

Public Law 109-171 Section 6081

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**SEC. 6081. MEDICAID TRANSFORMATION GRANTS.**

(a) In General- Section 1903 of the Social Security Act (42 U.S.C. 1396b), as amended by sections 6037(a)(2) and 6043(b), is amended by adding at the end the following new subsection:

ˆ (z) Medicaid Transformation Payments-

ˆ (1) IN GENERAL- In addition to the payments provided under subsection (a), subject to paragraph (4), the Secretary shall provide for payments to States for the adoption of innovative methods to improve the effectiveness and efficiency in providing medical assistance under this title.

ˆ (2) PERMISSIBLE USES OF FUNDS- The following are examples of innovative methods for which funds provided under this subsection may be used:

ˆ (A) Methods for reducing patient error rates through the implementation and use of electronic health records, electronic clinical decision support tools, or e-prescribing programs.

ˆ (B) Methods for improving rates of collection from estates of amounts owed under this title.

ˆ (C) Methods for reducing waste, fraud, and abuse under the program under this title, such as reducing improper payment rates as measured by annual payment error rate measurement (PERM) project rates.

ˆ (D) Implementation of a medication risk management program as part of a drug use review program under section 1927(g).

ˆ (E) Methods in reducing, in clinically appropriate ways, expenditures under this title for covered outpatient drugs, particularly in the categories of greatest drug utilization, by increasing the utilization of generic drugs through the use of education programs and other incentives to promote greater use of generic drugs.

ˆ (F) Methods for improving access to primary and specialty physician care for the uninsured using integrated university-based hospital and clinic systems.

ˆ (3) APPLICATION; TERMS AND CONDITIONS-

ˆ (A) IN GENERAL- No payments shall be made to a State under this subsection unless the State applies to the Secretary for such payments in a form, manner, and time specified by the Secretary.

ˆ (B) TERMS AND CONDITIONS- Such payments are made under such terms and conditions consistent with this subsection as the Secretary prescribes.

^ (C) ANNUAL REPORT- Payment to a State under this subsection is conditioned on the State submitting to the Secretary an annual report on the programs supported by such payment. Such report shall include information on--

- ^ (i) the specific uses of such payment;
- ^ (ii) an assessment of quality improvements and clinical outcomes under such programs; and
- ^ (iii) estimates of cost savings resulting from such programs.

^ (4) FUNDING-

^ (A) LIMITATION ON FUNDS- The total amount of payments under this subsection shall be equal to, and shall not exceed--

- ^ (i) \$75,000,000 for fiscal year 2007; and
- ^ (ii) \$75,000,000 for fiscal year 2008.

This subsection constitutes budget authority in advance of appropriations Acts and represents the obligation of the Secretary to provide for the payment of amounts provided under this subsection.

^ (B) ALLOCATION OF FUNDS- The Secretary shall specify a method for allocating the funds made available under this subsection among States. Such method shall provide preference for States that design programs that target health providers that treat significant numbers of Medicaid beneficiaries. Such method shall provide that not less than 25 percent of such funds shall be allocated among States the population of which (as determined according to data collected by the United States Census Bureau) as of July 1, 2004, was more than 105 percent of the population of the respective State (as so determined) as of April 1, 2000.

^ (C) FORM AND MANNER OF PAYMENT- Payment to a State under this subsection shall be made in the same manner as other payments under section 1903(a). There is no requirement for State matching funds to receive payments under this subsection.

^ (5) MEDICATION RISK MANAGEMENT PROGRAM-

^ (A) IN GENERAL- For purposes of this subsection, the term 'medication risk management program' means a program for targeted beneficiaries that ensures that covered outpatient drugs are appropriately used to optimize therapeutic outcomes through improved medication use and to reduce the risk of adverse events.

^ (B) ELEMENTS- Such program may include the following elements:

- ^ (i) The use of established principles and standards for drug utilization review and best practices to

analyze prescription drug claims of targeted beneficiaries and identify outlier physicians.

` (ii) On an ongoing basis provide outlier physicians--

` (I) a comprehensive pharmacy claims history for each targeted beneficiary under their care;

` (II) information regarding the frequency and cost of relapses and hospitalizations of targeted beneficiaries under the physician's care; and

` (III) applicable best practice guidelines and empirical references.

` (iii) Monitor outlier physician's prescribing, such as failure to refill, dosage strengths, and provide incentives and information to encourage the adoption of best clinical practices.

` (C) TARGETED BENEFICIARIES- For purposes of this paragraph, the term `targeted beneficiaries' means Medicaid eligible beneficiaries who are identified as having high prescription drug costs and medical costs, such as individuals with behavioral disorders or multiple chronic diseases who are taking multiple medications.'.