

106TH CONGRESS  
2D SESSION

# H. R. 4412

To amend the Social Security Act to provide grants and flexibility through demonstration projects for States to provide universal, comprehensive, cost-effective systems of health care coverage, with simplified administration.

---

## IN THE HOUSE OF REPRESENTATIVES

MAY 9, 2000

Mr. TIERNEY (for himself, Mr. McDERMOTT, Mr. BONIOR, Mr. STARK, Mr. WEINER, Mr. SANDERS, Ms. RIVERS, Mr. FATTAH, Mr. DEFazio, Mr. CONYERS, Mr. MCGOVERN, Ms. SCHAKOWSKY, Mr. OLVER, Ms. NORTON, and Mr. CAPUANO) introduced the following bill; which was referred to the Committee on Commerce

---

## A BILL

To amend the Social Security Act to provide grants and flexibility through demonstration projects for States to provide universal, comprehensive, cost-effective systems of health care coverage, with simplified administration.

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; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “States’ Right To Innovate in Health Care Act of 2000”.

1 (b) TABLE OF CONTENTS.—The table of contents of  
 2 this Act is as follows:

Sec. 1. Short title; table of contents.  
 Sec. 2. Findings and purposes.  
 Sec. 3. Amendment to Social Security Act.

“TITLE XXII—STATE COMPREHENSIVE HEALTH CARE AND COST  
 CONTAINMENT DEMONSTRATION PROJECTS

“Sec. 2201. Planning grants.  
 “Sec. 2202. Demonstration grants.  
 “Sec. 2203. State plan requirements.  
 “Sec. 2204. Interstate arrangements.  
 “Sec. 2205. Definitions.”.

3 **SEC. 2. FINDINGS AND PURPOSES.**

4 (a) FINDINGS.—Congress finds the following:

5 (1) In 1998, annual health care expenditures in  
 6 the United States totaled \$1.15 trillion, or \$4,094  
 7 per person.

8 (2) In 1998, health care expenditures rep-  
 9 resented 13.5 percent of the gross domestic product  
 10 (GDP) in the United States and grew at the rate of  
 11 5.6 percent while the gross domestic product grew  
 12 only at the rate of 4.9 percent.

13 (3) Businesses, and consumers, would save ap-  
 14 proximately \$562.8 billion over 7 years if health care  
 15 expenditures were increasing at the same rate as  
 16 GDP growth.

17 (4) Because many individuals do not have  
 18 health insurance coverage, they may incur health  
 19 care costs which they do not fully reimburse, result-  
 20 ing in cost-shifting to others.

1           (5) As a consequence of the piecemeal health  
2       care system in the United States, administrative  
3       overhead costs approximately \$1,000 per person an-  
4       nually while other Western industrialized nations  
5       with universal health care systems spend approxi-  
6       mately \$200 per person annually for administrative  
7       overhead.

8       (b) PURPOSE.—It is the purpose of this Act to en-  
9       courage States—

10           (1) to develop plans for universal, comprehen-  
11       sive, cost-effective systems of health care with sim-  
12       plified administration to individuals residing in such  
13       States; and

14           (2) to implement such plans by offering transi-  
15       tional grants and by removing Federal statutory and  
16       administrative barriers that may inhibit or discour-  
17       age efforts by States to provide such health care  
18       while maintaining Federal payments for health care  
19       under Federal health care programs.

20       **SEC. 3. AMENDMENT TO SOCIAL SECURITY ACT.**

21       The Social Security Act (42 U.S.C. 301 et seq.) is  
22       amended by adding at the end the following new title:

1 “TITLE XXII—STATE COMPREHENSIVE  
2 HEALTH CARE AND COST CONTAINMENT  
3 DEMONSTRATION PROJECTS

4 “SEC. 2201. PLANNING GRANTS.

5 “(a) APPLICATION.—A State may apply to the Sec-  
6 retary for a State planning grant under this section to  
7 develop a State plan to offer universal comprehensive  
8 health care, with simplified administration, and to improve  
9 the cost-effectiveness of the health care delivery system.

