

107TH CONGRESS
1ST SESSION

S. 1244

To amend titles XIX and XXI of the Social Security Act to provide for FamilyCare coverage for parents of enrolled children, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 25, 2001

Mr. KENNEDY (for himself, Ms. SNOWE, Mr. ROCKEFELLER, Mr. CHAFEE, Ms. COLLINS, Mr. DASCHLE, Mr. BAUCUS, Mr. BREAUX, Mr. TORRICELLI, Mrs. LINCOLN, Mr. GRAHAM, Mr. BINGAMAN, Mr. KERRY, Mrs. CLINTON, and Mr. CORZINE) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend titles XIX and XXI of the Social Security Act to provide for FamilyCare coverage for parents of enrolled children, and for other purposes.

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 OF TITLE; TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “FamilyCare Act of 2001”.

6 (b) **TABLE OF CONTENTS.**—The table of contents of
7 this Act is as follows:

Sec. 1. Short title of title; table of contents.

Sec. 2. Renaming of title XXI program.

- Sec. 3. FamilyCare coverage of parents under the medicaid program and title XXI.
- Sec. 4. Automatic enrollment of children born to title XXI parents.
- Sec. 5. Optional coverage of legal immigrants under the medicaid program and title XXI.
- Sec. 6. Optional coverage of children through age 20 under the medicaid program and title XXI.
- Sec. 7. Application of simplified title XXI procedures under the medicaid program.
- Sec. 8. Improving welfare-to-work transition under the medicaid program.
- Sec. 9. Elimination of 100 hour rule and other AFDC-related eligibility restrictions.
- Sec. 10. State grant program for market innovation.
- Sec. 11. Limitations on conflicts of interest.
- Sec. 12. Increase in CHIP allotment for each of fiscal years 2002 through 2004.
- Sec. 13. Demonstration programs to improve medicaid and CHIP outreach to homeless individuals and families.
- Sec. 14. Technical and conforming amendments to authority to pay medicaid expansion costs from title XXI appropriation.
- Sec. 15. Additional CHIP revisions.

1 SEC. 2. RENAMING OF TITLE XXI PROGRAM.

2 (a) IN GENERAL.—The heading of title XXI of the
3 Social Security Act (42 U.S.C. 1397aa et seq.) is amended
4 to read as follows:

5 “TITLE XXI—FAMILYCARE PROGRAM”.

6 (b) PROGRAM REFERENCES.—Any reference in any
7 provision of Federal law or regulation to “SCHIP” or
8 “State children’s health insurance program” under title
9 XXI of the Social Security Act shall be deemed a reference
10 to the FamilyCare program under such title.

**11 SEC. 3. FAMILYCARE COVERAGE OF PARENTS UNDER THE
12 MEDICAID PROGRAM AND TITLE XXI.**

13 (a) INCENTIVES TO IMPLEMENT FAMILYCARE COV-
14 ERAGE.—

15 (1) UNDER MEDICAID.—

1 (A) ESTABLISHMENT OF NEW OPTIONAL
2 ELIGIBILITY CATEGORY.—Section
3 1902(a)(10)(A)(ii) of the Social Security Act
4 (42 U.S.C. 1396a(a)(10)(A)(ii)) is amended—

5 (i) by striking “or” at the end of sub-
6 clause (XVII);

7 (ii) by adding “or” at the end of sub-
8 clause (XVIII); and

9 (iii) by adding at the end the fol-
10 lowing:

11 “(XIX) who are individuals de-
12 scribed in subsection (k)(1) (relating
13 to parents of categorically eligible chil-
14 dren);”.

15 (B) PARENTS DESCRIBED.—Section 1902
16 of the Social Security Act is further amended
17 by inserting after subsection (j) the following:

18 “(k)(1)(A) Individuals described in this paragraph
19 are individuals—

20 “(i) who are the parents of an individual who
21 is under 19 years of age (or such higher age as the
22 State may have elected under section 1902(l)(1)(D))
23 and who is eligible for medical assistance under sub-
24 section (a)(10)(A);

1 “(ii) who are not otherwise eligible for medical
2 assistance under such subsection, under section
3 1931, or under a waiver approved under section
4 1115 or otherwise (except under subsection
5 (a)(10)(A)(ii)(XIX)); and

6 “(iii) whose family income exceeds the income
7 level applicable under the State plan under part A
8 of title IV as in effect as of July 16, 1996, but does
9 not exceed the highest income level applicable to a
10 child in the family under this title.

