13          subparagraph (A)(ii), the input-price-adjusted national  
14          adjusted capitation rate for a medicare payment area for  
15          a year is equal to the sum, for all the types of medicare  
16          services (as classified by the Secretary), of the product  
17          (for each such type of service) of—

18                 “(I) the national standardized adjusted capita-  
19                 tion rate (determined under clause (ii)) for the year,

20                 “(II) the proportion of such rate for the year  
21                 which is attributable to such type of services, and

22                 “(III) an index that reflects (for that year and  
23                 that type of services) the relative input price of such  
24                 services in the area compared to the national aver-  
25                 age input price of such services.

1 In applying subclause (III), the Secretary shall, subject  
2 to clause (iii), apply those indices under this title that are  
3 used in applying (or updating) national payment rates for  
4 specific areas and localities.

5 “(ii) In clause (i)(I), the ‘national standardized ad-  
6 justed capitation rate’ for a year is equal to—

7 “(I) the sum (for all medicare payment areas)  
8 of the product of (aa) the area-specific adjusted  
9 capitation rate for that year for the area under sub-  
10 paragraph (C), and (bb) the average number of  
11 standardized medicare beneficiaries residing in that  
12 area in the year; divided by

13 “(II) the total average number of standardized  
14 medicare beneficiaries residing in all the medicare  
15 payment areas for that year.

16 “(iii) In applying this subparagraph for 1998—

17 “(I) medicare services shall be divided into 2  
18 types of services: part A services and part B serv-  
19 ices;

20 “(II) the proportions described in clause (i)(II)  
21 for such types of services shall be—

22 “(aa) for part A services, the ratio (ex-  
23 pressed as a percentage) of the national average  
24 annual per capita rate of payment for part A  
25 for 1997 to the total average annual per capita

1 rate of payment for parts A and B for 1997,  
2 and

3 “(bb) for part B services, 100 percent  
4 minus the ratio described in item (aa);

5 “(III) for part A services, 70 percent of pay-  
6 ments attributable to such services shall be adjusted  
7 by the index used under section 1886(d)(3)(E) to  
8 adjust payment rates for relative hospital wage levels  
9 for hospitals located in the payment area involved;  
10 and

11 “(IV) for part B services—

12 “(aa) 66 percent of payments attributable  
13 to such services shall be adjusted by the index  
14 of the geographic area factors under section  
15 1848(e) used to adjust payment rates for physi-  
16 cians’ services furnished in the payment area,  
17 and

18 “(bb) of the remaining 34 percent of the  
19 amount of such payments, 70 percent shall be  
20 adjusted by the index described in subclause  
21 (III).

22 The Secretary may continue to apply the rules described  
23 in this clause (or similar rules) for 1999.

24 “(E) For each year, the Secretary shall compute a  
25 budget neutrality adjustment factor so that the aggregate

1 of the payments under this section shall be equal to the  
2 aggregate payments that would have been made under this  
3 section if the area-specific percentage for the year had  
4 been 100 percent and the national percentage had been  
5 0 percent.

6 “(F) In this section, the ‘national average per capita  
7 growth percentage’ is equal to the percentage growth in  
8 medicare fee-for-service per capita expenditures, which the  
9 Secretary shall project for each year.

10 “(5)(A) In this section, except as provided in sub-  
11 paragraph (C), the term ‘medicare payment area’ means  
12 a county, or equivalent area specified by the Secretary.

13 “(B) In the case of individuals who are determined  
14 to have end stage renal disease, the medicare payment  
15 area shall be specified by the Secretary.

16 “(C)(i) Upon written request of the Chief Executive  
17 Officer of a State for a contract year (beginning after  
18 1998) made at least 7 months before the beginning of the  
19 year, the Secretary shall adjust the system under which  
20 medicare payment areas in the State are otherwise deter-  
21 mined under subparagraph (A) to a system which—

22 “(I) has a single statewide medicare payment  
23 area,

24 “(II) is a metropolitan based system described  
25 in clause (iii), or

1           “(III) which consolidates into a single medicare  
2           payment area noncontiguous counties (or equivalent  
3           areas described in subparagraph (A)) within a State.  
4   Such adjustment shall be effective for payments for  
5   months beginning with January of the year following the  
6   year in which the request is received.

