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(Original Signature of Member)

112TH CONGRESS  
2D SESSION

# H. R.

To amend title XIX of the Social Security Act to reform payment to States under the Medicaid program.

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## IN THE HOUSE OF REPRESENTATIVES

Mr. CASSIDY introduced the following bill; which was referred to the Committee on \_\_\_\_\_

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# A BILL

To amend title XIX of the Social Security Act to reform payment to States 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,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Medicaid Account-  
5 ability and Care Act of 2012”.

6 **SEC. 2. MEDICAID PAYMENT REFORM.**

7 (a) IN GENERAL.—Title XIX of the Social Security  
8 Act (42 U.S.C. 1396 et seq.) is amended by inserting after  
9 section 1903 the following section:

1 **“SEC. 1903A. REFORMED PAYMENT TO STATES.**

2 “(a) REFORMED PAYMENT SYSTEM.—

3 “(1) IN GENERAL.—For quarters beginning on  
4 or after July 1, 2014, in lieu of amounts otherwise  
5 payable to a State under this title (including any  
6 payments attributable to section 1923), except as  
7 otherwise provided in this section, the amount pay-  
8 able to such State shall be equal to the sum of the  
9 following:

10 “(A) ADJUSTED AGGREGATE AMOUNT  
11 BASED ON CAPITATION.—The aggregate  
12 capitated amount specified in subsection (b) for  
13 the quarter and the State, adjusted under sub-  
14 section (e).

15 “(B) CHRONIC CARE QUALITY BONUS.—  
16 The amount (if any) of the chronic care quality  
17 bonus payment specified in subsection (f) for  
18 the quarter for the State.

19 “(2) REQUIREMENT OF STATE SHARE.—

20 “(A) IN GENERAL.—A State shall make,  
21 from non-Federal funds, expenditures in an  
22 amount equal to its State share (as determined  
23 under subparagraph (C)) for a quarter for  
24 items, services, and other costs for which, but  
25 for this section, Federal funds would have been  
26 payable under this title.

1                   “(B) NONPAYMENT FOR FAILURE TO PAY  
2                   STATE SHARE.—

3                   “(i) IN GENERAL.—If a State fails to  
4                   expend the amount required under sub-  
5                   paragraph (A) for a quarter, the amount  
6                   payable to the State under this section  
7                   shall be reduced by the product of—

8                                 “(I) the Federal-to-State ratio  
9                                 described in subparagraph (D)(iii);  
10                                and

11                               “(II) the amount by which the  
12                                State payment is less than the State  
13                                share.

14                   “(ii) GRACE PERIOD.—A State shall  
15                   not be considered to have failed to provide  
16                   payment of its required State share for a  
17                   quarter under subparagraph (A) if the ag-  
18                   gregate State payment towards the State’s  
19                   required State share for the 4-quarter pe-  
20                   riod beginning with such quarter exceeds  
21                   the required State share amount for such  
22                   4-quarter period.

23                   “(C) STATE SHARE.—The State share for  
24                   a State for a quarter is equal to the product  
25                   of—

1 “(i) the aggregate capitated amount  
2 specified in subsection (b) for the quarter  
3 and the State; and

4 “(ii) the State-to-Federal ratio de-  
5 scribed in subparagraph (D)(iv).

6 “(D) UNIFORM FEDERAL AND STATE PER-  
7 CENTAGES AND STATE-TO-FEDERAL AND FED-  
8 ERAL-TO-STATE RATIOS.—In this paragraph:

9 “(i) UNIFORM FEDERAL PERCENT-  
10 AGE.—The uniform Federal percentage de-  
11 scribed in this clause for a fiscal year is  
12 the highest Federal medical assistance per-  
13 centage (as defined in the first sentence of  
14 section 1905(b)) for any State for such fis-  
15 cal year.

16 “(ii) UNIFORM STATE PERCENT-  
17 AGE.—The uniform State percentage de-  
18 scribed in this clause is 100 percent minus  
19 the uniform Federal percentage described  
20 in clause (i).

21 “(iii) FEDERAL-TO-STATE RATIO.—  
22 The Federal-to-State ratio described in  
23 this clause is the ratio of—

24 “(I) the uniform Federal percent-  
25 age described in clause (i); to

1                   “(II) the uniform State percent-  
2                   age described in clause (ii).

3                   “(iv) STATE-TO-FEDERAL RATIO.—  
4                   The State-to-Federal ratio described in  
5                   this clause is the ratio of—

6                   “(I) the uniform State percent-  
7                   age described in clause (ii); to

8                   “(II) the uniform Federal per-  
9                   centage described in clause (i).

10                  “(E) RULES FOR CREDITING TOWARD  
11                  STATE SHARE.—

12                  “(i) GENERAL LIMITATION TO MATCH-  
13                  ABLE EXPENDITURES.—A payment for ex-  
14                  penditures shall not be counted toward the  
15                  State share under subparagraph (A) unless  
16                  Federal payments may be used for such  
17                  expenditures consistent with paragraph  
18                  (3)(B).

19                  “(ii) FURTHER LIMITATIONS ON AL-  
20                  LOWABLE EXPENDITURES.—A payment for  
21                  expenditures shall not be counted towards  
22                  the State share under subparagraph (A) if  
23                  the expenditure is for any of the following:

24                  “(I) ABORTION.—Expenditures  
25                  for an abortion.

1                   “(II)       INTERGOVERNMENTAL  
2                   TRANSFERS.—An expenditure that is  
3                   attributable to an intergovernmental  
4                   transfer.

5                   “(III) PROVIDER TAXES.—If a  
6                   provider paid the State health care re-  
7                   lated taxes (as defined in section  
8                   1903(w)(3)(A)), expenditures made  
9                   for services furnished by such provider  
10                  up to the amount of such taxes paid  
11                  by such provider.