11 “(B) In establishing an income eligibility level for in-
12 dividuals described in this paragraph, a State may vary
13 such level consistent with the various income levels estab-
14 lished under subsection (l)(2) based on the ages of chil-
15 dren described in subsection (l)(1) in order to ensure, to
16 the maximum extent possible, that such individuals shall
17 be enrolled in the same program as their children.

18 “(C) An individual may not be treated as being de-
19 scribed in this paragraph unless, at the time of the individ-
20 ual’s enrollment under this title, the child referred to in
21 subparagraph (A)(i) of the individual is also enrolled
22 under this title.

23 “(D) In this subsection, the term ‘parent’ includes
24 an individual treated as a caregiver for purposes of car-
25 rying out section 1931.

1 “(2) In the case of a parent described in paragraph
 2 (1) who is also the parent of a child who is eligible for
 3 child health assistance under title XXI, the State may
 4 elect (on a uniform basis) to cover all such parents under
 5 section 2111 or under this title.”.

6 (C) ENHANCED MATCHING FUNDS AVAIL-
 7 ABLE IF CERTAIN CONDITIONS MET.—Section
 8 1905 of the Social Security Act (42 U.S.C.
 9 1396d) is amended—

10 (i) in the fourth sentence of sub-
 11 section (b), by striking “or subsection
 12 (u)(3)” and inserting “, (u)(3), or (u)(4)”;
 13 and

14 (ii) in subsection (u)—

15 (I) by redesignating paragraph
 16 (4) as paragraph (6), and

17 (II) by inserting after paragraph
 18 (3) the following:

19 “(4) For purposes of subsection (b) and section
 20 2105(a)(1):

21 “(A) FAMILYCARE PARENTS.—The expendi-
 22 tures described in this subparagraph are the expendi-
 23 tures described in the following clauses (i) and (ii):

24 “(i) PARENTS.—If the conditions described
 25 in clause (iii) are met, expenditures for medical

1 assistance for parents described in section
2 1902(k)(1) and for parents who would be de-
3 scribed in such section but for the fact that
4 they are eligible for medical assistance under
5 section 1931 or under a waiver approved under
6 section 1115.

7 “(ii) CERTAIN PREGNANT WOMEN.—Ex-
8 penditures for medical assistance for pregnant
9 women under section 1902(l)(1)(A) in a family
10 the income of which exceeds the income level
11 applicable under section 1902(l)(2)(A) to a
12 family of the size involved as of January 1,
13 2000.

14 “(iii) CONDITIONS.—The conditions de-
15 scribed in this clause are the following:

16 “(I) The State has a State child
17 health plan under title XXI which (wheth-
18 er implemented under such title or under
19 this title) has an effective income level for
20 children that is at least 200 percent of the
21 poverty line.

22 “(II) Such State child health plan
23 does not limit the acceptance of applica-
24 tions, does not use a waiting list for chil-
25 dren who meet eligibility standards to

1 qualify for assistance, and provides bene-
2 fits to all children in the State who apply
3 for and meet eligibility standards.

4 “(III) The State plans under this title
5 and title XXI do not provide coverage for
6 parents with higher family income without
7 covering parents with a lower family in-
8 come.

9 “(IV) The State does not apply an in-
10 come level for parents that is lower than
11 the effective income level (expressed as a
12 percent of the poverty line) that has been
13 specified under the State plan under title
14 XIX (including under a waiver authorized
15 by the Secretary or under section
16 1902(r)(2)), as of January 1, 2000, to be
17 eligible for medical assistance as a parent
18 under this title.

19 “(iv) DEFINITIONS.—For purposes of this
20 subsection:

21 “(I) The term ‘parent’ has the mean-
22 ing given such term for purposes of section
23 1902(k)(1).

1 “(II) The term ‘poverty line’ has the
2 meaning given such term in section
3 2110(e)(5).”.