7           “(ii) In the case of a State requesting an adjustment  
8   under this subparagraph, the Secretary shall adjust the  
9   payment rates otherwise established under this section for  
10   medicare payment areas in the State in a manner so that  
11   the aggregate of the payments under this section in the  
12   State shall be equal to the aggregate payments that would  
13   have been made under this section for medicare payment  
14   areas in the State in the absence of the adjustment under  
15   this subparagraph.

16          “(iii) The metropolitan based system described in this  
17   clause is one in which—

18           “(I) all the portions of each metropolitan statis-  
19           tical area in the State or in the case of a consoli-  
20           dated metropolitan statistical area, all of the por-  
21           tions of each primary metropolitan statistical area  
22           within the consolidated area within the State, are  
23           treated as a single medicare payment area, and

1           “(II) all areas in the State that do not fall  
2           within a metropolitan statistical area are treated as  
3           a single medicare payment area.

4           “(iv) In clause (iii), the terms ‘metropolitan statis-  
5           tical area’, ‘consolidated metropolitan statistical area’, and  
6           ‘primary metropolitan statistical area’ mean any area des-  
7           ignated as such by the Secretary of Commerce.

8           “(6) The payment to an eligible organization under  
9           this section for individuals enrolled under this section with  
10          the organization and entitled to benefits under part A and  
11          enrolled under part B shall be made from the Federal  
12          Hospital Insurance Trust Fund and the Federal Supple-  
13          mentary Medical Insurance Trust Fund. The portion of  
14          that payment to the organization for a month to be paid  
15          by each trust fund shall be determined as follows:

16               “(A) In regard to expenditures by eligible orga-  
17               nizations having risk-sharing contracts, the alloca-  
18               tion shall be determined each year by the Secretary  
19               based on the relative weight that benefits from each  
20               fund contribute to the adjusted average per capita  
21               cost.

22               “(B) In regard to expenditures by eligible orga-  
23               nizations operating under a reasonable cost reim-  
24               bursement contract, the initial allocation shall be  
25               based on the plan’s most recent budget, such alloca-

1       tion to be adjusted, as needed, after cost settlement  
2       to reflect the distribution of actual expenditures.  
3       The remainder of that payment shall be paid by the  
4       former trust fund.

5       “(7) Subject to subsections (c)(2)(B)(ii) and (c)(7),  
6 if an individual is enrolled under this section with an eligi-  
7 ble organization having a risk-sharing contract, only the  
8 eligible organization shall be entitled to receive payments  
9 from the Secretary under this title for services furnished  
10 to the individual.”.

11       (b) EFFECTIVE DATE.—The amendment made by  
12 this section shall take effect on October 1, 1997.

13 **SEC. 102. SENSE OF CONGRESS RELATING TO PAYMENTS**  
14                   **TO HEALTH MAINTENANCE ORGANIZATIONS**  
15                   **AND COMPETITIVE MEDICAL PLANS IN**  
16                   **RURAL AREAS.**

17       It is the sense of the Congress that health mainte-  
18 nance organizations or competitive medical plans in rural  
19 areas receiving additional payments as a result of the  
20 amendment to the Social Security Act made under section  
21 101 of this Act should allocate those payments to provide  
22 increased health care services to medicare beneficiaries or  
23 to pay for health care service infrastructure needs.

1 **TITLE II—EXPANSION OF GRANT**  
2 **AUTHORITY TO INCLUDE**  
3 **TECHNICAL ASSISTANCE FOR**  
4 **RURAL HEALTH NETWORKS**

5 **SEC. 201. TECHNICAL ASSISTANCE GRANTS FOR RURAL**  
6 **HEALTH NETWORKS.**

7 Section 330A of the Public Health Service Act (42  
8 U.S.C. 254c) is amended—

9 (1) by redesignating subsection(g) as subsection  
10 (h); and

11 (2) by inserting after subsection (f) the follow-  
12 ing new subsection:

13 “(g) The Secretary may provide technical assistance  
14 with respect to the planning, development, and operation  
15 of any program or service carried out pursuant to this sec-  
16 tion. The Secretary may provide such technical assistance  
17 directly or through grants to, or contracts with, public and  
18 private entities.”.

19 **TITLE III—MEDICARE RURAL**  
20 **PRIMARY CARE HOSPITAL**  
21 **PROGRAM**

22 **SEC. 301. DESIGNATION OF RURAL PRIMARY CARE HOS-**  
23 **PITALS.**

24 Section 1820 of the Social Security Act (42 U.S.C.  
25 1395i-4) is amended to read as follows:

1 “MEDICARE RURAL PRIMARY CARE HOSPITAL PROGRAM

2 “SEC. 1820. (a) STATE DESIGNATION OF FACILI-  
3 TIES.—

4 “(1) IN GENERAL.—A State may designate one  
5 or more facilities as a rural primary care hospital in  
6 accordance with paragraph (2).