10 “(b) CONTENTS.—The Secretary may not approve  
11 such a State planning grant for a State unless the applica-  
12 tion for the grant includes or provides for the following:

13 “(1) BUDGET.—A budget and a budget jus-  
14 tification.

15 “(2) PLANNING PROCESS.—A description of  
16 how under the grant the State shall—

17 “(A) identify options to provide a uni-  
18 versal, comprehensive, and cost-effective system  
19 of health care, with simplified administration,  
20 that is affordable and accessible to all eligible  
21 beneficiaries in the State; and

22 “(B) conduct an analysis that compares  
23 projected overall health expenditures over a 7-  
24 year period under the proposed system with the

1           projected overall health expenditures that would  
2           otherwise occur during such period.

3           “(3) OPPORTUNITY FOR PUBLIC PARTICIPA-  
4           TION.—Assurances that the State will include a  
5           process for public contribution and participation in  
6           the planning process.

7           “(c) NUMBER OF STATES; PERIOD OF GRANT.—The  
8           Secretary may not award State planning grants under this  
9           section to more than 10 States. A State planning grant  
10          under this section shall be effective for a period of up to  
11          30 months. In awarding State planning grants under this  
12          section the Secretary shall give preference to States from  
13          a variety of geographic areas in the United States.

14          “(d) AMOUNT.—The amount of a State planning  
15          grant under this section to a State may not exceed  
16          \$3,750,000.

17          “(e) TECHNICAL ASSISTANCE.—The Secretary shall  
18          provide States with technical assistance in applying for  
19          and implementing State planning grants under this sec-  
20          tion. At the request of the Secretary, other Departments  
21          and Offices of the Federal Government shall provide  
22          States with such technical assistance.

23       **“SEC. 2202. DEMONSTRATION GRANTS.**

24          “(a) APPLICATION.—A State that has developed a  
25          State plan may apply to the Secretary for approval of a

1 demonstration grant under this section to achieve a cost-  
2 effective delivery system of universal, comprehensive  
3 health care with simplified administration. The Secretary  
4 shall notify the chief executive officer of all States of the  
5 availability of demonstration grants under this section.

6       “(b) APPROVAL.—The Secretary shall approve the  
7 applications of not more than 5 States under this section.  
8 In approving grants under this section the Secretary shall  
9 give preference to States from a variety of geographic  
10 areas in the United States. If the Secretary determines  
11 that a State no longer meets the conditions for approval  
12 of the grant, the Secretary shall notify the State of such  
13 determination and provide the State with an opportunity  
14 to correct deficiencies in a timely manner. If the Secretary  
15 further determines that a State has not corrected such de-  
16 ficiencies in a timely manner, the Secretary shall termi-  
17 nate the grant (including waivers authorized under the  
18 grant).

19       “(c) PERIOD.—A demonstration grant approved  
20 under this section shall be effective for 7 years from the  
21 date of final approval of the demonstration grant applica-  
22 tion under subsection (b).

23       “(d) STATE PLAN REQUIRED.—The Secretary may  
24 not approve a demonstration grant under this section un-

1 less the State has a State plan to carry out the grant con-  
2 sistent with the requirements of section 2203.

3 “(e) FUNDING.—

4 “(1) TRANSITIONAL GRANT AMOUNT.—The  
5 amount awarded under this section to a State with  
6 a demonstration grant approved under this section  
7 may not exceed an aggregate amount of  
8 \$10,000,000 plus \$3 multiplied by the number of el-  
9 igible State residents of the State, to assist the  
10 State in the transition of the health care delivery  
11 and financing infrastructure. Such amount shall be  
12 made available to a State during the period of tran-  
13 sition, as provided in the State plan. The number of  
14 eligible State residents of a State shall be deter-  
15 mined based on the best available Census Bureau  
16 data as of the July 1 before the date the grant  
17 under this section is approved.

18 “(2) MAINTENANCE OF FEDERAL FUNDS  
19 UNDER WAIVERS.—Pursuant to the waivers under  
20 subsection (f), the Federal Government shall pay to  
21 a State amounts for health care under Federal  
22 health care programs that would otherwise have  
23 been payable by the Federal Government but for the  
24 State’s universal, comprehensive health care system  
25 under this section.