12                  “(IV) CERTIFIED PUBLIC EX-  
13                  PENDITURES.—An expenditure that is  
14                  attributable to certified public expend-  
15                  itures.

16                  “(iii) CREDITING FRAUD AND ABUSE  
17                  RECOVERIES.—Amounts recovered by a  
18                  State through the operation of its Medicaid  
19                  fraud and abuse control unit described in  
20                  section 1903(q) shall be fully counted to-  
21                  ward the State share under subparagraph  
22                  (A).

23                  “(F) CONSTRUCTION.—Nothing in the  
24                  paragraph shall be construed as preventing a  
25                  State from expending, from non-Federal funds,

1 an amount under this title in excess of the  
2 amount of the State share.

3 “(G) DETERMINATION BASED UPON SUB-  
4 MITTED CLAIMS.—In applying this paragraph  
5 with respect to expenditures of a State for a  
6 quarter, the determination of the expenditures  
7 for such State for such quarter shall be made  
8 after the end of the period (which, as of the  
9 date of the enactment of this section, is 2  
10 years) for which the Secretary accepts claims  
11 for payment under this title with respect to  
12 such quarter.

13 “(3) USE OF FEDERAL PAYMENTS.—

14 “(A) APPLICATION OF MEDICAID LIMITA-  
15 TIONS.—A State may only use Federal pay-  
16 ments received under this section for expendi-  
17 tures for which Federal funds would have been  
18 payable under this title but for this section.

19 “(B) LIMITATION FOR CERTAIN ELIGI-  
20 BLES.—

21 “(i) APPLICATION OF 100 PERCENT  
22 FEDERAL POVERTY LINE LIMIT ON ELIGI-  
23 BILITY.—Subject to clause (ii), a State  
24 may not use such Federal payments to  
25 provide medical assistance for an indi-

1           vidual who has an income (as determined  
2           under clause (iii)) that exceeds 100 percent  
3           of the poverty line (as defined in section  
4           2110(c)(5)) applicable to a family of the  
5           size involved.

6           “(ii) DETERMINATION OF INCOME  
7           USING MODIFIED ADJUSTED GROSS IN-  
8           COME WITHOUT ANY 5 PERCENT IN-  
9           CREASE.—In determining income for pur-  
10          poses of clause (i) under section  
11          1902(e)(14) (relating to modified adjusted  
12          gross income), the following rules shall  
13          apply:

14               “(I) APPLICATION OF SPEND  
15               DOWN.—The State shall take into ac-  
16               count the costs incurred for medical  
17               care or for any other type of remedial  
18               care recognized under State law in the  
19               same manner and to the same extent  
20               that such State takes such costs into  
21               account for purposes of section  
22               1902(a)(17).

23               “(II) DISREGARD OF 5 PERCENT  
24               INCREASE.—Subparagraph (I) of sec-

1                   tion 1902(e)(14) (relating to a 5 per-  
2                   cent reduction) shall not apply.

3                   “(iii) EXCEPTION.—Clause (i) shall  
4                   not apply to an individual who is—

5                   “(I) a woman described in clause  
6                   (i) of section 1903(v)(4)(A);

7                   “(II) a child who is an individual  
8                   described in clause (i) of section  
9                   1905(a);

10                  “(III) enrolled in a State plan  
11                  under this title as of the date of the  
12                  enactment of this section for the pe-  
13                  riod of continuous enrollment; or

14                  “(IV) described in section  
15                  1902(e)(14)(D) (relating to modified  
16                  adjusted gross income).

17                  “(iv) CLARIFICATION RELATED TO  
18                  COMMUNITY SPOUSE.—Nothing in this  
19                  subparagraph shall supersede the applica-  
20                  tion of section 1924 (related to community  
21                  spouse income and assets).

22                  “(4) EXCEPTIONS FOR PASS-THROUGH PAY-  
23                  MENTS.—

24                  “(A) IN GENERAL.—Paragraph (1) shall  
25                  not apply, and amounts shall continue to be

1 payable under this title (and not under this sec-  
2 tion), in the case of the following payments  
3 (and related administrative costs and expendi-  
4 tures):

5 “(i) PAYMENTS TO TERRITORIES.—  
6 Payments to a State other than the 50  
7 States and the District of Columbia.

8 “(ii) MEDICARE COST SHARING.—  
9 Payments attributable to Medicare cost  
10 sharing under section 1905(p).

11 “(iii) PEDIATRIC VACCINES.—Pay-  
12 ments attributable to section 1928.

13 “(iv) EMERGENCY SERVICES FOR CER-  
14 TAIN INDIVIDUALS.—Payments for treat-  
15 ment of emergency medical conditions at-  
16 tributable to the application of section  
17 1903(v)(2).

18 “(v) INDIAN HEALTH CARE FACILI-  
19 TIES.—Payments for medical assistance  
20 described in the third sentence of section  
21 1905(b).

22 “(vi) EMPLOYER-SPONSORED INSUR-  
23 ANCE (ESI).—Payments for medical assist-  
24 ance attributable to payments to employers

1 for employer-sponsored health benefits cov-  
2 erage.

3 “(vii) OTHER POPULATIONS WITH  
4 LIMITED BENEFIT COVERAGE.—Other pay-  
5 ments that are determined by the Sec-  
6 retary to be related to a specified popu-  
7 lation for which the medical assistance  
8 under this title is limited and does not in-  
9 clude any inpatient, nursing facility, or  
10 long-term care services.

11 “(B) CERTAIN EXPENSES.—Paragraph (1)  
12 shall not apply, and amounts shall continue to  
13 be payable under this title (and not under this  
14 section), in the case of the following:

15 “(i) ADMINISTRATION OF MEDICARE  
16 PRESCRIPTION DRUG BENEFIT.—Expendi-  
17 tures described in section 1935(b) (relating  
18 to administration of the Medicare prescrip-  
19 tion drug benefit).