4 (D) APPROPRIATION FROM TITLE XXI AL-
5 LOTMENT FOR CERTAIN MEDICAID EXPANSION
6 COSTS.—Subparagraph (B) of section
7 2105(a)(1) of the Social Security Act, as
8 amended by section 14(a), is amended to read
9 as follows:

10 “(B) FAMILYCARE PARENTS.—Expendi-
11 tures for medical assistance that is attributable
12 to expenditures described in section
13 1905(u)(4)(A).”.

14 (E) ONLY COUNTING ENHANCED PORTION
15 FOR COVERAGE OF ADDITIONAL PREGNANT
16 WOMEN.—Section 1905 of the Social Security
17 Act (42 U.S.C. 1396d) is amended—

18 (i) in the fourth sentence of sub-
19 section (b), by inserting “(except in the
20 case of expenditures described in sub-
21 section (u)(5))” after “do not exceed”;

22 (ii) in subsection (u), by inserting
23 after paragraph (4) (as inserted by sub-
24 paragraph (C)), the following:

1 “(5) For purposes of the fourth sentence of sub-
 2 section (b) and section 2105(a), the following payments
 3 under this title do not count against a State’s allotment
 4 under section 2104:

5 “(A) REGULAR FMAP FOR EXPENDITURES FOR
 6 PREGNANT WOMEN WITH INCOME ABOVE JANUARY
 7 1, 2000 INCOME LEVEL AND BELOW 185 PERCENT OF
 8 POVERTY.—The portion of the payments made for
 9 expenditures described in paragraph (4)(A)(ii) that
 10 represents the amount that would have been paid if
 11 the enhanced FMAP had not been substituted for
 12 the Federal medical assistance percentage.”.

13 (2) UNDER TITLE XXI.—

14 (A) FAMILYCARE COVERAGE.—Title XXI
 15 of the Social Security Act (42 U.S.C. 1397aa et
 16 seq.) is amended by adding at the end the fol-
 17 lowing:

18 **“SEC. 2111. OPTIONAL FAMILYCARE COVERAGE OF PAR-**
 19 **ENTS OF TARGETED LOW-INCOME CHILDREN.**

20 “(a) OPTIONAL COVERAGE.—Notwithstanding any
 21 other provision of this title, a State child health plan may
 22 provide for coverage, through an amendment to its State
 23 child health plan under section 2102, of FamilyCare as-
 24 sistance for individuals who are targeted low-income par-
 25 ents in accordance with this section, but only if—

1 “(1) the State meets the conditions described in
2 section 1905(u)(4)(A)(iii); and

3 “(2) the State elects to provide medical assist-
4 ance under section 1902(a)(10)(A)(ii)(XIX), under
5 section 1931, or under a waiver under section 1115
6 to individuals described in section 1902(k)(1)(A)(i)
7 and elects an applicable income level for such indi-
8 viduals that consistent with paragraphs (1)(B) and
9 (2) of section 1902(k), ensures to the maximum ex-
10 tent possible, that those individuals shall be enrolled
11 in the same program as their children if their chil-
12 dren are eligible for coverage under title XIX (in-
13 cluding under a waiver authorized by the Secretary
14 or under section 1902(r)(2)).”.

15 “(b) DEFINITIONS.—For purposes of this title:

16 “(1) FAMILYCARE ASSISTANCE.—The term
17 ‘FamilyCare assistance’ has the meaning given the
18 term child health assistance in section 2110(a) as if
19 any reference to targeted low-income children were
20 a reference to targeted low-income parents.

21 “(2) TARGETED LOW-INCOME PARENT.—The
22 term ‘targeted low-income parent’ has the meaning
23 given the term targeted low-income child in section
24 2110(b) as if the reference to a child were deemed

1 a reference to a parent (as defined in paragraph (3))
 2 of the child; except that in applying such section—

3 “(A) there shall be substituted for the in-
 4 come level described in paragraph (1)(B)(ii)(I)
 5 the applicable income level in effect for a tar-
 6 geted low-income child;

7 “(B) in paragraph (3), January 1, 2000,
 8 shall be substituted for July 1, 1997; and

9 “(C) in paragraph (4), January 1, 2000,
 10 shall be substituted for March 31, 1997.

11 “(3) PARENT.—The term ‘parent’ includes an
 12 individual treated as a caregiver for purposes of car-
 13 rying out section 1931.