7 “(2) CRITERIA FOR DESIGNATION AS RURAL  
8 PRIMARY CARE HOSPITAL.—A State may designate a  
9 facility as a rural primary care hospital if the facil-  
10 ity—

11 “(A) is located in a county (or equivalent  
12 unit of local government) in a rural area (as de-  
13 fined in section 1886(d)(2)(D)) that—

14 “(i) is located more than a 20-mile  
15 drive from a hospital, or another facility  
16 described in this subsection, or

17 “(ii) is certified by the State as being  
18 a necessary provider of health care services  
19 to residents in the area because of local ge-  
20 ography or service patterns;

21 “(B) makes available 24-hour emergency  
22 care services;

23 “(C) provides not more than 15 acute care  
24 inpatient beds (meeting such standards as the  
25 Secretary may establish) for providing inpatient

1 care for a period not to exceed an average, for  
2 all patients treated in the facility in a 12-  
3 month period, of 96 hours (unless a longer pe-  
4 riod than the average is required because trans-  
5 fer to a hospital is precluded because of inclem-  
6 ent weather or other emergency conditions), ex-  
7 cept that a peer review organization or equiva-  
8 lent entity may, on request, waive the 96-hour  
9 average restriction on a case-by-case basis;

10 “(D) meets such staffing requirements as  
11 would apply under section 1861(e) to a hospital  
12 located in a rural area, except that—

13 “(i) the facility need not meet hospital  
14 standards relating to the number of hours  
15 during a day, or days during a week, in  
16 which the facility must be open and fully  
17 staffed, except insofar as the facility is re-  
18 quired to make available emergency care  
19 services as determined under subparagraph  
20 (B) and must have nursing services avail-  
21 able on a 24-hour basis, but need not oth-  
22 erwise staff the facility except when an in-  
23 patient is present,

24 “(ii) the facility may provide any serv-  
25 ices otherwise required to be provided by a

1 full-time, on-site dietitian, pharmacist, lab-  
2 oratory technician, medical technologist,  
3 and radiological technologist on a part-  
4 time, off-site basis under arrangements as  
5 defined in section 1861(w)(1), and

6 “(iii) the inpatient care described in  
7 subparagraph (C) may be provided by a  
8 physician’s assistant, nurse practitioner, or  
9 clinical nurse specialist subject to the over-  
10 sight of a physician who need not be  
11 present in the facility;

12 “(E) meets the requirements of subpara-  
13 graph (I) of paragraph (2) of section 1861(aa);  
14 and

15 “(F) has executed and in effect an agree-  
16 ment described in subsection (b)(1).

17 “(b) AGREEMENTS.—

18 “(1) IN GENERAL.—Each rural primary care  
19 hospital shall have an agreement with respect to  
20 each item described in paragraph (2) with at least  
21 1 hospital (as defined in section 1861(e)).

22 “(2) ITEMS DESCRIBED.—The items described  
23 in this paragraph are the following:

24 “(A) Patient referral and transfer.

1           “(B) The development and use of commu-  
2           nications systems including (where feasible)—

3                   “(i) telemetry systems, and

4                   “(ii) systems for electronic sharing of  
5           patient data.

6           “(C) The provision of emergency and non-  
7           emergency transportation among the facility  
8           and the hospital.

9           “(3) CREDENTIALING AND QUALITY ASSUR-  
10          ANCE.—Each rural primary care hospital shall have  
11          an agreement with respect to credentialing and qual-  
12          ity assurance with at least 1—

13                   “(A) hospital,

14                   “(B) peer review organization or equivalent  
15          entity, or

16                   “(C) other appropriate and qualified entity  
17          identified by the State.

18          “(c) CERTIFICATION BY THE SECRETARY.—The Sec-  
19          retary shall certify a facility as a rural primary care hos-  
20          pital if the facility—

21                   “(1) is designated as a rural primary care hos-  
22          pital by the State in which it is located; and

23                   “(2) meets such other criteria as the Secretary  
24          may require.