20 “(ii) PAYMENTS FOR HIT BONUSES.—  
21 Payments under section 1903(a)(3)(F) (re-  
22 lating to payments to encourage the adop-  
23 tion and use of certified EHR technology).

24 “(iii) PAYMENTS FOR DESIGN, DEVEL-  
25 OPMENT, AND INSTALLATION OF MMIS AND

1 ELIGIBILITY SYSTEMS.—Payments under  
2 subparagraphs (A)(i) and (H)(i) of section  
3 1903(a)(3) for expenditures for design, de-  
4 velopment, and installation of the Medicaid  
5 management information systems and  
6 mechanized verification and information  
7 retrieval systems (related to eligibility).

8 “(5) PAYMENT OF AMOUNTS.—

9 “(A) IN GENERAL.—Except as the Sec-  
10 retary may otherwise provide, amounts shall be  
11 payable to a State under this section in the  
12 same manner as amounts are payable under  
13 subsection (d) of section 1903 to a State under  
14 subsection (a) of such section.

15 “(B) INFORMATION AND FORMS.—

16 “(i) SUBMISSION.—As a condition of  
17 receiving payment under this section, a  
18 State shall submit such information, in  
19 such form, and manner, as the Secretary  
20 shall specify, including information nec-  
21 essary to make the computations under  
22 subsections (c)(2)(C) and (e).

23 “(ii) UNIFORM REPORTING.—The  
24 Secretary shall develop such forms as may  
25 be needed to assure a system of uniform

1 reporting of such information across  
2 States.

3 “(C) REQUIRED REPORTING OF INFORMA-  
4 TION ON MEDICAL LOSS RATIOS FOR MANAGED  
5 CARE.—The information required to be reported  
6 under subparagraph (B)(i) shall include infor-  
7 mation on the medical loss ratio with respect to  
8 coverage provided under each Medicaid man-  
9 aged care plan with a contract with the State  
10 under section 1903(m) or 1932.

11 “(b) AGGREGATE CAPITATED AMOUNT.—

12 “(1) IN GENERAL.—The aggregate capitated  
13 amount specified in this subsection for a State for  
14 a quarter is equal to the sum of the products, for  
15 each of the categories of Medicaid beneficiaries spec-  
16 ified in paragraph (2), of the following:

17 “(A) PER CAPITA QUARTERLY AMOUNT.—  
18 The per capita quarterly amount for such cat-  
19 egory computed under subsection (c) for such  
20 State for such quarter.

21 “(B) NUMBER OF INDIVIDUALS IN CAT-  
22 EGORY.—The average number of Medicaid  
23 beneficiaries enrolled in such category in the  
24 State in such quarter, as computed under sub-  
25 section (d).

1           “(2) CATEGORIES.—The categories specified in  
2 this paragraph are the following:

3           “(A) ELDERLY.—A category of individuals  
4 who are 65 years of age or older.

5           “(B) BLIND OR DISABLED.—A category of  
6 individuals not described in subparagraph (A)  
7 who are described in section 1937(a)(2)(B)(ii).

8           “(C) CHILDREN.—A category of individ-  
9 uals not described in subparagraph (B) who are  
10 under 21 years of age.

11           “(D) OTHER ADULTS.—A category of indi-  
12 viduals who are not described in a previous sub-  
13 paragraph.

14           “(c) COMPUTATION OF PER CAPITA, PER CATEGORY,  
15 QUARTERLY AMOUNT.—

16           “(1) IN GENERAL.—For a State, for each cat-  
17 egory of beneficiary for a quarter—

18           “(A) FISCAL YEAR 2014.—For quarters in  
19 fiscal year 2014, the per capita quarterly  
20 amount is equal to  $\frac{1}{4}$  of the base average per  
21 capita Federal payments for such State for  
22 such category determined under paragraph (2),  
23 increased by a factor that reflects the sum of  
24 the following:

1                   “(i) HISTORICAL MEDICAL CARE COM-  
2                   PONENT OF CPI THROUGH FISCAL YEAR  
3                   2013.—The percentage increase in the his-  
4                   torical medical care component of the Con-  
5                   sumer Price Index for all urban consumers  
6                   (U.S. city average) from the midpoint of  
7                   the base fiscal year (as defined in para-  
8                   graph (6)) to the midpoint of fiscal year  
9                   2013.

10                   “(ii) PROJECTED MEDICAL CARE COM-  
11                   PONENT OF CPI FOR FISCAL YEAR 2014.—  
12                   The percentage increase in the projected  
13                   medical care component of the Consumer  
14                   Price Index for all urban consumers (U.S.  
15                   city average) from the midpoint of fiscal  
16                   year 2013 to the midpoint of fiscal year  
17                   2014.

18                   “(B) FISCAL YEARS 2015 AND 2016.—The  
19                   per capita quarterly amount for a State for a  
20                   category for quarters in fiscal year 2015 or fis-  
21                   cal year 2016 is equal to the per capita quar-  
22                   terly amount under this paragraph for such  
23                   State and category for the previous fiscal year  
24                   increased by the per capita percentage increase

1 (as defined in subparagraph (E)) for such cat-  
2 egory and fiscal year.

3 “(C) FISCAL YEARS 2017 THROUGH 2024.—  
4 The per capita quarterly amount for a State for  
5 a category for quarters in a fiscal year begin-  
6 ning with fiscal year 2017 and ending with fis-  
7 cal year 2024 is—

8 “(i) in the case of a State that is a  
9 high per capita State or a low per capita  
10 State (as defined in paragraph (4)(B)(iii))  
11 for the category, the amount determined  
12 under clause (i) or (ii) of paragraph (4)(B)  
13 for such State, category, and fiscal year; or

14 “(ii) in the case of any other State,  
15 the per capita quarterly amount under this  
16 paragraph for such State and category for  
17 the previous fiscal year increased by the  
18 per capita percentage increase for such  
19 category and fiscal year.