14 “(4) OPTIONAL TREATMENT OF PREGNANT
 15 WOMEN AS PARENTS.—A State child health plan
 16 may treat a pregnant woman who is not otherwise
 17 a parent as a targeted low-income parent for pur-
 18 poses of this section but only if the State has estab-
 19 lished an income level under section 1902(l)(2)(A)(i)
 20 for pregnant women that is at least 185 percent of
 21 the income official poverty line described in such sec-
 22 tion.

23 “(c) REFERENCES TO TERMS AND SPECIAL
 24 RULES.—In the case of, and with respect to, a State pro-
 25 viding for coverage of FamilyCare assistance to targeted

1 low-income parents under subsection (a), the following
2 special rules apply:

3 “(1) Any reference in this title (other than sub-
4 section (b)) to a targeted low-income child is deemed
5 to include a reference to a targeted low-income par-
6 ent.

7 “(2) Any such reference to child health assist-
8 ance with respect to such parents is deemed a ref-
9 erence to FamilyCare assistance.

10 “(3) In applying section 2103(e)(3)(B) in the
11 case of a family provided coverage under this sec-
12 tion, the limitation on total annual aggregate cost-
13 sharing shall be applied to the entire family.

14 “(4) In applying section 2110(b)(4), any ref-
15 erence to ‘section 1902(l)(2) or 1905(n)(2) (as se-
16 lected by a State)’ is deemed a reference to the in-
17 come level applicable to parents under section 1931
18 or under a waiver approved under section 1115, or,
19 in the case of a pregnant woman described in sub-
20 section (b)(4), the income level established under
21 section 1902(l)(2)(A).

22 “(5) In applying section 2102(b)(3)(B), any
23 reference to children is deemed a reference to par-
24 ents.”.

1 (B) ADDITIONAL ALLOTMENT FOR STATES
 2 PROVIDING FAMILYCARE.—

3 (i) IN GENERAL.—Section 2104 of the
 4 Social Security Act (42 U.S.C. 1397dd) is
 5 amended by inserting after subsection (c)
 6 the following:

7 “(d) ADDITIONAL ALLOTMENTS FOR STATE PRO-
 8 VIDING FAMILYCARE.—

9 “(1) APPROPRIATION; TOTAL ALLOTMENT.—
 10 For the purpose of providing additional allotments
 11 to States to provide FamilyCare coverage under sec-
 12 tion 2111, there is appropriated, out of any money
 13 in the Treasury not otherwise appropriated—

14 “(A) for fiscal year 2002, \$2,000,000,000;

15 “(B) for fiscal year 2003, \$2,000,000,000;

16 “(C) for fiscal year 2004, \$3,000,000,000;

17 “(D) for fiscal year 2005, \$3,000,000,000;

18 “(E) for fiscal year 2006, \$6,000,000,000;

19 “(F) for fiscal year 2007, \$7,000,000,000;

20 “(G) for fiscal year 2008, \$8,000,000,000;

21 “(H) for fiscal year 2009, \$9,000,000,000;

22 “(I) for fiscal year 2010, \$10,000,000,000;

23 and

24 “(J) for fiscal year 2011 and each fiscal
 25 year thereafter, the amount of the allotment

1 provided under this paragraph for the preceding
2 fiscal year increased by the percentage increase
3 (if any) in the medical care expenditure cat-
4 egory of the Consumer Price Index for All
5 Urban Consumers (United States city average).

6 “(2) STATE AND TERRITORIAL ALLOTMENTS.—

7 “(A) IN GENERAL.—In addition to the al-
8 lotments provided under subsections (b) and
9 (c), subject to paragraphs (3) and (4), of the
10 amount available for the additional allotments
11 under paragraph (1) for a fiscal year, the Sec-
12 retary shall allot to each State with a State
13 child health plan approved under this title—

14 “(i) in the case of such a State other
15 than a commonwealth or territory de-
16 scribed in clause (ii), the same proportion
17 as the proportion of the State’s allotment
18 under subsection (b) (determined without
19 regard to subsection (f)) to 98.95 percent
20 of the total amount of the allotments
21 under such section for such States eligible
22 for an allotment under this subparagraph
23 for such fiscal year; and

24 “(ii) in the case of a commonwealth or
25 territory described in subsection (c)(3), the

1 same proportion as the proportion of the
2 commonwealth's or territory's allotment
3 under subsection (c) (determined without
4 regard to subsection (f)) to 1.05 percent of
5 the total amount of the allotments under
6 such section for commonwealths and terri-
7 tories eligible for an allotment under this
8 subparagraph for such fiscal year.

