

1 **SEC. ____ . CLARIFICATION OF DEFINITION OF REHABILITATION**

2 **SERVICES.**

3 (a) IN GENERAL.—Section 1905 of the Social Security Act (42 U.S.C. 1396d) is
4 amended—

5 (1) in subsection (a), in the matter following paragraph (27)—

6 (A) by striking "or" after subparagraph (A);

7 (B) by striking the period after subparagraph (B) and inserting "; or" and

8 (C) by inserting after subparagraph (B) the following new subparagraph:

9 "(C) any payment with respect to rehabilitation services for purposes of
10 paragraphs (9), (13), or other any other provision of this subsection if such
11 services do not meet the requirements of subsection (x)."

12 (2) by adding after subsection (w) the following new subsection:

13 "(x) the term "rehabilitation services" means services which—

14 "(1) are intended for the maximum reduction of physical or mental disability and
15 restoration of an individual to the best possible functional level;

16 "(2) are necessary for the achievement of specific, measurable outcomes related to
17 the purposes described in paragraph (1);

18 "(3) are prescribed by a physician or other licensed practitioner of the healing arts
19 within the scope of his or her practice under State law;

20 "(4) are provided by, or under the direction of, a physician or other licensed
21 practitioner of the healing arts within the scope of his or her practice under State law;

22 "(5) are provided consistent with the requirements of section 1902(a)(23) (with

1 respect to freedom of choice of provider); and

2 "(6) are not allowable services or an administrative function under any other
3 Federal, State, or local program, including programs under—

4 "(A) title IV of this Act; or

5 "(B) any other Federal, State, or local authority governing provision of
6 services pertaining to education, mental health, job training, housing, parole and
7 probation, juvenile justice, public guardianship, foster care, or child welfare."

8 (b) CONFORMING STATE PLAN REQUIREMENTS.—Section 1902(a) of the Social
9 Security Act (42 U.S.C. 1396a(a)) is amended—

10 (1) in paragraph (66) by striking "and" at the end;

11 (2) in paragraph (67) by striking the period at the end and inserting "; and" and

12 (3) by adding after paragraph (67), as so amended, the following new paragraph:

13 "(68) provide, with respect to rehabilitation services described in section 1905(x),
14 such information and assurances as the Secretary determines appropriate to demonstrate
15 that the State furnished such services in accordance with the requirements of such
16 section."

17 (c) PAYMENT EXCLUSION.—Section 1903(i) of the Social Security Act (42 U.S.C.
18 1396b(i)) is amended by inserting immediately after paragraph (8) the following new paragraph:

19 "(9) with respect to any amount expended for rehabilitation services (as described
20 in section 1905(x)), to the extent the Secretary determines that such services—

21 "(A) are furnished without charge to individuals in the State irrespective of
22 such individuals' eligibility for medical assistance;

1 "(B) are not billed under a fee schedule; or

2 "(C) are not provided with respect to a specific individual."

3 (d) ENFORCEMENT.— Section 1903 of the Social Security Act (42 U.S.C. 1396b) is
4 amended by adding at the end the following new subsection:

5 "(x) ENFORCEMENT OF LIMITATIONS ON PAYMENT FOR REHABILITATION
6 SERVICES.—

7 "(1) STATE PLAN AUDITS.— If the Secretary determines that information
8 submitted by a State pursuant to this title is insufficient to demonstrate that the State's
9 report of its estimated or actual quarterly expenditures (pursuant to subsection (d)(1)(A))
10 excludes expenditures of the type for which Federal matching payments are not permitted
11 under subsection (i)(9), the Secretary shall audit, at such times and to the extent
12 determined necessary and appropriate by the Secretary, the program under the State plan
13 under this title, including any demonstration or waiver programs.

14 "(2) ACTIONS BY SECRETARY.— If information obtained by the Secretary in
15 accordance with this subsection (or otherwise under this title) demonstrates to the
16 Secretary that the State report described in paragraph (1) includes expenditures for which
17 Federal matching is barred under subsection (i)(9), or that any existing State plan
18 methodology would result in such expenditures, the Secretary shall reduce, defer, or
19 disallow such expenditures."

20 (e) EFFECTIVE DATE.—The provisions of this section shall take effect October 1, 2006.

1 **SEC. ___. CLARIFICATION OF DEFINITION OF CASE MANAGEMENT**

2 **SERVICES.**

3 (a) IN GENERAL.—Section 1915(g) of the Social Security Act (42 U.S.C. 1396n(g)(2))
4 is amended by amending paragraph (2) to read as follows:

5 "(2) For purposes of this subsection, the term 'case management services' means
6 services which—

7 "(A) will assist individuals eligible under the plan in gaining access to
8 needed medical, social, educational, and other services;

9 "(B) are distinct from such medical, social, education, and other services;

10 "(C) are used to achieve specific, measurable outcomes for specific
11 individuals in accordance with subparagraph (A); and

12 "(D) subject to paragraph (3), are not allowable services or an
13 administrative function under any other Federal, State, or local program, including
14 programs under—

15 "(i) title IV of this Act; or

16 "(ii) any other Federal, State, or local authority governing provision
17 of services pertaining to education, mental health, job training, housing,
18 parole and probation, juvenile justice, public guardianship, foster care, or
19 child welfare.