20 “(D) FISCAL YEAR 2025 AND SUBSEQUENT  
21 FISCAL YEARS.—The per capita quarterly  
22 amount for a State for a category for quarters  
23 in a fiscal year beginning with fiscal year 2025  
24 is equal to the per capita quarterly amount  
25 under this paragraph for such State and cat-

1           egory for the previous fiscal year increased by  
2           the per capita percentage increase for such cat-  
3           egory and fiscal year.

4           “(E) ANNUAL PERCENTAGE INCREASE BE-  
5           GINNING WITH FISCAL YEAR 2015.—For pur-  
6           poses of this subsection, the term ‘per capita  
7           percentage increase’ means, for a fiscal year,  
8           the sum of—

9                   “(i) the projected percentage change  
10                   in nominal gross domestic product from  
11                   the midpoint of the previous fiscal year to  
12                   the midpoint of the fiscal year for which  
13                   the percentage increase is being applied;  
14                   and

15                   “(ii) one percentage point.

16           “(2) BASE PER CAPITA, PER CATEGORY  
17           AMOUNT FOR EACH STATE.—

18                   “(A) AVERAGE PER CATEGORY.—

19                   “(i) IN GENERAL.—The Secretary  
20                   shall determine, consistent with this para-  
21                   graph and paragraph (3), a base per cap-  
22                   ita, per category amount for each of the 50  
23                   States and the District of Columbia equal  
24                   to the average amount, per Medicaid bene-  
25                   ficiary, of Federal payments under this

1 title, including payments attributable to  
2 disproportionate share hospital payments  
3 under section 1923, for each of the cat-  
4 egories of beneficiaries under subsection  
5 (b)(2) for the base fiscal year for each of  
6 the 50 States and the District of Colum-  
7 bia.

8 “(ii) BEST AVAILABLE DATA.—The  
9 determination under clause (i) shall ini-  
10 tially be estimated by the Secretary, based  
11 upon the best available data at the time  
12 the determination is made.

13 “(iii) UPDATES.—The determination  
14 under clause (i) shall be updated by the  
15 Secretary on an annual basis based upon  
16 improved data. The Secretary shall adjust  
17 the amounts under subsection (a)(1)(A) to  
18 reflect changes in the amounts so deter-  
19 mined based on such updates.

20 “(B) EXCLUSION OF PASS-THROUGH PAY-  
21 MENTS.—In computing base per capita, per cat-  
22 egory amounts under subparagraph (A)(i) the  
23 Secretary shall exclude payments described in  
24 subsection (a)(4).

25 “(C) STANDARDIZATION.—

1           “(i) IN GENERAL.—In computing each  
2 such amount, the Secretary shall stand-  
3 ardize the amount in order to remove the  
4 variation attributable to the following:

5                   “(I) RISK FACTORS.—Such risk  
6 factors as age, health and disability  
7 status (including high-cost medical  
8 conditions), gender, institutional sta-  
9 tus, and such other factors as the  
10 Secretary determines to be appro-  
11 priate, so as to ensure actuarial  
12 equivalence.

13                   “(II) GEOGRAPHIC.—Variations  
14 in costs on a county-by-county basis.

15           “(ii) APPLICATION OF MEDICARE  
16 METHODOLOGY.—

17                   “(I) METHOD FOR RISK STAND-  
18 ARDIZATION.—In carrying out clause  
19 (i)(I), the Secretary may apply the  
20 hierarchal condition category method-  
21 ology under section 1853(a)(1)(C). If  
22 the Secretary uses such methodology,  
23 the Secretary shall adjust the applica-  
24 tion of such methodology to take into  
25 account the differences in services

1 provided under this title compared to  
2 title XVIII, such as the coverage of  
3 long-term care, pregnancy, and pedi-  
4 atric services.

5 “(II) METHOD FOR GEOGRAPHIC  
6 STANDARDIZATION.—The Secretary  
7 shall apply the standardization under  
8 clause (i)(II) in a manner similar to  
9 that applied under section  
10 1853(e)(4)(A)(iii).

11 “(iii) APPLICATION ON A NATIONAL,  
12 BUDGET-NEUTRAL BASIS.—The standard-  
13 ization under clause (i) shall be designed  
14 and implemented on a uniform national  
15 basis and shall be budget neutral so as to  
16 not result in any aggregate change in pay-  
17 ments under this section.

18 “(iv) RESPONSE TO NEW RISK.—Sub-  
19 ject to clause (iii), the Secretary may ad-  
20 just the standardization under clause (i) to  
21 respond promptly to new instances of com-  
22 municable diseases and other public health  
23 hazards.

24 “(D) ADJUSTMENT FOR TEMPORARY FMAP  
25 INCREASES.—In computing each such amount

1 the Secretary shall disregard portions of pay-  
2 ments that are attributable to a temporary in-  
3 crease in the Federal matching rates, including  
4 those attributable to the following:

5 “(i) PPACA DISASTER FMAP.—Sec-  
6 tion 1905(aa).

7 “(ii) ARRA.—Section 5001 of the  
8 American Recovery and Reinvestment Act  
9 of 2009 (42 U.S.C. 1396d note).

10 “(iii) EXTRAORDINARY EMPLOYER  
11 PENSION CONTRIBUTION.—Section 614 of  
12 the Children’s Health Insurance Program  
13 Reauthorization Act of 2009 (42 U.S.C.  
14 1396d note).

15 “(3) ALLOCATION OF NONMEDICAL ASSISTANCE  
16 PAYMENTS.—The Secretary shall establish rules for  
17 the allocation of payments under this title (other  
18 than those payments described in paragraph (1) or  
19 (5) of section 1903(a) and including such payments  
20 attributable to section 1923)—

21 “(A) among different categories of bene-  
22 ficiaries; and

23 “(B) between payments included under  
24 this section and payments described in sub-  
25 section (a)(4).