1           “(d) PERMITTING MAINTENANCE OF SWING BEDS.—  
2 Nothing in this section shall be construed to prohibit a  
3 State from designating or the Secretary from certifying  
4 a facility as a rural primary care hospital solely because,  
5 at the time the facility applies to the State for designation  
6 as a rural primary care hospital, there is in effect an  
7 agreement between the facility and the Secretary under  
8 section 1883 under which the facility’s inpatient hospital  
9 facilities are used for the furnishing of extended care serv-  
10 ices, except that the number of beds used for the furnish-  
11 ing of such services may not exceed 25 beds (minus the  
12 number of inpatient beds used for providing inpatient care  
13 in the facility pursuant to subsection (a)). For purposes  
14 of the previous sentence, the number of beds of the facility  
15 used for the furnishing of extended care services shall not  
16 include any beds of a unit of the facility that is licensed  
17 as a distinct-part skilled nursing facility at the time the  
18 facility applies to the State for designation as a rural pri-  
19 mary care hospital.

20           “(e) WAIVER OF CONFLICTING PART A PROVI-  
21 SIONS.—The Secretary is authorized to waive such provi-  
22 sions of this part and part C as are necessary to conduct  
23 the program established under this section.”.

1 **SEC. 302. PAYMENT ON A REASONABLE COST BASIS.**

2 (a) MEDICARE PART A.—Section 1814(l) of the So-  
3 cial Security Act (42 U.S.C. 1395f(l)) is amended to read  
4 as follows:

5 “(l) PAYMENT FOR INPATIENT RURAL PRIMARY  
6 CARE HOSPITAL SERVICES.—The amount of payment  
7 under this part for inpatient rural primary care hospital  
8 services is the reasonable costs of the rural primary care  
9 hospital in providing such services.”.

10 (b) MEDICARE PART B.—Section 1834(g) of such  
11 Act (42 U.S.C. 1395m(g)) is amended to read as follows:

12 “(g) PAYMENT FOR OUTPATIENT RURAL PRIMARY  
13 CARE HOSPITAL SERVICES.—The amount of payment  
14 under this part for outpatient rural primary care hospital  
15 services is the reasonable costs of the rural primary care  
16 hospital in providing such services.”.

17 **SEC. 303. LENGTHENING MAXIMUM PERIOD OF PERMITTED**  
18 **INPATIENT STAY.**

19 Section 1814(a)(8) of the Social Security Act (42  
20 U.S.C. 1395f(a)(8)) is amended by striking “72 hours”  
21 and inserting “96 hours”.

1 **SEC. 304. PAYMENT CONTINUED TO DESIGNATED ESSEN-**  
2 **TIAL ACCESS COMMUNITY HOSPITALS AND**  
3 **DESIGNATED RURAL PRIMARY CARE HOS-**  
4 **PITALS.**

5 (a) **ESSENTIAL ACCESS COMMUNITY HOSPITALS.**—  
6 Section 1886(d)(5)(D) of the Social Security Act (42  
7 U.S.C. 1395ww(d)(5)(D)) is amended—

8 (1) in clause (iii)(III), by inserting “as in effect  
9 on September 30, 1997” before the period at the  
10 end; and

11 (2) in clause (v), by inserting “as in effect on  
12 September 30, 1997” after “1820(i)(1)” and after  
13 “1820(g)”.

14 (b) **RURAL PRIMARY CARE HOSPITALS.**—Section  
15 1861(mm)(1) of the Social Security Act (42 U.S.C.  
16 1395x(mm)(1)) is amended by striking “1820(i)(2).” and  
17 inserting “1820(c), and includes a facility designated by  
18 the Secretary under section 1820(i)(2) as in effect on Sep-  
19 tember 30, 1997.”.

20 (c) **MEDICAL ASSISTANCE FACILITY.**—Any facility  
21 that, as of March 1, 1997, operated as a limited service  
22 rural hospital under a demonstration program described  
23 in section 4008(i)(1) of the Omnibus Budget Reconcili-  
24 ation Act of 1990 (42 U.S.C. 1395b-1 note) shall be treat-  
25 ed as a rural primary care hospital for the purposes of  
26 title XVIII of the Social Security Act.

