

“(jj) PRIMARY CARE SERVICES DEFINED.—For purposes of subsection (a)(13)(C), the term ‘primary care services’ means—

“(1) evaluation and management services that are procedure codes (for services covered under title XVIII) for services in the category designated Evaluation and Management in the Healthcare Common Procedure Coding System (established by the Secretary under section 1848(c)(5) as of December 31, 2009, and as subsequently modified); and

“(2) services related to immunization administration for vaccines and toxoids for which CPT codes 90465, 90466, 90467, 90468, 90471, 90472, 90473, or 90474 (as subsequently modified) apply under such System.”

(2) UNDER MEDICAID MANAGED CARE PLANS.—Section 1932(f) of such Act (42 U.S.C. 1396u–2(f)) is amended—

(A) in the heading, by adding at the end the following: “; ADEQUACY OF PAYMENT FOR PRIMARY CARE SERVICES”; and

(B) by inserting before the period at the end the following: “and, in the case of primary care services described in section 1902(a)(13)(C), consistent with the minimum payment rates specified in such section (regardless of the manner in which such payments are made, including in the form of capitation or partial capitation)”.

(b) INCREASE IN PAYMENT USING INCREASED FMAP.—Section 1905 of the Social Security Act, as amended by section 1004(b) of this Act and section 10201(c)(6) of the Patient Protection and Affordable Care Act, is amended by adding at the end the following new subsection:

“(dd) INCREASED FMAP FOR ADDITIONAL EXPENDITURES FOR PRIMARY CARE SERVICES.—Notwithstanding subsection (b), with respect to the portion of the amounts expended for medical assistance for services described in section 1902(a)(13)(C) furnished on or after January 1, 2013, and before January 1, 2015, that is attributable to the amount by which the minimum payment rate required under such section (or, by application, section 1932(f)) exceeds the payment rate applicable to such services under the State plan as of July 1, 2009, the Federal medical assistance percentage for a State that is one of the 50 States or the District of Columbia shall be equal to 100 percent. The preceding sentence does not prohibit the payment of Federal financial participation based on the Federal medical assistance percentage for amounts in excess of those specified in such sentence.”.

SEC. 1203. DISPROPORTIONATE SHARE HOSPITAL PAYMENTS.

(a) IN GENERAL.—Section 1923(f) of the Social Security Act (42 U.S.C. 1396r–4(f)), as amended by sections 2551(a)(4) and 10201(e)(1) of the Patient Protection and Affordable Care Act, is amended—

(1) in paragraph (6)(B)(iii), in the matter preceding subclause (I), by striking “or paragraph (7)”; and

(2) by striking paragraph (7) and inserting the following:

“(7) MEDICAID DSH REDUCTIONS.—

“(A) REDUCTIONS.—

“(i) IN GENERAL.—For each of fiscal years 2014 through 2020 the Secretary shall effect the following reductions:

“(I) REDUCTION IN DSH ALLOTMENTS.—The Secretary shall reduce DSH allotments to States in the amount specified under the DSH health reform methodology under subparagraph (B) for the State for the fiscal year.

“(II) REDUCTIONS IN PAYMENTS.—The Secretary shall reduce payments to States under section 1903(a) for each calendar quarter in the fiscal year, in the manner specified in clause (iii), in an amount equal to $\frac{1}{4}$ of the DSH allotment reduction under subclause (I) for the State for the fiscal year.

“(ii) AGGREGATE REDUCTIONS.—The aggregate reductions in DSH allotments for all States under clause (i)(I) shall be equal to—

“(I) \$500,000,000 for fiscal year 2014;

“(II) \$600,000,000 for fiscal year 2015;

“(III) \$600,000,000 for fiscal year 2016;

“(IV) \$1,800,000,000 for fiscal year 2017;

“(V) \$5,000,000,000 for fiscal year 2018;

“(VI) \$5,600,000,000 for fiscal year 2019; and

“(VII) \$4,000,000,000 for fiscal year 2020.