1       “(f) WAIVER OF ERISA PREEMPTION AND WAIVERS  
2 TO POOL FUNDS.—As part of a demonstration grant  
3 under this section and subject to the benefit maintenance  
4 requirements applicable under section 2203(b), a State  
5 may request (and the Secretary may grant) the following  
6 waivers of requirements and provisions to the extent nec-  
7 essary to carry out the State plan under section 2203:

8               “(1) ERISA.—Waiving application of section  
9       514 of the Employee Retirement Income Security  
10       Act of 1974.

11              “(2) MEDICARE.—Waiving provisions necessary  
12       to permit the State—

13                      “(A) to use funds otherwise paid under  
14       title XVIII for beneficiaries residing in the  
15       State; and

16                      “(B) to permit the State to enter into an  
17       arrangement with the Secretary under which el-  
18       igible State residents who are not otherwise en-  
19       rolled for benefits under parts A and B of such  
20       title are enrolled for such benefits under such  
21       title and the State provides for such actuarially  
22       appropriate reimbursement to the Secretary  
23       with respect to coverage of such benefits for  
24       such residents as is necessary to assure that the  
25       Trust Funds under such title are not adversely



1           affected by virtue of such waiver, such reim-  
2           bursement subject to—

3                   “(i) an independent audit, to be re-  
4                   viewed by the Comptroller General of the  
5                   United States, assuring that such reim-  
6                   bursement does not adversely affect in any  
7                   way the Trust Funds for medicare eligible  
8                   beneficiaries, and

9                   “(ii) in the case that the audit deter-  
10                  mines that additional reimbursement to the  
11                  Secretary is required, such additional reim-  
12                  bursement, with appropriate adjustments  
13                  for interest attributable to the late reim-  
14                  bursement.

15               “(3) MEDICAID.—Waiving provisions necessary  
16               to permit the State to use funds otherwise paid to  
17               the State under title XIX.

18               “(4) SCHIP.—Waiving provisions necessary to  
19               permit the State to use funds otherwise paid to the  
20               State under title XXI.

21               “(5) FEHBP.—Waiving provisions necessary to  
22               permit the State to use funds otherwise paid under  
23               chapter 89 of title 5, United States Code, or allow-  
24               ing the Office of Personnel Management to purchase

1 health care coverage for Federal employees and re-  
2 tirees in the State under the State plan.

3 “(6) USE OF OTHER FUNDS.—Waiving provi-  
4 sions necessary to permit the State to use funds oth-  
5 erwise provided under other Federal programs for  
6 the provision of health care coverage or services,  
7 identified by the State.

8 “(7) OTHER LAWS.—Waiving of other provi-  
9 sions of Federal law identified by the State under  
10 section 2203(e)(3) only if the Secretary determines  
11 such a waiver to be appropriate after consultation  
12 with the head of the Federal agency or department  
13 concerned.

14 The Secretary may grant a waiver under this subsection  
15 only if the State provides the Secretary with satisfactory  
16 assurances that necessary safeguards have been taken to  
17 protect the health and welfare of individuals provided serv-  
18 ices under the waiver and that financial accountability is  
19 maintained for any funds expended under the waiver. The  
20 Secretary may grant a waiver under paragraph (1) only  
21 with the concurrence of the Secretary of Labor.

22 “(g) REENROLLMENT OF ELIGIBLE STATE RESI-  
23 DENTS WHO MOVE FROM A PARTICIPATING STATE.—In  
24 the case of an eligible State resident who is covered under  
25 a State plan under section 2203, who (but for such cov-

1 erage) is eligible to be enrolled in a program described in  
 2 subsection (f) (including the medicare and medicaid pro-  
 3 grams), and who is not enrolled in such a program because  
 4 of such coverage, if the resident leaves the State to reside  
 5 in a State that does not have such a State plan in effect,  
 6 the resident shall be permitted, notwithstanding any other  
 7 provision of law, to enroll immediately in such a program  
 8 if the resident is still otherwise eligible to be so enrolled.  
 9 In the case of such enrollment in the medicare program,  
 10 the resident shall be treated for purposes of section  
 11 1882(s)(2) (relating to availability of medigap policies  
 12 without underwriting) as if the resident had turned 65  
 13 years of age on the date the resident enrolls in the medi-  
 14 care program.