1 **SEC. 305. EFFECTIVE DATE.**

2 The amendments made by this title shall apply to  
3 services furnished on or after October 1, 1997.

4 **TITLE IV—INCENTIVES FOR**  
5 **HEALTH PROFESSIONALS TO**  
6 **PRACTICE IN RURAL AREAS**  
7 **Subtitle A—National Health**  
8 **Service Corps**

9 **SEC. 401. NATIONAL HEALTH SERVICE CORPS SCHOLAR-**  
10 **SHIP AND LOAN REPAYMENTS EXCLUDED**  
11 **FROM GROSS INCOME.**

12 (a) IN GENERAL.—Part III of subchapter B of chap-  
13 ter 1 of the Internal Revenue Code of 1986 (relating to  
14 items specifically excluded from gross income) is amended  
15 by redesignating section 138 as section 139 and by insert-  
16 ing after section 137 the following new section:

17 **“SEC. 138. NATIONAL HEALTH SERVICE CORPS SCHOLAR-**  
18 **SHIP AND LOAN PAYMENTS.**

19 “(a) GENERAL RULE.—Gross income shall not in-  
20 clude any qualified scholarship payment or any qualified  
21 loan repayment.

22 “(b) QUALIFIED PAYMENTS.—For purposes of this  
23 section, the term ‘qualified scholarship payment’ means  
24 any payment made on behalf of the taxpayer by the Na-  
25 tional Health Service Corps Scholarship Program under  
26 section 338A(g) of the Public Health Service Act, and the

1 term ‘qualified loan repayment’ means any payment made  
2 on behalf of the taxpayer by the National Health Service  
3 Corps Loan Repayment Program under section 338B(g)  
4 of such Act.”.

5 (b) CONFORMING AMENDMENT.—Paragraph (3) of  
6 section 338B(g) of the Public Health Service Act is  
7 amended by striking “Federal, State, or local” and insert-  
8 ing “State or local”.

9 (c) CLERICAL AMENDMENT.—The table of sections  
10 for part III of subchapter B of chapter 1 of the Internal  
11 Revenue Code of 1986 is amended by striking the item  
12 relating to section 138 and inserting the following:

“Sec. 138. National Health Service Corps scholarship and loan  
payments.

“Sec. 139. Cross references to other Acts.”.

13 (d) EFFECTIVE DATE.—The amendments made by  
14 this section shall apply to payments made under sections  
15 338A(g) and 338B(g) of the Public Health Service Act  
16 after the date of the enactment of this Act.

17 **SEC. 402. SUBMISSION OF REPORT ON STUDY.**

18 The Secretary of Health and Human Services shall  
19 transmit to the Congress, by not later than 180 days after  
20 the date of the enactment of this section, a report on the  
21 study being conducted on the criteria for designation of  
22 health professional shortage areas under subpart II of  
23 part D of title III of the Public Health Service Act and

1 for designation of medically underserved areas under sec-  
 2 tion 330(b) of such Act.

3 **SEC. 403. PRIORITY IN ASSIGNMENT OF CORPS MEMBERS;**

4 **COMMUNITY RURAL HEALTH NETWORKS.**

5 Section 333A(a)(1)(B) of the Public Health Service  
 6 Act (42 U.S.C. 254f–1(a)(1)(B)) is amended—

7 (1) in clause (iii), by striking “and” after the  
 8 semicolon at the end;

9 (2) in clause (iv), by adding “and” after the  
 10 semicolon at the end; and

11 (3) by adding at the end the following clause:

12 “(v) is a participant in an eligible net-  
 13 work described in section 330A(c).”.

14 **Subtitle B—Primary Care Services**  
 15 **Furnished in Shortage Areas**

16 **SEC. 411. ADDITIONAL PAYMENTS UNDER MEDICARE FOR**

17 **PRIMARY CARE SERVICES FURNISHED IN**

18 **RURAL SHORTAGE AREAS.**

19 (a) INCREASE IN AMOUNT OF ADDITIONAL PAY-  
 20 MENT.—Section 1833(m) of the Social Security Act (42  
 21 U.S.C. 1395l(m)) is amended by striking “10 percent”  
 22 and inserting “20 percent”.

23 (b) RESTRICTION TO PRIMARY CARE SERVICES.—  
 24 Section 1833(m) of the Social Security Act (42 U.S.C.  
 25 1395l(m)) is amended—

1           (1) by striking “physicians’ services” and in-  
2           serting “primary care services (as defined in section  
3           1842(i)(4) and including services described in such  
4           section that are furnished by a physician assistant,  
5           nurse practitioner, or nurse midwife and that would  
6           be physicians’ services if furnished by a physician)”,

7           (2) by striking “in an area” and inserting “in  
8           a rural area”, and

9           (3) by inserting “or physician assistant, nurse  
10          practitioner, or nurse midwife furnishing the serv-  
11          ice” after “physician”.

