

116TH CONGRESS  
1ST SESSION

# S. 1260

To amend the Public Health Service Act to provide for grants to enable States to carry out activities to reduce administrative costs and burdens in health care.

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## IN THE SENATE OF THE UNITED STATES

MAY 1, 2019

Ms. SMITH (for herself and Mr. CASSIDY) introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

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## A BILL

To amend the Public Health Service Act to provide for grants to enable States to carry out activities to reduce administrative costs and burdens in health care.

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 “Reducing Administra-  
5 tive Costs and Burdens in Health Care Act of 2019”.

1 **SEC. 2. REDUCING ADMINISTRATIVE COSTS AND BURDENS**  
 2 **IN HEALTH CARE.**

3 Title II of the Public Health Service Act (42 U.S.C.  
 4 202 et seq.) is amended by adding at the end the fol-  
 5 lowing:

6 **“PART E—REDUCING ADMINISTRATIVE COSTS**  
 7 **AND BURDENS IN HEALTH CARE**  
 8 **“SEC. 281. ELIMINATING UNNECESSARY ADMINISTRATIVE**  
 9 **BURDENS AND COSTS.**

10 “(a) REDUCING ADMINISTRATIVE BURDENS AND  
 11 COSTS.—The Secretary, in consultation with providers of  
 12 health services, health care suppliers of services, health  
 13 care payers, health professional societies, health vendors  
 14 and developers, health care standard development organi-  
 15 zations and operating rule entities, health care quality or-  
 16 ganizations, health care accreditation organizations, public  
 17 health entities, States, patients, and other appropriate en-  
 18 tities, shall, in accordance with subsection (b)—

19 “(1) establish a goal of reducing unnecessary  
 20 costs and administrative burdens across the health  
 21 care system, including the Medicare program under  
 22 title XVIII of the Social Security Act, the Medicaid  
 23 program under title XIX of such Act, and the pri-  
 24 vate health insurance market, by at least half over  
 25 a period of 10 years from the date of enactment of  
 26 this section;

1 “(2) develop strategies and benchmarks for  
2 meeting the goal established under paragraph (1);

3 “(3) develop recommendations for meeting the  
4 goal established under paragraph (1); and

5 “(4) take action to reduce unnecessary costs  
6 and administrative burdens based on recommenda-  
7 tions identified in this subsection.

8 “(b) STRATEGIES, RECOMMENDATIONS, AND AC-  
9 TIONS.—

10 “(1) IN GENERAL.—To achieve the goal estab-  
11 lished under subsection (a)(1), the Secretary, in con-  
12 sultation with the entities described in such sub-  
13 section, shall not later than 1 year after the date of  
14 enactment of this section, develop strategies and rec-  
15 ommendations and take actions to meet such goal in  
16 accordance with this subsection. No strategies, rec-  
17 ommendation, or action shall undermine the quality  
18 of patient care or patient health outcomes.

19 “(2) STRATEGIES.—The strategies developed  
20 under paragraph (1) shall address unnecessary costs  
21 and administrative burdens. Such strategies shall in-  
22 clude broad public comment and shall prioritize—

23 “(A) recommendations identified as a re-  
24 sult of efforts undertaken to implement section  
25 3001;

1           “(B) recommendations and best practices  
2 identified as a result of efforts undertaken  
3 under this part;

4           “(C) a review of regulations, rules, and re-  
5 quirements of the Department of Health and  
6 Human Services that could be modified or  
7 eliminated to reduce unnecessary costs and ad-  
8 ministrative burden imposed on patients, pro-  
9 viders, payers, and other stakeholders across  
10 the health care system; and

11           “(D) feedback from stakeholders in rural  
12 or frontier areas on how to reduce unnecessary  
13 costs and administrative burdens on the health  
14 care system in those areas.

15           “(3) RECOMMENDATIONS.—The recommenda-  
16 tions developed under paragraph (1) shall include—

17           “(A) actions that improve the standardiza-  
18 tion and automation of administrative trans-  
19 actions;

20           “(B) actions that integrate clinical and ad-  
21 ministrative functions;

22           “(C) actions that improve patient care and  
23 reduce unnecessary costs and administrative  
24 burdens borne by patients, their families, and  
25 other caretakers;

1 “(D) actions that advance the development  
2 and adoption of open application programming  
3 interfaces and other emerging technologies to  
4 increase transparency and interoperability, em-  
5 power patients, and facilitate better integration  
6 of clinical and administrative functions;

7 “(E) actions to be taken by the Secretary  
8 and actions that need to be taken by other enti-  
9 ties; and

10 “(F) other areas, as the Secretary deter-  
11 mines appropriate, to reduce unnecessary costs  
12 and administrative burdens required of health  
13 care providers.