15       “(h) DUTIES OF THE SECRETARY.—

16               “(1) GUIDANCE AND INFORMATION.—The Sec-  
 17       retary shall—

18                       “(A) provide guidance to State health care  
 19       authorities regarding applications for grants  
 20       under this title and exchange information with,  
 21       and otherwise assist, such authorities upon the  
 22       request of the authorities;

23                       “(B) set application procedures;

24                       “(C) review and approve applications for  
 25       demonstration grants under this section, includ-

1 ing providing for appropriate waivers described  
2 in subsection (f);

3 “(D) provide appropriate levels of funding  
4 for such approved applications consistent with  
5 such section;

6 “(E) conduct such evaluation, monitoring,  
7 compliance, and other review functions as may  
8 be appropriate;

9 “(F) develop guidelines, standards, and  
10 formats for States to follow in evaluating, re-  
11 porting, and collecting data in order to enable  
12 the Commission to monitor State plan adminis-  
13 tration and compliance, and to evaluate and  
14 compare the effectiveness of State plans; and

15 “(G) implement any other requirements or  
16 activities necessary and appropriate under this  
17 title.

18 “(2) ANNUAL REPORT.—The Secretary shall  
19 submit to the President and the Congress an annual  
20 report. Such report shall be submitted not later than  
21 March 30 of each year and shall include information  
22 concerning States that receive grants under this title  
23 and the effectiveness of any health care programs  
24 assisted by such grants during the previous year.

1           “(3) APPROVAL PROCESS.—The provisions of  
2           section 2106(c) shall apply to State plans and the  
3           Secretary under this title in the same manner as  
4           they apply to State plans and the Secretary under  
5           such section.

6   **“SEC. 2203. STATE PLAN REQUIREMENTS.**

7           “(a) COVERAGE.—

8           “(1) IN GENERAL.—A State plan shall provide  
9           a process and a timeline for achieving coverage of all  
10          eligible State residents statewide, without regard to  
11          employment status, income, health status or pre-  
12          existing condition, or location of residency within the  
13          State.

14          “(2) OUTREACH MECHANISMS.—A State plan  
15          shall describe the outreach mechanisms to be used to  
16          assure coverage of all eligible individuals, including  
17          measures to assure coverage of individuals in hard-  
18          to-reach populations and to assure benefits are pro-  
19          vided to eligible individuals located in underserved  
20          areas.

21          “(b) BENEFITS.—

22          “(1) BASIC BENEFITS.—A State plan shall pro-  
23          vide for health benefits that—

24                  “(A) are at least actuarially equivalent to  
25                  the standard Blue Cross/Blue Shield preferred

1 provider option service benefit plan, described  
2 in and offered under section 8903(1) of title 5,  
3 United States Code; and

4 “(B) include benefits for at least the fol-  
5 lowing items and services:

6 “(i) Inpatient and outpatient hospital  
7 services, including emergency services  
8 available 24 hours a day.

9 “(ii) Long term, acute, and chronic  
10 care services, including skilled nursing fa-  
11 cility services, intermediate care facility  
12 services home health services, home and  
13 community-based long-term care services,  
14 hospice care, and services in intermediate  
15 care facilities for individuals diagnosed  
16 with mental retardation.

17 “(iii) Professional services of health  
18 care practitioners authorized to provide  
19 health care services under State law.

20 “(iv) Community-based primary  
21 health care services, including rural health  
22 clinic services and Federally-qualified  
23 health center services.

24 “(v) Laboratory, x-ray services, and  
25 diagnostic tests.

1           “(vi) Preventive care, including pre-  
2           natal, well-baby, and well-child care, appro-  
3           priate immunizations, pap smears, screen-  
4           ing mammography, colorectal cancer  
5           screening, physical examinations, and fam-  
6           ily planning.

