

**AMENDMENT OFFERED BY MR. STEARNS
TO MR. TAUZIN'S AMENDMENT IN THE NATURE
OF A SUBSTITUTE TO THE COMMITTEE PRINT**

(Page & line nos. refer to Committee Print of 6/13/03)

At the end of title VII (page 245, after line 36) insert the following new section:

1 **SEC. 735. DEMONSTRATION PROJECT FOR CONSUMER-**
2 **DIRECTED CHRONIC OUTPATIENT SERVICES.**

3 (a) ESTABLISHMENT.—

4 (1) IN GENERAL.—Subject to the succeeding provi-
5 sions of this section, the Secretary shall establish dem-
6 onstration projects (in this section referred to as “dem-
7 onstration projects”) under which the Secretary shall evalu-
8 ate methods that improve the quality of care provided to
9 medicare beneficiaries with chronic conditions and that re-
10 duce expenditures that would otherwise be made under the
11 medicare program on behalf of such individuals for such
12 chronic conditions, such methods to include permitting
13 those beneficiaries to direct their own health care needs
14 and services.

15 (2) MEDICARE BENEFICIARIES WITH CHRONIC CONDI-
16 TIONS DEFINED.—In this section, the term “medicare
17 beneficiaries with chronic conditions” means an individual
18 entitled to benefits under part A of title XVIII of the So-
19 cial Security Act, and enrolled under part B of such title,
20 but who is not enrolled under part C of such title who is
21 diagnosed as having one or more chronic conditions (as de-
22 fined by the Secretary), such as diabetes.

23 (b) DESIGN OF PROJECTS.—

24 (1) IN GENERAL.—In establishing the demonstration
25 projects under this section, the Secretary shall evaluate
26 practices employed by group health plans and practices
27 under State plans for medical assistance under the med-

1 icaid program under title XIX of the Social Security Act
2 that permit patients to receive the cash value of benefits
3 for items and services for which payment is otherwise made
4 under the plans for use by the beneficiary to purchase
5 items and services (in lieu of such payment) that the pa-
6 tient determines appropriate for the chronic condition.

7 (2) SCOPE OF SERVICES.—Subject paragraph (3), the
8 Secretary shall determine the appropriate scope of items
9 and services that would apply under the demonstration
10 projects, such as medical supplies, durable medical equip-
11 ment, nutrition services, therapy services, and home health
12 services. The Secretary may include such additional items
13 and services that the Secretary determines to be appro-
14 priate.

15 (3) EXCLUSIONS.—Such scope of services does not in-
16 clude any of the following:

17 (A) INPATIENT AND SNF SERVICES.—Inpatient
18 hospital services and skilled nursing facility services.

19 (B) CERTAIN OUTPATIENT SERVICES.—Hospital
20 outpatient department services.

21 (C) DIAGNOSTIC SERVICES.—Clinical diagnostic
22 laboratory tests and X-rays.

23 (D) ADDITIONAL SERVICES.—Such additional
24 items and services as the Secretary may specify as in-
25 appropriate for the inclusion in consumer-directed
26 chronic outpatient services.

27 (c) VOLUNTARY PARTICIPATION.—Participation of medi-
28 care beneficiaries in the demonstration projects shall be vol-
29 untary.

30 (d) DEMONSTRATION PROJECTS SITES.—Not later than 2
31 years after the date of the enactment of this Act, the Secretary
32 shall conduct no fewer than 3 demonstration projects estab-
33 lished under this section. Of those demonstration projects, the
34 Secretary shall conduct at least one in each of the following
35 areas:

36 (1) An urban area.

37 (2) A rural area.

1 (3) An area that the Secretary determines has a medi-
2 care population with rate of incidence of diabetes that sig-
3 nificantly exceeds the national average rate of all areas.

4 (e) EVALUATION AND REPORT.—

5 (1) EVALUATIONS.—The Secretary shall conduct eval-
6 uations of the clinical and cost effectiveness of the dem-
7 onstration projects.

8 (2) REPORTS.—Not later than 2 years after the com-
9 mencement of the demonstration projects, and biannually
10 thereafter, the Secretary shall submit to Congress a report
11 on the evaluation, and shall include in the report the fol-
12 lowing:

13 (A) An analysis of the patient outcomes and costs
14 of furnishing care to the medicare beneficiaries partici-
15 pating in the projects as compared to such outcomes
16 and costs to other beneficiaries for the same health
17 conditions.

18 (B) Evaluation of patient satisfaction under the
19 demonstration projects.

20 (C) Such recommendations regarding the exten-
21 sion, expansion, or termination of the projects as the
22 Secretary determines appropriate.

23 (f) EXPANSION OF PROJECTS; IMPLEMENTATION OF DEM-
24 ONSTRATION PROJECT RESULTS.—If the initial report under
25 subsection (e) contains an evaluation that demonstration
26 projects—

27 (1) reduce expenditures under the medicare program;

28 or

29 (2) do not increase expenditures under the medicare
30 program and increase the quality of health care services
31 provided to medicare beneficiaries with chronic conditions
32 and increase satisfaction of beneficiaries;

33 the Secretary shall continue the existing demonstration projects
34 and may expand the number of demonstration projects.

35 (g) WAIVER AUTHORITY.—The Secretary may waive such
36 requirements of title XVIII of the Social Security Act as may

1 be necessary for the purposes of carrying out the demonstra-
2 tion projects.

3 (h) FUNDING.—

4 (1) IN GENERAL.—Payments under this section shall
5 be made from the Federal Supplementary Medical Insur-
6 ance Trust Fund.

7 (2) BUDGET NEUTRALITY FOR DEMONSTRATION
8 PROJECTS.—Notwithstanding any other provision of law,
9 the Secretary shall provide for an appropriate reduction in
10 the aggregate amount of additional payments made under
11 part B of title XVIII of the Social Security Act to reflect
12 any increase in amounts expended from the Trust Fund as
13 a result of the demonstration projects conducted under this
14 section.