1           “(4) TRANSITION TO A CORRIDOR AROUND THE  
2 NATIONAL AVERAGE.—

3           “(A) DETERMINATION OF NATIONAL AVER-  
4 AGE BASE PER CAPITA, PER CATEGORY  
5 AMOUNT.—Subject to subparagraph (C), the  
6 Secretary shall determine a national average  
7 base per capita, per category amount equal to  
8 the average of the base per capita, per category  
9 amounts for each of the 50 States and the Dis-  
10 trict of Columbia determined under paragraph  
11 (2), weighted by the average number of bene-  
12 ficiaries in each such category and State as de-  
13 termined by the Secretary consistent with sub-  
14 section (d) for the base fiscal year.

15           “(B) TRANSITION ADJUSTMENT.—

16           “(i) HIGH PER CAPITA STATES.—In  
17 the case of a high per capita State (as de-  
18 fined in clause (iii)(I)) for a category, the  
19 per capita quarterly amount for such State  
20 and category for a quarter in a fiscal year  
21 (beginning with fiscal year 2017 and end-  
22 ing with fiscal year 2024) is equal to the  
23 sum of—

24                           “(I) the product of the State-spe-  
25                           cific factor for such fiscal year (as de-

1            fined in clause (iv)) and the per capita  
2            quarterly amount that would other-  
3            wise be determined under paragraph  
4            (1) for such State and category if  
5            clause (i) of paragraph (1)(C) did not  
6            apply; and

7                       “(II) the product of 1 minus the  
8            State-specific factor for such fiscal  
9            year and the per capita quarterly  
10           amount that would otherwise be deter-  
11           mined under paragraph (1) for a  
12           State and category if the base per  
13           capita, per category amount deter-  
14           mined under paragraph (2) for the  
15           State and category were equal to 110  
16           percent of the national average base  
17           per capita, per category amount deter-  
18           mined under subparagraph (A) for  
19           such category.

20                      “(ii) LOW PER CAPITA STATES.—In  
21           the case of a low per capita State (as de-  
22           fined in clause (iii)(II)) for a category, the  
23           per capita quarterly amount for such State  
24           and category for a quarter in a fiscal year  
25           (beginning with fiscal year 2017 and end-

1 ing with fiscal year 2024) is equal to the  
2 sum of—

3 “(I) the product of the State-spe-  
4 cific factor for such fiscal year and  
5 the per capita quarterly amount that  
6 would otherwise be determined under  
7 paragraph (1) for such State and cat-  
8 egory if clause (i) of paragraph (1)(C)  
9 did not apply; and

10 “(II) the product of 1 minus the  
11 State-specific factor for such fiscal  
12 year and the per capita quarterly  
13 amount that would otherwise be deter-  
14 mined under paragraph (1) for a  
15 State and category if the base per  
16 capita, per category amount deter-  
17 mined under paragraph (2) for the  
18 State and category were equal to 90  
19 percent of the national average base  
20 per capita, per category amount deter-  
21 mined under subparagraph (A) for  
22 such category.

23 “(iii) HIGH AND LOW PER CAPITA  
24 STATES DEFINED.—In this subparagraph:

1                   “(I) HIGH PER CAPITA STATE.—

2                   The term ‘high per capita State’  
3                   means, with respect to a category, a  
4                   State for which the base per capita,  
5                   per category amount determined  
6                   under paragraph (2) for such category  
7                   is greater than 110 percent of the na-  
8                   tional average base per capita, per  
9                   category amount determined under  
10                  subparagraph (A) for such category.

11                  “(II) LOW PER CAPITA STATE.—

12                  The term ‘low per capita State’  
13                  means, with respect to a category, a  
14                  State for which the base per capita,  
15                  per category amount determined  
16                  under paragraph (2) for such category  
17                  is less than 90 percent of the national  
18                  average base per capita, per category  
19                  amount determined under subpara-  
20                  graph (A) for such category.

21                  “(iv) STATE-SPECIFIC FACTOR.—In  
22                  this subparagraph, the term ‘State-specific  
23                  factor’ means—

24                         “(I) for fiscal year 2017,  $\frac{7}{8}$ ; and

1                   “(II) for a subsequent fiscal year,  
2                   the State-specific factor under this  
3                   clause for the previous fiscal year  
4                   minus  $\frac{1}{8}$ .

5                   “(C) NO ADDITIONAL EXPENDITURES.—

6                   “(i) DETERMINATION OF INCREASE IN  
7                   FEDERAL EXPENDITURES.—For each cat-  
8                   egory for each fiscal year (beginning with  
9                   fiscal year 2017 and ending with fiscal  
10                  year 2024), the Secretary shall determine  
11                  whether the application of this para-  
12                  graph—

13                  “(I) to the category for the fiscal  
14                  year will result in an aggregate in-  
15                  crease in the aggregate Federal ex-  
16                  penditures under this section; and

17                  “(II) to all the categories for the  
18                  fiscal year will result in a net aggre-  
19                  gate increase in the aggregate Federal  
20                  expenditures under this section.

21                  “(ii) ADJUSTMENT.—If the Secretary  
22                  determines under clause (i)(II) that the  
23                  application of this paragraph to all the cat-  
24                  egories for a fiscal year will result in a net  
25                  aggregate increase in the aggregate Fed-

1 eral expenditures under this section, the  
2 Secretary shall reduce the national average  
3 base per capita, per category amount com-  
4 puted under subparagraph (A) for each of  
5 the categories determined under clause  
6 (i)(I) for which there will be an aggregate  
7 increase in the aggregate Federal expendi-  
8 tures under this section by such uniform  
9 percentage as will ensure that there is no  
10 net aggregate Federal expenditure increase  
11 described in clause (i)(II) for the fiscal  
12 year.