14 “(4) CONSISTENCY.—Any improvements in  
15 electronic processes proposed by the Secretary under  
16 this section should leverage existing information  
17 technology definitions under Federal Law. Specifi-  
18 cally, any electronic processes should not be con-  
19 strued to include a facsimile, a proprietary payer  
20 portal that does not meet standards specified by the  
21 Secretary, or an electronic form image.

22 “(5) ACTIONS.—The Secretary shall take action  
23 to achieve the goal established under subsection  
24 (a)(1), and, not later than 1 year after the date of  
25 enactment of this section, and biennially thereafter,

1 submit to Congress and make publically available, a  
 2 report describing the actions taken by the Secretary  
 3 pursuant to goals, strategies, and recommendations  
 4 described in this subsection.

5 “(6) FACA.—The Federal Advisory Committee  
 6 Act (5 U.S.C. App.) shall not apply to the develop-  
 7 ment of the goal, strategies, recommendations, or  
 8 actions described in this section.

9 “(7) RULE OF CONSTRUCTION.—Nothing in  
 10 this subsection shall be construed to authorize, or be  
 11 used by, the Federal Government to inhibit or other-  
 12 wise restrain efforts made to reduce waste, fraud,  
 13 and abuse across the health care system.

14 **“SEC. 282. GRANTS TO STATES TO DEVELOP AND IMPLE-**  
 15 **MENT RECOMMENDATIONS TO ACCELERATE**  
 16 **STATE INNOVATION TO REDUCE HEALTH**  
 17 **CARE ADMINISTRATIVE COSTS.**

18 “(a) GRANTS.—

19 “(1) IN GENERAL.—Not later than 6 months  
 20 after the date of enactment of this section, the Sec-  
 21 retary shall award grants to at least 15 States, and  
 22 one coordinating entity designated as provided for  
 23 under subsection (e), to enable such States to estab-  
 24 lish and administer private-public multi-stakeholder  
 25 commissions for the purpose of reducing health care

1 administrative costs and burden within and across  
2 States. Not less than 3 of such grants shall be  
3 awarded to States that are primarily rural, frontier,  
4 or a combination thereof, in nature.

5 “(2) ENTITIES.—For purposes of this section,  
6 the term ‘State’ means a State, a State designated  
7 entity, or a multi-State collaborative (as defined by  
8 the Secretary).

9 “(3) PRIORITY.—In awarding grants under this  
10 section, the Secretary shall give priority to applica-  
11 tions submitted by States that propose to carry out  
12 a pilot program or support the adoption of electronic  
13 health care transactions and operating rules.

14 “(b) APPLICATION.—

15 “(1) IN GENERAL.—To be eligible to receive a  
16 grant under subsection (a) a State shall submit to  
17 the Secretary an application in such a manner and  
18 containing such information as the Secretary may  
19 reasonably require, including the information de-  
20 scribed in paragraph (2).

21 “(2) REQUIRED INFORMATION.—In addition to  
22 any additional information required by the Secretary  
23 under this subsection, an application shall include a  
24 description of—

1           “(A) the size and composition of the com-  
2 mission to be established under the grant, in-  
3 cluding the stakeholders represented and the  
4 degree to which the commission reflects impor-  
5 tant geographic and population characteristics  
6 of the State;

7           “(B) the relationship of the commission to  
8 the State official responsible for coordinating  
9 and implementing the recommendations result-  
10 ing from the commission, and the role and re-  
11 sponsibilities of the State with respect to the  
12 commission, including any participation, review,  
13 oversight, implementation or other related func-  
14 tions;

15           “(C) the history and experience of the  
16 State in addressing health care administrative  
17 costs, and any experience similar to the purpose  
18 of the commission to improve health care ad-  
19 ministrative processes and the exchange of  
20 health care administrative data;

21           “(D) the resources and expertise that will  
22 be made available to the commission by com-  
23 mission members or other possible sources, and  
24 how Federal funds will be used to leverage and  
25 complement these resources;



1 “(E) the governance structure and proce-  
 2 dures that the commission will follow to make,  
 3 implement, and pilot recommendations;

4 “(F) the proposed objectives relating to the  
 5 simplification of administrative transactions  
 6 and operating rules, increased standardization,  
 7 and the efficiency and effectiveness of the  
 8 transmission of health information;

9 “(G) potential cost savings and other im-  
 10 provements in meeting the objectives described  
 11 in subparagraph (F); and

12 “(H) the method or methods by which the  
 13 recommendations described in subsection (c)  
 14 will be reviewed, tested, adopted, implemented,  
 15 and updated as needed.

16 “(c) MULTI-STAKEHOLDER COMMISSION.—

17 “(1) IN GENERAL.—Not later than 90 days  
 18 after the date on which a grant is awarded to a  
 19 State under this section, the State official described  
 20 in subsection (b)(2)(B), the State insurance commis-  
 21 sioner, or other appropriate State official shall con-  
 22 vene a multi-stakeholder commission, in accordance  
 23 with this subsection.

