

Summary of Administration Proposals

(Except as otherwise indicated, these proposals amend provisions of the Social Security Act. References to the "Secretary" are to the Secretary of Health and Human Services.)

SEC. __. RESTRUCTURING MEDICAID PHARMACY PAYMENTS TO USE AVERAGE SALES PRICE METHODOLOGY.

Section ___ would limit the Federal reimbursement to States for Medicaid pharmacy payments (including drug costs and dispensing fees) to the amount the State would have paid, in the aggregate, for covered outpatient drugs based on the manufacturers average sales price for such drugs (as determined under Medicare).

SEC. __. TRANSFER OF ASSETS REFORM.

Section _____ would, for purposes of determining the start of the period of ineligibility for Medicaid long-term care services (based on a prior transfer of assets for less than fair market value), begin the ineligibility period upon the later of (1) the asset transfer; or (2) the point at which an individual is eligible for Medicaid and is receiving long-term care services either in an institution or, in certain circumstances in the community.

SEC. __. PHASE-DOWN OF BROAD-BASED HEALTH CARE-RELATED TAX TO THREE PERCENT.

Section __ would reduce from 6% to 3% the percentage of provider revenues (attributable to a designated class of health care services) which a State can collect through a tax on such revenues, without violating the prohibition against indirect "hold-harmless" arrangements.

The new 3% limit would be effective immediately for any health care-related tax programs implemented after the effective date of this section. For States currently collecting above the 3% limit, the transition period would reduce their tax rate to 3% over three years.

SEC. __. MANAGED CARE ORGANIZATION PROVIDER TAX REFORM.

Section ____ would re-characterize, for purposes of designating the categories of health care services and providers upon which States may impose taxes, the class of services furnished by "medicaid managed care organizations" to more broadly encompass services provided by all managed care organizations, without regard to their status as Medicaid or commercial health plans, or the form of such plans (i.e., preferred provider organizations, health maintenance organizations, etc.).

This provision shall be effective October 1, 2007.

SEC. __. DISALLOWANCE OF STATE MEDICAID PAYMENTS NOT RETAINED BY GOVERNMENTAL ENTITIES.

Section __ precludes Federal matching payments for any portion of State payments to State or local governmental providers that (1) is not retained under the ownership and control of the provider for purposes of furnishing Medicaid care and services, or (2) as a condition of the provider's receipt of Medicaid payment, is either returned by the provider to the State or local government or used to supplant other State or local funding obligations. This section would also require States to provide adequate assurances that their quarterly reports to the Secretary of State expenditures do not include those for which Federal matching is so disallowed. The Secretary would be authorized to audit State plans and to reduce, defer, or disallow such non-compliant State expenditures. Transition payments would be permitted to continue for States whose expenditures would otherwise be allowed under the upper payment limit provisions of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000.

SEC. __. COST-LIMITED REIMBURSEMENT OF GOVERNMENTAL PROVIDERS.

Section __ would preclude Federal matching payments for any portion of State payments to State or local governmental providers that exceed the cost of providing care and services (as determined under a methodology to be developed by the Secretary). This section would also require States to provide adequate assurances that their quarterly reports to the Secretary of State expenditures do not include those for which Federal matching is so disallowed. The Secretary would be authorized to audit State plans toward this end and to reduce, defer, or disallow such non-compliant State expenditures. State expenditures reflecting payments to disproportionate share hospitals would be excepted from the disallowance and transition payments would be permitted to continue for States whose expenditures would otherwise be allowed under the upper payment limit provisions of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000.

SEC. ___. CLARIFICATION OF DEFINITION OF REHABILITATION SERVICES.

Section ___ would amend the definition of "rehabilitation services" to clarify that such services are those necessary for the achievement of specific, measurable outcomes related to restoration of an individual to his or her best possible functional level, so long as they are prescribed and furnished by (or under the supervision of) a physician or other licensed practitioner and are not provided as an intrinsic element of another program. This section also provides for disallowance of State expenditures on rehabilitation services if such services are routinely provided in the State without charge, are not billed under a fee schedule, or are not provided with respect to a specific individual. States would be required to provide adequate assurances that their quarterly reports of expenditures do not include those for which Federal matching is so disallowed, and the Secretary authorized to audit State plans toward this end and to reduce, defer, or disallow such non-compliant State expenditures.

SEC. ___. CLARIFICATION OF DEFINITION OF CASE MANAGEMENT SERVICES.

Section ___ would amend the definition of "case management services" under Medicaid to clarify that such services are those which assist individuals in obtaining necessary medical, social, educational, and other services, so long as they (1) are distinct from such other services; (2) are used to achieve specific, measurable outcomes for specific individuals, and (3) are not provided as an intrinsic element of another program. This section also provides for disallowance of State expenditures on case management services if such services are routinely provided in the State without charge, are not billed under a fee schedule, or are not provided with respect to a specific individual. States would be required to provide adequate assurances that their quarterly reports of expenditures do not include those for which Federal matching is so disallowed, and the Secretary authorized to audit State plans toward this end and to reduce, defer, or disallow such non-compliant State expenditures.

SEC. ___. FEDERAL MATCHING RATE FOR CASE MANAGEMENT SERVICES.

Section ___ would reduce the Federal match rate for State expenditures on case management services to 50 percent, applicable both to case management services provided under the State plan as "targeted case management" and those provided under a home and community-based services waiver.

SEC. ____. ALLOTMENT LIMITS FOR MEDICAID ADMINISTRATIVE COSTS.

Section ____ would establish a State-specific limit on the amount of Federal matching funds available for the costs of administering the State's Medicaid program, by establishing an administrative costs allotment for each State. Such costs allotments would be based on the administrative costs for each State for a base year, increased for each successive year by the percentage increase in the consumer price index plus 4.5%.