13 “(5) REPORTS ON PER CAPITA RATES; AP-  
14 PEALS.—

15 “(A) REPORT TO STATES.—Not later than  
16 8 months after the date of the enactment of  
17 this section, the Secretary shall submit to each  
18 State the Secretary’s initial determination of—

19 “(i) the base per capita, per category  
20 amounts under paragraph (2) for such  
21 State; and

22 “(ii) the national average base per  
23 capita, per category amounts under para-  
24 graph (4)(A).

1           “(B) OPPORTUNITY TO APPEAL.—Not  
2 later than 3 months after the date a State re-  
3 ceives notice of the Secretary’s initial deter-  
4 mination of such base per capita, per category  
5 amounts for such State under subparagraph  
6 (A)(i), the State may file with the Secretary, in  
7 a form and manner specified by the Secretary,  
8 an appeal of such determination.

9           “(C) DETERMINATION ON APPEAL.—Not  
10 later than 3 months after receiving such an ap-  
11 peal, the Secretary shall make a final deter-  
12 mination on such amounts for such State. If no  
13 such appeal is received for a State, the Sec-  
14 retary’s initial determination under subpara-  
15 graph (A)(i) shall become final.

16           “(6) BASE FISCAL YEAR DEFINED.—In this  
17 section, the term ‘base fiscal year’ means the latest  
18 fiscal year, ending before the date of the enactment  
19 of this section, for which the Secretary determines  
20 that adequate data are available to make the com-  
21 putations required under this subsection.

22           “(d) NOT COUNTING INDIVIDUALS TO ACCOUNT FOR  
23 EXCLUDED PAYMENTS.—Under rules specified by the  
24 Secretary, individuals shall not be counted as Medicaid  
25 beneficiaries for purposes of subsection (b)(1)(B) and sub-

1 section (c)(2)(A) in proportion to the extent that such in-  
2 dividuals are receiving medical assistance for which pay-  
3 ments described under subsection (a)(4)(A) are made.

4 “(e) RISK ADJUSTMENT.—

5 “(1) IN GENERAL.—The amount under sub-  
6 section (a)(1)(A) shall be adjusted under this sub-  
7 section in an appropriate manner, specified by the  
8 Secretary and consistent with paragraph (2), to take  
9 into account—

10 “(A) the factors described in subsection  
11 (c)(2)(C)(i)(I) within a category of bene-  
12 ficiaries; and

13 “(B) variations in costs on a county-by-  
14 county basis for medical assistance and admin-  
15 istrative expenses.

16 “(2) METHOD OF ADJUSTMENT.—The adjust-  
17 ments under paragraph (1) shall be made in a man-  
18 ner similar to the manner in which similar adjust-  
19 ments are made under subsection (c)(2)(C) and con-  
20 sistent with the requirements of clause (iii) of such  
21 subsection.

22 “(f) CHRONIC CARE QUALITY BONUS PAYMENTS.—

23 “(1) DETERMINATION OF BONUS PAYMENTS.—

24 If the Secretary determines that, based on the re-  
25 ports under paragraph (5), with respect to cat-

1 categories of chronic disease for which chronic care per-  
2 formance targets had been established under para-  
3 graph (3) for each category of Medicaid beneficiaries  
4 specified under subsection (b)(2) such targets have  
5 been met by a State, the Secretary shall make an  
6 additional payment to such State in the amount  
7 specified in paragraph (6). Such payments shall be  
8 made in a manner specified by the Secretary and  
9 may only be used consistent with subsection (a)(3).

10 “(2) IDENTIFICATION OF CATEGORIES OF  
11 CHRONIC DISEASE.—The Secretary shall determine  
12 the categories of chronic disease for which bonus  
13 payments may be available under this subsection for  
14 each category of Medicaid beneficiaries.

15 “(3) ADOPTION OF QUALITY MEASUREMENT  
16 SYSTEM AND IDENTIFICATION OF PERFORMANCE  
17 TARGETS.—

18 “(A) SYSTEM AND DATA.—With respect to  
19 the categories of chronic disease under para-  
20 graph (2), the Secretary shall adopt a quality  
21 measurement system that uses data described  
22 in paragraph (4) and is similar to the Five-Star  
23 Quality Rating System used to indicate the per-  
24 formance of Medicare Advantage plans under  
25 part C of title XVIII.

1           “(B) TARGETS.—Using such system and  
2           data, the Secretary shall establish the chronic  
3           care performance targets for purposes of the  
4           payments under paragraph (1). Such perform-  
5           ance targets shall be established in consultation  
6           with States, associations representing individ-  
7           uals with chronic illnesses, entities providing  
8           treatment to such individuals for such chronic  
9           illnesses, and other stakeholders, including the  
10          National Association of Medicaid Directors and  
11          the National Governors Association.

12          “(4) DATA TO BE USED.—The data to be used  
13          under paragraph (3) shall include—

14                 “(A) data collected through methods such  
15                 as—

16                         “(i) the ‘Healthcare Effectiveness  
17                         Data and Information Set’ (also known as  
18                         ‘HEDIS’) (or an appropriate successor  
19                         performance measurement tool);

20                         “(ii) the ‘Consumer Assessment of  
21                         Healthcare Providers and Systems’ (also  
22                         known as ‘CAHPS’) (or an appropriate  
23                         successor performance measurement tool);  
24                         and

1                   “(iii) the ‘Health Outcomes Survey’  
2                   (also know as ‘HOS’) (or an appropriate  
3                   successor performance measurement tool);  
4                   and  
5                   “(B) other data collected by the State.