24 “(2) MEMBERSHIP.—The commission convened  
 25 under paragraph (1) shall include representatives

1 from health plans, health care providers, health ven-  
2 dors, relevant State agencies, health care standard  
3 development organizations, and operating rule enti-  
4 ties, relevant professional and trade associations, pa-  
5 tients, and other entities determined appropriate by  
6 the State.

7 “(3) RECOMMENDATIONS.—Not later than one  
8 year after the date on which a grant is awarded to  
9 a State under this section, the commission shall  
10 make recommendations and plans, consistent with  
11 the application submitted by the State under sub-  
12 section (b), and intended to meet the objectives de-  
13 fined in the application. Such recommendations shall  
14 comply with, and build upon, all relevant Federal re-  
15 quirements and regulations, and may include—

16 “(A) common, uniform specifications, best  
17 practices, and conventions, for the efficient, ef-  
18 fective exchange of administrative transactions  
19 adopted pursuant to the Health Insurance Port-  
20 ability and Accountability Act of 1996 (Public  
21 Law 104–191);

22 “(B) the development of streamlined busi-  
23 ness processes for the exchange and use of  
24 health care administrative data; and

1           “(C) specifications, incentives, require-  
2           ments, tools, mechanisms, and resources to im-  
3           prove—

4           “(i) the access, exchange, and use of  
5           health care administrative information  
6           through electronic means;

7           “(ii) the implementation of utilization  
8           management protocols; and

9           “(iii) compliance with Federal and  
10          State laws.

11       “(d) USE OF FUNDS FOR IMPLEMENTATION.—A  
12       State may use amounts received under a grant under this  
13       section for one or more of the following:

14           “(1) The development, implementation, and  
15           best use of shared data infrastructure that supports  
16           the electronic transmission of administrative data.

17           “(2) The development and provision of training  
18           and educational materials, forums, and activities as  
19           well as technical assistance to effectively implement,  
20           use, and benefit from electronic health care trans-  
21           actions and operating rules.

22           “(3) To accelerate the early adoption and im-  
23           plementation of administrative transactions and op-  
24           erating rules designated by the Secretary and that  
25           have been adopted pursuant to the Health Insurance

1 Portability and Accountability Act of 1996 (Public  
2 Law 104–191), including transactions and operating  
3 rules described in section 1173(a)(2) of the Social  
4 Security Act.

5 “(4) To accelerate the early adoption and im-  
6 plementation of additional or updated administrative  
7 transactions, operating rules, and related data ex-  
8 change standards that are being considered for  
9 adoption under the Health Insurance Portability and  
10 Accountability Act of 1996 or are adopted pursuant  
11 to such Act, or as designated by the Secretary, in-  
12 cluding the electronic claim attachment.

13 “(5) To conduct pilot projects to test ap-  
14 proaches to implement and use the electronic health  
15 care transactions and operating rules in practice  
16 under a variety of different settings. With respect to  
17 the electronic attachment transaction, priority shall  
18 be given to pilot projects that test and evaluate  
19 methods and mechanisms to most effectively incor-  
20 porate patient health data from electronic health  
21 records and other electronic sources with the elec-  
22 tronic attachment transaction.

23 “(6) To assess barriers to the adoption, imple-  
24 mentation, and effective use of electronic health care  
25 transactions and operating rules, as well as to ex-

1       plore, identify, and plan options, approaches, and re-  
 2       sources to address barriers and make improvements.

3               “(7) The facilitation of public and private ini-  
 4       tiatives to reduce administrative costs and accelerate  
 5       the adoption, implementation, and effective use of  
 6       electronic health care transactions and operating  
 7       rules for State programs.

8               “(8) Developing, testing, implementing, and as-  
 9       sessing additional data exchange specifications, oper-  
 10      ating rules, incentives, requirements, tools, mecha-  
 11      nisms, and resources to accelerate the adoption and  
 12      effective use of the transactions and operating rules.

13              “(9) Ongoing needs assessments and planning  
 14      related to the development and implementation of  
 15      administrative simplification initiatives.