20 "(3) Subparagraph (2)(D) shall not apply with respect to case management
21 services (as otherwise defined under paragraph(2)) furnished to an infant or toddler with a
22 disability pursuant to the child's individualized family service plan under part C of the

1 Individuals with Disabilities Education Act."

2 (b) CONFORMING STATE PLAN REQUIREMENTS.—Section 1902(a) (42 U.S.C.
3 1396a(a)) is amended—

4 (1) in paragraph (66) by striking "and" at the end;

5 (2) in paragraph (67) by striking the period at the end and inserting "; and"

6 (3) by adding after paragraph (67), as so amended, the following new paragraph:

7 "(68) provide, with respect to case management services as described in section
8 1915(g), such information and assurances as the Secretary determines appropriate to
9 demonstrate that the State has furnished such services in accordance with the
10 requirements of such section."

11 (c) PAYMENT EXCLUSION.—Section 1903(i) (42 U.S.C. 1396b(i)) is amended by
12 inserting immediately after paragraph (8) the following new paragraph:

13 "(9) notwithstanding section 8435 of the Technical and Miscellaneous Revenue
14 Act of 1988 (P.L. 100-647), with respect to any amount expended for case management
15 services (as described in section 1915(g)), to the extent the Secretary determines that such
16 services—

17 "(A) are furnished without charge to individuals in the State irrespective of
18 such individuals' eligibility for medical assistance;

19 "(B) are not billed under a fee schedule; or

20 "(C) are not provided with respect to a specific individual."

21 (d) ENFORCEMENT.—Section 1903 of the Social Security Act (42 U.S.C. 1396b) is
22 amended by adding at the end the following new subsection:

1 "(x) ENFORCEMENT OF LIMITATIONS ON PAYMENT FOR CASE

2 MANAGEMENT SERVICES.—

3 "(1) STATE PLAN AUDITS.— If the Secretary determines that information
4 submitted by a State pursuant to this title is insufficient to demonstrate that the State's
5 report of its estimated or actual quarterly expenditures (pursuant to subsection (d)(1)(A))
6 excludes expenditures of the type for which Federal matching payments are not permitted
7 under subsection (i)(9), the Secretary shall audit, at such times and to the extent
8 determined necessary and appropriate by the Secretary, the program under the State plan
9 under this title, including any demonstration or waiver programs.

10 "(2) ACTIONS BY SECRETARY.— If information obtained by the Secretary in
11 accordance with this subsection (or otherwise under this title) demonstrates to the
12 Secretary that the State report described in paragraph (1) includes expenditures for which
13 Federal matching is not permitted under subsection (i)(9), or that any existing State plan
14 methodology would result in such expenditures, the Secretary shall reduce, defer, or
15 disallow such expenditures."

16 (e) EFFECTIVE DATE.—The provisions of this section shall take effect October 1, 2006.

1 **SEC. ____ . FEDERAL MATCHING RATE FOR CASE MANAGEMENT SERVICES.**

2 (a) **IN GENERAL.**—Section 1903(a) of the Social Security Act (42 U.S.C. 1396b(a)) is
3 amended—

4 (1) in paragraph (1), by inserting before the semicolon "(other than for services
5 specified in paragraph (8))";

6 (2) by striking the period at the end of paragraph (7) and inserting "; plus"; and

7 (3) by inserting after paragraph (7) the following new paragraph:

8 "(8) 50 per centum of the sums expended during such quarter for case
9 management services, as described in subsections (c)(4)(B) and (g)(2) of section 1915,
10 and 50 per centum of any administrative expenditures related to providing such
11 services."

12 (b) **EFFECTIVE DATE.**— This section shall be effective with respect to calendar
13 quarters beginning on or after October 1, 2005.

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1 **SEC. ____ . ALLOTMENT LIMITS FOR MEDICAID ADMINISTRATIVE COSTS.**

2 (a) IN GENERAL.—Section 1903 of the Social Security Act (42 U.S.C. 1396b) is
3 amended—

4 (1) in subsection (a), in the matter preceding paragraph (1), by inserting "(subject,
5 except with respect to medical assistance expenditures under paragraph (1), to the
6 allotment limits under subsection (x))" after "under this title"; and

7 (2) by adding at the end the following new subsection:

8 "(x) STATE ADMINISTRATIVE COST LIMITATION.—

9 "(1) IN GENERAL.—Payments to a State under paragraphs (2) through (7) of
10 subsection (a) for calendar quarters in fiscal year 2006 or any succeeding fiscal year shall
11 not exceed, in the aggregate, an amount equal to the State's administrative cost allotment,
12 as determined under this subsection.

13 "(2) ALLOTMENT FORMULA.—The administrative allotment for a State—

14 "(A)(i) for fiscal year 2006 shall be an amount equal to the Federal share
15 of total allowable costs claimed by the State under paragraphs (2) through (7) of
16 subsection (a) for calendar quarters in fiscal year 2003, determined as of
17 September 30, 2004, adjusted in accordance with clause (ii).

18 "(ii) the amount specified in clause (i) shall be increased by a
19 percentage equal to the sum of the percentages described in clause (iii).

20 "(iii) the percentages described in this clause are, with respect to
21 each consecutive 12-month period in the 36-month period ending March
22 30, 2006, the percentage change in the consumer price index (for all urban

1 consumers; U.S. city average) plus 4.5 percentage points; and

2 "(B)(i) for each succeeding fiscal year, shall be the State's administrative
3 allotment for the preceding fiscal year, increased by the percentage described in
4 clause (ii).

5 "(ii) the percentage described in this paragraph is the percentage
6 change in the consumer price index (for all urban consumers; U.S. city
7 average) for the 12-month period ending on March 30 of such fiscal year,
8 plus 4.5 percentage points."

9 (b) EFFECTIVE DATE.—The amendments made by this section shall be effective with
10 respect to calendar quarters beginning on or after October 1, 2006.

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