6                   “(5) REPORTS.—

7                   “(A) IN GENERAL.—Each State shall col-  
8                   lect, analyze, and report to the Secretary, at a  
9                   frequency and in a manner to be established by  
10                  the Secretary, data described in paragraph (4)  
11                  that permit the Secretary to monitor the State’s  
12                  performance relative to the chronic care per-  
13                  formance targets established under paragraph  
14                  (3).

15                  “(B) REVIEW AND VERIFICATION.—The  
16                  Secretary may review the data collected by the  
17                  State under subparagraph (A) to verify the  
18                  State’s analysis of such data with respect to the  
19                  performance targets under paragraph (3).

20                  “(6) AMOUNT OF BONUS PAYMENTS.—

21                  “(A) IN GENERAL.—Subject to subpara-  
22                  graphs (B) and (C), with respect to each cat-  
23                  egory of Medicaid beneficiaries, in the case of  
24                  a State that the Secretary determines, based on

1           the chronic care performance targets set under  
2           paragraph (3) for such category, performs—

3                   “(i) in the top five States in such cat-  
4                   egory, subject to subparagraph (C)(ii), the  
5                   amount of the bonus shall be 10 percent of  
6                   the payment amount otherwise paid to the  
7                   State under subsection (a) for individuals  
8                   enrolled under the plan within such cat-  
9                   egory;

10                   “(ii) in the next five States in such  
11                   category, subject to subparagraph (C)(ii),  
12                   the amount of the bonus shall be 5 percent  
13                   of the payment amount otherwise paid to  
14                   the State under subsection (a) for individ-  
15                   uals enrolled under the plan within such  
16                   category;

17                   “(iii) in the next five States in such  
18                   category, subject to clauses (i) and (iii) of  
19                   subparagraph (C), the amount of the  
20                   bonus shall be 3 percent of the payment  
21                   amount otherwise paid to the State under  
22                   subsection (a) for individuals enrolled  
23                   under the plan within such category;

24                   “(iv) in the next five States in such  
25                   category, subject to clauses (i) and (iii) of

1           subparagraph (C), the amount of the  
2           bonus shall be 2 percent of the payment  
3           amount otherwise paid to the State under  
4           subsection (a) for individuals enrolled  
5           under the plan within such category; and

6                   “(v) in the next five States in such  
7           category, subject to clauses (i) and (iii) of  
8           subparagraph (C), the amount of the  
9           bonus shall be 1 percent of the payment  
10          amount otherwise paid to the State under  
11          subsection (a) for individuals enrolled  
12          under the plan within such category.

13                   “(B) AGGREGATE ANNUAL LIMIT FOR  
14          EACH CATEGORY OF MEDICAID BENE-  
15          FICIARIES.—

16                           “(i) IN GENERAL.—In no case may  
17          the aggregate amount of bonuses under  
18          this subsection for a fiscal year for a cat-  
19          egory of Medicaid beneficiaries exceed the  
20          limit specified in clause (ii) for the fiscal  
21          year.

22                           “(ii) LIMIT.—The limit specified in  
23          this clause—

24                                   “(I) for the fiscal year 2015 is  
25          equal to \$250,000,000; or

1                   “(II) for a subsequent fiscal year  
2                   is equal to the limit specified in this  
3                   clause for the previous fiscal year in-  
4                   creased by the per capita percentage  
5                   increase determined under paragraph  
6                   (1)(E) of subsection (c).

7                   “(C) LIMITATION AND PRORATION OF BO-  
8                   NUSES BASED ON APPLICATION OF AGGREGATE  
9                   LIMIT.—

10                   “(i) NO BONUS FOR THIRD OR SUBSE-  
11                   QUENT TIERS UNLESS AGGREGATE LIMIT  
12                   NOT REACHED ON FIRST TWO TIERS.—No  
13                   bonus shall be payable under clause (iii),  
14                   (iv), or (v) of subparagraph (A) for a cat-  
15                   egory of Medicaid beneficiaries for a fiscal  
16                   year unless the aggregate amount of bo-  
17                   nuses under clauses (i) and (ii) of such  
18                   subparagraph for such category and fiscal  
19                   year is less than the limit specified in sub-  
20                   paragraph (C)(ii) for the fiscal year.

21                   “(ii) PRORATION FOR FIRST TWO  
22                   TIERS.—If the aggregate amount of bo-  
23                   nuses under clauses (i) and (ii) of subpara-  
24                   graph (A) for a category of Medicaid bene-  
25                   ficiaries for a fiscal year exceeds the limit

1 specified in subparagraph (C)(ii) for the  
2 fiscal year, the amount of each such bonus  
3 shall be prorated in a manner so the ag-  
4 gregate amount of such bonuses is equal to  
5 such limit.

6 “(iii) PRORATION FOR NEXT THREE  
7 TIERS.—If the aggregate amount of bo-  
8 nuses under clauses (i) and (ii) of subpara-  
9 graph (A) for a category of Medicaid bene-  
10 ficiaries for a fiscal year is less than the  
11 limit specified in subparagraph (C)(ii) for  
12 the fiscal year, but the aggregate amount  
13 of bonuses under clauses (i) through (v) of  
14 subparagraph (A) for the category and fis-  
15 cal year exceeds the limit specified in sub-  
16 paragraph (C)(ii) for the fiscal year, the  
17 amount of each bonus in clauses (iii), (iv),  
18 and (v) of subparagraph (A) shall be pro-  
19 rated in a manner so the aggregate  
20 amount of all the bonuses under subpara-  
21 graph (A) is equal to such limit.

22 “(g) STATE OPTION FOR RECEIVING MEDICARE PAY-  
23 MENTS FOR FULL-BENEFIT DUAL ELIGIBLE INDIVID-  
24 UALS.—

1           “(1) IN GENERAL.—Under this subsection a  
2 State may elect for a fiscal year—

3           “(A) to provide to full-benefit dual eligible  
4 individuals eligible for medical assistance under  
5 the State plan, in addition to the medical as-  
6 sistance to which such eligible individuals would  
7 otherwise be entitled under this title, the items  
8 and services which such eligible individuals  
9 would otherwise receive under title XVIII; and

10           “(B) to receive payment from the Sec-  
11 retary under paragraph (3).