12          (c) EXTENSION OF PAYMENT FOR FORMER SHORT-  
13          AGE AREAS.—

14           (1) IN GENERAL.—Section 1833(m) of the So-  
15          cial Security Act (42 U.S.C. 1395l(m)) is amended  
16          by striking “area,” and inserting “area (or, in the  
17          case of an area for which the designation as a health  
18          professional shortage area under such section is  
19          withdrawn, in the case of such services furnished to  
20          such an individual during the 3-year period begin-  
21          ning on the effective date of the withdrawal of such  
22          designation),”.

23           (2) EFFECTIVE DATE.—The amendment made  
24          by paragraph (1) shall apply to services furnished in  
25          an area for which the designation as a health profes-

1 sional shortage area under section 332(a)(1)(A) of  
2 the Public Health Service Act is withdrawn on or  
3 after October 1, 1997.

4 (d) REQUIRING CARRIERS TO REPORT ON SERVICES  
5 PROVIDED.—Section 1842(b)(3) of the Social Security  
6 Act (42 U.S.C. 1395u(b)(3)) is amended—

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

9 (2) by inserting after subparagraph (I) the fol-  
10 lowing new subparagraph:

11 “(J) will provide information to the Secretary  
12 not later than 30 days after the end of the contract  
13 year on the types of providers to whom the carrier  
14 made additional payments during the year for cer-  
15 tain services pursuant to section 1833(m), together  
16 with a description of the services furnished by such  
17 providers during the year; and”.

18 (e) EFFECTIVE DATE.—The amendments made by  
19 subsections (a), (b), and (d) shall apply to services fur-  
20 nished on or after October 1, 1997.

1 **TITLE V—CLASSIFICATION AS**  
2 **RURAL REFERRAL CENTERS;**  
3 **GEOGRAPHIC RECLASSIFICA-**  
4 **TION FOR DISPROPORTION-**  
5 **ATE SHARE PAYMENT AD-**  
6 **JUSTMENT.**

7 **SEC. 501. CLASSIFICATION OF CENTERS.**

8 (a) PROHIBITING DENIAL OF REQUEST FOR RECLAS-  
9 SIFICATION ON BASIS OF COMPARABILITY OF WAGES.—

10 (1) IN GENERAL.—Section 1886(d)(10)(D) of  
11 the Social Security Act (42 U.S.C.  
12 1395ww(d)(10)(D)) is amended—

13 (A) by redesignating clause (iii) as clause  
14 (iv); and

15 (B) by inserting after clause (ii) the follow-  
16 ing new clause:

17 “(iii) Under the guidelines published by the Secretary  
18 under clause (i), in the case of a hospital which is classi-  
19 fied by the Secretary as a rural referral center under para-  
20 graph (5)(C), the Board may not reject the application  
21 of the hospital under this paragraph on the basis of any  
22 comparison between the average hourly wage of the hos-  
23 pital and the average hourly wage of hospitals in the area  
24 in which it is located.”.

1           (2) EFFECTIVE DATE.—Notwithstanding sec-  
2           tion 1886(d)(10)(C)(ii) of the Social Security Act, a  
3           hospital may submit an application to the Medicare  
4           Geographic Classification Review Board during the  
5           60-day period beginning on the date of the enact-  
6           ment of this Act requesting a change in its classi-  
7           fication for purposes of determining the area wage  
8           index applicable to the hospital under section  
9           1886(d)(3)(D) of such Act for fiscal year 1998, if  
10          the hospital would be eligible for such a change in  
11          its classification under the standards described in  
12          section 1886(d)(10)(D) (as amended by paragraph  
13          (1)) but for its failure to meet the deadline for appli-  
14          cations under section 1886(d)(10)(C)(ii).

15          (b) CONTINUING TREATMENT OF PREVIOUSLY DES-  
16          IGNATED CENTERS.—Any hospital classified as a rural re-  
17          ferral center by the Secretary of Health and Human Serv-  
18          ices under section 1886(d)(5)(C) of the Social Security  
19          Act for fiscal year 1991 shall be classified as such a rural  
20          referral center for fiscal year 1998 and each subsequent  
21          fiscal year.