7           “(vii) Prescription drugs and  
8           biologicals, including insulin and medical  
9           foods.

10          “(viii) Mental health services.

11          “(ix) Substance abuse treatment serv-  
12          ices.

13          “(x) Vision services, including routine  
14          eye examinations, eyeglasses, and contact  
15          lenses.

16          “(xi) Hearing services, including hear-  
17          ing aids.

18          “(xii) Dental services, including rou-  
19          tine check ups.

20          “(xiii) Durable medical equipment, in-  
21          cluding home dialysis supplies and equip-  
22          ment.

23          “(xiv) Emergency ambulance services.

24          “(xv) Prosthetics.

1                   “(xvi) Outpatient therapy, including  
2                   physical therapy, occupational therapy, and  
3                   speech language pathology services and re-  
4                   lated services.

5                   “(2) ASSURANCE THAT BENEFITS ARE NOT RE-  
6                   DUCED FOR INDIVIDUALS COVERED UNDER FED-  
7                   ERAL PROGRAMS.—Insofar as the State under the  
8                   plan incorporates funding provided by Federal pro-  
9                   grams described in section 2202(f), the State plan  
10                  may not provide for a reduction in benefits (includ-  
11                  ing coverage, access, availability, duration, and bene-  
12                  ficiary rights, and, if applicable, vaccine benefits  
13                  under section 1928) otherwise provided for under  
14                  such programs or an increase in cost-sharing and  
15                  premiums otherwise provided for under such pro-  
16                  grams.

17                  “(3) CONTINUATION OF BENEFITS FOR CER-  
18                  TAIN ALIENS.—Nothing in this title shall be con-  
19                  strued as affecting the access of aliens described in  
20                  section 2204(1)(D) to health care services provided  
21                  under law for such aliens as of the date of the enact-  
22                  ment of this title.

23                  “(c) QUALITY ASSURANCE.—

24                  “(1) IN GENERAL.—A State plan shall provide,  
25                  and describe, mechanisms to be used to assure, mon-



1       itor, and maintain the quality of items and services  
2       furnished under the plan.

3           “(2) HEALTH OUTCOMES.—A State plan shall  
4       describe the plan’s projected effect on health out-  
5       comes in the State, including estimates of health  
6       benefits, decreased morbidity and mortality, and im-  
7       proved productivity resulting from reduction in the  
8       number of individuals without health benefits.

9           “(d) PROGRAMS FOR MEDICAL EDUCATION.—A  
10      State plan shall describe health professions training and  
11      graduate medical education activities applicable under the  
12      plan, and shall provide, under the State plan, for payment  
13      from Federal, State, and local governments for such train-  
14      ing and education activities in the amounts that would  
15      otherwise be payable by such governments but for the  
16      State’s universal, comprehensive health care system under  
17      the State plan.

18          “(e) FINANCING.—

19           “(1) BUDGET.—A State plan shall incorporate  
20      a budget which contains—

21           “(A) detailed projections of health care ex-  
22      penditures presently and under the proposed  
23      system, including an identification and calcula-  
24      tion of the amount of funding to be provided by  
25      the Federal, State, and local governments under

1 the plan and an assurance that the amount of  
2 expenditures made by the State and local gov-  
3 ernments will not be reduced as a result of the  
4 implementation of the plan; and

5 “(B) a description (and an estimate of  
6 costs) of transitional activities to be undertaken  
7 in implementing the proposed system.

8 “(2) COST CONTAINMENT.—A State plan shall  
9 describe the means to be used to contain costs under  
10 the plan, including when and how the plan will in-  
11 crease efficiencies.

12 “(3) FEDERAL EXPENDITURE LIMIT.—A State  
13 plan shall contain assurances that aggregate Federal  
14 expenditures on health care (including Federal ex-  
15 penditures under titles 5, 10, and 38 of the United  
16 States Code, and under this Act) under the plan will  
17 not exceed aggregate Federal expenditures that  
18 would have been incurred in the absence of such  
19 plan.