16      “(e) COORDINATING ENTITY.—

17              “(1) FUNCTIONS.—Not later than 6 months  
 18      after the date of enactment of this section, the Sec-  
 19      retary shall designate a coordinating entity under  
 20      this subsection for the purpose of—

21              “(A) providing technical assistance to  
 22      States relating to the simplification of adminis-  
 23      trative transactions and operating rules, in-  
 24      creased standardization, and the efficiency and

1 effectiveness of the transmission of health care  
2 information;

3 “(B) evaluating pilot projects and other ef-  
4 forts conducted under this section for impact  
5 and best practices to inform broader national  
6 use;

7 “(C) using consistent evaluation meth-  
8 odologies to compare return on investment  
9 across efforts conducted under this section;

10 “(D) compiling, synthesizing, dissemi-  
11 nating, and adopting lessons learned to promote  
12 the adoption of electronic health care trans-  
13 actions and operating rules across the health  
14 care system; and

15 “(E) making recommendations to the Sec-  
16 retary and the National Committee on Vital  
17 and Health Statistics regarding the national  
18 adoption of efforts conducted under this sec-  
19 tion.

20 “(2) ELIGIBILITY.—The entity designated  
21 under paragraph (1) shall be a qualified nonprofit  
22 entity that—

23 “(A) focuses its mission on administrative  
24 simplification;

1           “(B) has demonstrated experience using a  
2           multi-stakeholder and consensus-based process  
3           for the development of common, uniform speci-  
4           fications, operating rules, best practices, and  
5           conventions, for the efficient, effective exchange  
6           of administrative transactions that includes rep-  
7           resentation by or participation from health  
8           plans, health care providers, vendors, States,  
9           relevant Federal agencies, and other health care  
10          standard development organizations;

11          “(C) has demonstrated experience pro-  
12          viding technical assistance to health plans,  
13          health care providers, vendors, and States relat-  
14          ing to the simplification of administrative trans-  
15          actions and operating rules, increased standard-  
16          ization, and the efficiency and effectiveness of  
17          the transmission of health care information;

18          “(D) has demonstrated experience evalu-  
19          ating and measuring the adoption and return  
20          on investment of administrative transactions  
21          and operating rules;

22          “(E) has demonstrated experience gath-  
23          ering, synthesizing, and adopting common, uni-  
24          form specifications, operating rules, best prac-  
25          tices, and conventions for national use based on

1 lessons learned to promote the adoption of elec-  
2 tronic health care transactions and operating  
3 rules across the health care system;

4 “(F) has a public set of guiding principles  
5 that ensure processes are open and transparent,  
6 and supports nondiscrimination and conflict of  
7 interest policies that demonstrate a commit-  
8 ment to open, fair, and nondiscriminatory prac-  
9 tices;

10 “(G) builds on the transaction standards  
11 issued under Health Insurance Portability and  
12 Accountability Act of 1996; and

13 “(H) allows for public review and updates  
14 of common, uniform specifications, operating  
15 rules, best practices, and conventions to support  
16 administrative simplification.

17 “(f) PERIOD AND AMOUNT.—A grant awarded to a  
18 State under this section shall be for a period of 5 years  
19 and shall not exceed \$50,000,000 for such 5-year period.  
20 A grant awarded to the coordinating entity designated by  
21 the Secretary under subsection (e) shall be for a period  
22 of 5 years and shall not exceed \$15,000,000 for such 5-  
23 year period.

24 “(g) REPORTS.—



1           “(1) STATES.—Not later than 1 year after re-  
2           ceiving a grant under this section, and biennially  
3           thereafter, a State shall submit to the Secretary a  
4           report on the outcomes experienced by the State  
5           under the grant.

6           “(2) COORDINATING ENTITY.—Not later than 1  
7           year after receiving a grant under this section, and  
8           at least biennially thereafter, the coordinating entity  
9           shall submit to the Secretary and the National Com-  
10          mittee on Vital and Health Statistics a report of  
11          evaluations conducted under the grant under this  
12          section and recommendations regarding the national  
13          adoption of efforts conducted under this section.

14          “(3) SECRETARY.—Not later than 6 months  
15          after the date on which the States and coordinating  
16          entity submit the report required under paragraphs  
17          (1) and (2), the Secretary, in consultation with Na-  
18          tional Committee on Vital and Health Statistics,  
19          shall submit to the Committee on Health, Edu-  
20          cation, Labor, and Pensions of the Senate and the  
21          Committee on Energy and Commerce of the House  
22          of Representatives, a report on the outcomes  
23          achieved under the grants under this section.

24          “(4) GAO.—Not later than 6 months after the  
25          date on which the Secretary submits the final report

1       under paragraph (3), the Comptroller General of the  
2       United States shall conduct a study, and submit to  
3       the Committee on Health, Education, Labor, and  
4       Pensions of the Senate and the Committee on En-  
5       ergy and Commerce of the House of Representa-  
6       tives, a report on the outcomes of the activities car-  
7       ried out under this section which shall contain a list  
8       of best practices and recommendations to States  
9       concerning administrative simplification.

10       “(h) AUTHORIZATION OF APPROPRIATIONS.—There  
11       is authorized to be appropriated to carry out this section,  
12       \$250,000,000 for the 5-fiscal-year period beginning with  
13       fiscal year 2020.”.

○