The Secretary shall distribute such aggregate reductions among States in accordance with subparagraph (B).

“(iii) MANNER OF PAYMENT REDUCTION.—The amount of the payment reduction under clause (i)(II) for a State for a quarter shall be deemed an overpayment to the State under this title to be disallowed against the State’s regular quarterly draw for all spending under section 1903(d)(2). Such a disallowance is not subject to a reconsideration under subsections (d) and (e) of section 1116.

“(iv) DEFINITION.—In this paragraph, the term ‘State’ means the 50 States and the District of Columbia.

“(B) DSH HEALTH REFORM METHODOLOGY.—The Secretary shall carry out subparagraph (A) through use of a DSH Health Reform methodology that meets the following requirements:

“(i) The methodology imposes the largest percentage reductions on the States that—

“(I) have the lowest percentages of uninsured individuals (determined on the basis of data from the Bureau of the Census, audited hospital cost reports, and other information likely to yield accurate data) during the most recent year for which such data are available; or

“(II) do not target their DSH payments on—

“(aa) hospitals with high volumes of Medicaid inpatients (as defined in subsection (b)(1)(A)); and

“(bb) hospitals that have high levels of uncompensated care (excluding bad debt).

“(ii) The methodology imposes a smaller percentage reduction on low DSH States described in paragraph (5)(B).

“(iii) The methodology takes into account the extent to which the DSH allotment for a State was included in the budget neutrality calculation for a coverage expansion approved under section 1115 as of July 31, 2009.”

(b) **EXTENSION OF DSH ALLOTMENT.**—Section 1923(f)(6)(A) of the Social Security Act (42 U.S.C. 1396r-4(f)(6)(A)) is amended by adding at the end the following:

“(v) **ALLOTMENT FOR 2D, 3RD, AND 4TH QUARTERS OF FISCAL YEAR 2012 AND FOR FISCAL YEAR 2013.**—Notwithstanding the table set forth in paragraph (2):

“(I) **2D, 3RD, AND 4TH QUARTERS OF FISCAL YEAR 2012.**—In the case of a State that has a DSH allotment of \$0 for the 2d, 3rd, and 4th quarters of fiscal year 2012, the DSH allotment shall be \$47,200,000 for such quarters.

“(II) **FISCAL YEAR 2013.**—In the case of a State that has a DSH allotment of \$0 for fiscal year 2013, the DSH allotment shall be \$53,100,000 for such fiscal year.”

SEC. 1204. FUNDING FOR THE TERRITORIES.

(a) **IN GENERAL.**—Part III of subtitle D of title I of the Patient Protection and Affordable Care Act, as amended by section 10104(m) of such Act, is amended by inserting after section 1322 the following section:

“SEC. 1323. FUNDING FOR THE TERRITORIES.

“(a) **IN GENERAL.**—A territory that—

“(1) elects consistent with subsection (b) to establish an Exchange in accordance with part II of this subtitle and establishes such an Exchange in accordance with such part shall be treated as a State for purposes of such part and shall be entitled to payment from the amount allocated to the territory under subsection (c); or

“(2) does not make such election shall be entitled to an increase in the dollar limitation applicable to the territory under subsections (f) and (g) of section 1108 of the Social Security Act (42 U.S.C. 1308) for such period in such amount for such territory and such increase shall not be taken into account in computing any other amount under such subsections.

“(b) **TERMS AND CONDITIONS.**—An election under subsection (a)(1) shall—

“(1) not be effective unless the election is consistent with section 1321 and is received not later than October 1, 2013; and

“(2) be contingent upon entering into an agreement between the territory and the Secretary that requires that—

“(A) funds provided under the agreement shall be used only to provide premium and cost-sharing assistance to residents of the territory obtaining health insurance coverage through the Exchange; and

“(B) the premium and cost-sharing assistance provided under such agreement shall be structured in such a manner so as to prevent any gap in assistance for individuals between the income level at which medical assistance is available through the territory’s Medicaid plan under title XIX of the Social Security Act and the income level at