1 **SEC. 502. MEDICARE HOSPITAL GEOGRAPHIC RECLASSI-**  
2 **FICATION PERMITTED FOR PURPOSES OF**  
3 **DISPROPORTIONATE SHARE PAYMENT AD-**  
4 **JUSTMENTS.**

5 (a) **IN GENERAL.**—Section 1886(d)(10)(C)(i) of the  
6 Social Security Act (42 U.S.C. 1395ww(d)(10)(C)(i)) is  
7 amended—

8 (1) by striking “or” at the end of subclause (I);

9 (2) by striking the period at the end of sub-  
10 clause (II) and inserting “, or”;

11 (3) by inserting after subclause (II) the follow-  
12 ing:

13 “(III) eligibility for and amount of additional  
14 payment amounts under paragraph (5)(F).”; and

15 (4) by adding at the end the following:

16 “Any application approved for purposes of subclause (I)  
17 for a fiscal year is deemed to be approved for purposes  
18 of subclause (III) for that fiscal year.”.

19 (b) **EFFECTIVE DATE.**—Notwithstanding section  
20 1886(d)(10)(C)(ii) of the Social Security Act, a hospital  
21 may submit an application to the Medicare Geographic  
22 Classification Review Board during the 60-day period be-  
23 ginning on the date of the enactment of this Act request-  
24 ing a change in its classification for purposes of determin-  
25 ing the disproportionate share hospital payment applicable  
26 to the hospital under section 1886(d)(5)(F) of such Act

1 for fiscal year 1998 if the hospital would be eligible for  
2 such a change in its classification under the guidelines de-  
3 scribed in subsection (c) of this section but for its failure  
4 to meet the deadline for applications under section  
5 1886(d)(10)(C)(ii).

6 (c) APPLICABLE GUIDELINES.—Such Board shall  
7 apply the guidelines established for reclassification under  
8 subclause (I) of section 1886(d)(10)(C)(i) of such Act to  
9 reclassification under subclause (III) of such section until  
10 the Secretary of Health and Human Services promulgates  
11 separate guidelines for reclassification under such sub-  
12 clause (III).

## 13 **TITLE VI—MEDICARE PAYMENT** 14 **METHODOLOGIES**

### 15 **SEC. 601. TELEMEDICINE SERVICES.**

16 (a) IN GENERAL.—The Secretary of Health and  
17 Human Services shall implement a methodology for mak-  
18 ing payments under part B of the medicare program for  
19 telemedicine services. Such methodology shall be based  
20 upon the proposal submitted by the Secretary to the Con-  
21 gress under section 192 of the Health Insurance Port-  
22 ability and Accountability Act of 1996.

23 (b) EFFECTIVE DATE.—The Secretary shall imple-  
24 ment the methodology described in subsection (a) not later  
25 than 365 days after the date of the enactment of this Act.

1                   **TITLE VII—ANTITRUST**

2   **SEC. 701. SENSE OF CONGRESS RELATING TO APPLICATION**  
3                   **OF GUIDELINES.**

4           It is the sense of the Congress that—

5                   (1) physician and hospital networks in rural  
6           areas are working to develop alternative means of  
7           providing accessible, affordable, and quality health  
8           care services to Americans living and working in  
9           rural areas; and

10                   (2) the Federal Trade Commission, in conjunc-  
11           tion with the Justice Department, should, when im-  
12           plementing antitrust guidelines with respect to phy-  
13           sician and hospital networks in rural areas, give spe-  
14           cial consideration to and provide appropriate relief  
15           for such networks.

16                   **TITLE VIII—FINANCING**

17   **SEC. 801. EXTENSION OF CERTAIN EXISTING MEDICARE**  
18                   **SECONDARY PAYER REQUIREMENTS WITH**  
19                   **RESPECT TO END STAGE RENAL DISEASE.**

20           Section 1862(b)(1)(C) of the Social Security Act (42  
21   U.S.C. 1395y(b)(1)(C)) is amended—

22                   (1) in the last sentence by striking “October 1,  
23           1998” and inserting “the date of the enactment of  
24           the Rural Health Improvement Act of 1997”; and

1           (2) by adding at the end the following new sen-  
2           tence: “Effective for items and services furnished on  
3           or after the date of the enactment of the Rural  
4           Health Improvement Act of 1997, (with respect to  
5           periods beginning on or after the date that is 18  
6           months prior to such date), clauses (i) and (ii) shall  
7           be applied by substituting ‘30-month’ for ‘12-month’  
8           each place it appears.”.

○