12           “(2) PAYMENT REQUIREMENT.—

13           “(A) IN GENERAL.—A State electing the  
14 option under this subsection shall provide pay-  
15 ment to health care providers for the items and  
16 services described under paragraph (1)(A) at a  
17 rate that is not less than the rate at which pay-  
18 ments would be made to such providers for such  
19 items and services under title XVIII.

20           “(B) FLEXIBILITY IN PAYMENT METH-  
21 ODS.—Nothing in subparagraph (A) shall be  
22 construed as preventing a State from using al-  
23 ternative payment methodologies (such as bun-  
24 dled payments or the use of accountable care  
25 organizations (as such term is used in section

1           1899)) for purposes of making payments to  
2           health care providers for items and services pro-  
3           vided to dual eligible individuals in the State  
4           under the option under this subsection.

5           “(3) RESPONSIBILITIES OF THE SECRETARY.—

6           In the case of a State that elects the option under  
7           paragraph (1) for a fiscal year, the Secretary shall,  
8           in addition to the amounts paid to such State under  
9           subsection (a), pay to a State the amount that the  
10          Secretary would otherwise pay under title XVIII for  
11          items and services provided to full-benefit dual eligi-  
12          ble individuals in such State for such fiscal year.

13          “(4) FULL-BENEFIT DUAL ELIGIBLE INDI-  
14          VIDUAL DEFINED.—In this subsection, the term  
15          ‘full-benefit dual eligible individual’ means an indi-  
16          vidual who meets the requirements of section  
17          1935(e)(6)(A)(ii).

18          “(h) AUDITS.—The Secretary shall conduct such au-  
19          dits on the number and classification of Medicaid bene-  
20          ficiaries under such subsections and expenditures under  
21          this section as may be necessary to ensure appropriate  
22          payments under this section.

23          “(i) TREATMENT OF WAIVERS.—

24                  “(1) NO IMPACT ON CURRENT WAIVERS.—In  
25          the case of a waiver of requirements of this title pur-

1       suant to section 1115 or other law that is in effect  
2       as of the date of the enactment of this section, noth-  
3       ing in this section shall be construed to affect such  
4       waiver for the period of the waiver as approved as  
5       of such date.

6               “(2) APPLICATION OF BUDGET NEUTRALITY TO  
7       SUBSEQUENT WAIVERS AND RENEWALS TAKING SEC-  
8       TION INTO ACCOUNT.—In the case of a waiver of re-  
9       quirements of this title pursuant to section 1115 or  
10      other law that is approved or renewed after the date  
11      of the enactment of this section, to the extent that  
12      such approval or renewal is conditioned upon a dem-  
13      onstration of budget neutrality, budget neutrality  
14      shall be determined taking into account the applica-  
15      tion of this section.

16              “(j) REPORT TO CONGRESS.—Not later than Janu-  
17      ary 1, 2016, the Secretary shall submit to Congress a re-  
18      port on the implementation of this section.”.

19              (b) CONFORMING AMENDMENTS.—

20                      (1) CONTINUED APPLICATION OF CLAWBACK  
21      PROVISIONS.—

22                              (A) CONTINUED APPLICATION.—Sub-  
23      sections (a) and (c)(1)(C) of section 1935 of  
24      such Act (42 U.S.C. 1396u–5) are each amend-  
25      ed by inserting “or 1903A(a)” after “1903(a)”.

1           (B) TECHNICAL AMENDMENT.—Section  
2           1935(d)(1) of the Social Security Act (42  
3           U.S.C. 1396u–5(d)(1)) is amended by inserting  
4           “except as provided in section 1903A(g)” after  
5           “any other provision of this title”.

6           (2) PAYMENT RULES UNDER SECTION 1903.—

7           (A) Section 1903(a) of such Act (42  
8           U.S.C. 1396b(a)) is amended, in the matter be-  
9           fore paragraph (1), by inserting “and section  
10           1903A” after “except as otherwise provided in  
11           this section”.

12           (B) Section 1903(d) of such Act (42  
13           U.S.C. 1396b(d)) is amended—

14           (i) in paragraph (1), by inserting  
15           “and under section 1903A” after “sub-  
16           sections (a) and (b)”;

17           (ii) in paragraph (2)—

18           (I) in subparagraph (A), by in-  
19           serting “or section 1903A” after “was  
20           made under this section”; and

21           (II) in subparagraph (B), by in-  
22           serting “or section 1903A” after  
23           “under subsection (a)”;

24           (iii) in paragraph (4)—

1 (I) by striking “under this sub-  
2 section” and inserting “, with respect  
3 to this section or section 1903A,  
4 under this subsection”; and

5 (II) by striking “under this sec-  
6 tion” and inserting “under the respec-  
7 tive section”; and

8 (iv) in paragraph (5), by inserting “or  
9 section 1903A” after “overpayment under  
10 this section”.

11 (3) CONFORMING WAIVER AUTHORITY.—Section  
12 1115(a)(2)(A) of the Social Security Act (42 U.S.C.  
13 1315(a)(2)(A)) is amended by striking “or 1903”  
14 and inserting “1903, or 1903A”.

15 (4) REPORT ON ADDITIONAL CONFORMING  
16 AMENDMENTS NEEDED.—Not later than 6 months  
17 after the date of the enactment of this Act, the Sec-  
18 retary of Health and Human Services shall submit  
19 to Congress a report that includes a description of  
20 any additional technical and conforming amend-  
21 ments to law that are required to properly carry out  
22 this Act.