20 “(f) IMPLEMENTATION.—

21 “(1) IN GENERAL.—A State plan shall describe  
22 the method (including a timetable and period of  
23 transition) for implementing the plan.

24 “(2) COORDINATION.—A State plan shall iden-  
25 tify all Federal, State, and local programs that pro-

1       vide health care services in the State and describe  
2       how such programs would be incorporated in, or co-  
3       ordinated with, the health coverage system under the  
4       plan.

5           “(3) FEDERAL WAIVERS REQUIRED.—A State  
6       plan shall identify any waivers of Federal law re-  
7       quired to implement the plan, including the use of  
8       any pooled Federal funds and other waivers de-  
9       scribed in section 2202(f).

10          “(4) APPROVAL OF STATE LEGISLATURE.—A  
11       State plan shall provide that State approvals and  
12       commitments (including approval of the State legis-  
13       lature) necessary for the implementation of the plan  
14       will be obtained by not later than 1 year after the  
15       date of the Secretary’s approval of the plan. Any ap-  
16       proval of a grant is conditioned upon the timely  
17       completion of such approvals and commitments.

18          “(g) EVALUATION.—A State plan shall provide for a  
19       process for its evaluation, and shall comply with any eval-  
20       uation reporting or data collection requirements imposed  
21       by the Secretary.

22          “(h) CONSTRUCTION.—Nothing in this title shall be  
23       construed as preempting State laws that provide greater  
24       protections or benefits than the protections or benefits re-  
25       quired under this title.

1   **“SEC. 2204. INTERSTATE ARRANGEMENTS.**

2           “(a) IN GENERAL.—One or more contiguous States  
3 in a geographic region may file a joint application for  
4 planning and demonstration grants under this title.

5           “(B) CONGRESSIONAL APPROVAL.—Congress hereby  
6 authorizes and approves States entering into Interstate  
7 Compacts in order to conduct joint health care programs  
8 under such a grant.

9           “(c) REFERENCES TO STATE.—In the case of a joint  
10 application described in subsection (a), any reference in  
11 this title to a State is deemed to refer to all of the States,  
12 and the approval of a grant with respect to such a joint  
13 application shall be counted as 1 State for purposes of  
14 applying sections 2201(c) and 2202(b).

15   **“SEC. 2205. DEFINITIONS.**

16           “As used in this title:

17           “(1) ELIGIBLE STATE RESIDENT.—The term  
18 ‘eligible State resident’ means any resident of the  
19 United States who is a citizen or national of the  
20 United States, or lawful resident alien, and who re-  
21 sides in any particular State. Such term may in-  
22 clude, at the option of a State, the following:

23           “(A) State employees and dependents of  
24           such employees.

1           “(B) Employees, and dependents of such  
2           employees, working in a work site of a business  
3           located in the State.

4           “(C) One or more classes of non-  
5           immigrants (as defined in section 101(a)(15) of  
6           the Immigration and Nationality Act) specified  
7           in the State plan.

8           “(D) Aliens unlawfully present in the  
9           United States.

10          “(2) **LAWFUL RESIDENT ALIEN.**—The term  
11          ‘lawful resident alien’ means an alien lawfully admit-  
12          ted for permanent residence and any other alien law-  
13          fully residing permanently in the United States  
14          under color of law, including an alien granted asy-  
15          lum or with lawful temporary resident status under  
16          section 210, 210A, or 245A of the Immigration and  
17          Nationality Act.

18          “(3) **SECRETARY.**—The term ‘Secretary’ means  
19          the Secretary of Health and Human Services.

20          “(4) **STATE.**—Subject to section 2204(c), the  
21          term ‘State’ means a State, the District of Colum-  
22          bia, the Commonwealth of Puerto Rico, the United  
23          States Virgin Islands, Guam, American Samoa, and  
24          the Commonwealth of the Northern Mariana Is-  
25          lands.

1           “(5) STATE PLAN.—The term ‘State plan’  
2       means a comprehensive health care plan of a State  
3       participating in a State Care demonstration project  
4       under this title that meets the requirements of sec-  
5       tion 2203.”.

○