9 “(B) AVAILABILITY AND REDISTRIBUTION
10 OF UNUSED ALLOTMENTS.—In applying sub-
11 sections (e) and (f) with respect to additional
12 allotments made available under this subsection,
13 the procedures established under such sub-
14 sections shall ensure such additional allotments
15 are only made available to States which have
16 elected to provide coverage under section 2111.

17 “(3) USE OF ADDITIONAL ALLOTMENT.—Addi-
18 tional allotments provided under this subsection are
19 not available for amounts expended before October
20 1, 2001. Such amounts are available for amounts ex-
21 pended on or after such date for child health assist-
22 ance for targeted low-income children, as well as for
23 FamilyCare assistance.

24 “(4) REQUIRING ELECTION TO PROVIDE
25 FAMILYCARE COVERAGE.—No payments may be

1 made to a State under this title from an allotment
2 provided under this subsection unless the State has
3 made an election to provide FamilyCare assist-
4 ance.”.

5 (ii) CONFORMING AMENDMENTS.—

6 Section 2104 of the Social Security Act
7 (42 U.S.C. 1397dd) is amended—

8 (I) in subsection (a), by inserting
9 “subject to subsection (d),” after
10 “under this section,”;

11 (II) in subsection (b)(1), by in-
12 serting “and subsection (d)” after
13 “Subject to paragraph (4)”; and

14 (III) in subsection (c)(1), by in-
15 serting “subject to subsection (d),”
16 after “for a fiscal year,”.

17 (C) NO COST-SHARING FOR PREGNANCY-

18 RELATED BENEFITS.—Section 2103(e)(2) of
19 the Social Security Act (42 U.S.C.
20 1397cc(e)(2)) is amended—

21 (i) in the heading, by inserting “AND
22 PREGNANCY-RELATED SERVICES” after
23 “PREVENTIVE SERVICES”; and

1 (ii) by inserting before the period at
 2 the end the following: “and for pregnancy-
 3 related services”.

4 (3) EFFECTIVE DATE.—The amendments made
 5 by this subsection apply to items and services fur-
 6 nished on or after October 1, 2001, whether or not
 7 regulations implementing such amendments have
 8 been issued.

9 (b) RULES FOR IMPLEMENTATION BEGINNING WITH
 10 FISCAL YEAR 2005.—

11 (1) REQUIRED COVERAGE OF FAMILYCARE PAR-
 12 ENTS.—Section 1902(a)(10)(A)(i) of the Social Se-
 13 curity Act (42 U.S.C. 1396a(a)(10)(A)(i)) is
 14 amended—

15 (A) by striking “or” at the end of sub-
 16 clause (VI);

17 (B) by striking the semicolon at the end of
 18 subclause (VII) and insert “, or”; and

19 (C) by adding at the end the following:

20 “(VIII) who are described in sub-
 21 section (k)(1) (or would be described
 22 if subparagraph (A)(ii) of such sub-
 23 section did not apply) and who are in
 24 families with incomes that do not ex-
 25 ceed 100 percent of the poverty line

1 applicable to a family of the size in-
2 volved;”.

3 (2) EXPANSION OF AVAILABILITY OF EN-
4 HANCED MATCH UNDER MEDICAID FOR PRE-CHIP
5 EXPANSIONS.—Paragraph (4) of section 1905(u) of
6 the Social Security Act (42 U.S.C. 1396d(u)), as in-
7 serted by subsection (a)(1)(C), is amended—

8 (A) by amending clause (ii) of subpara-
9 graph (A) to read as follows:

10 “(ii) CERTAIN PREGNANT WOMEN.—Ex-
11 penditures for medical assistance for pregnant
12 women under section 1902(l)(1)(A) in a family
13 the income of which exceeds the 133 percent of
14 the income official poverty line.”; and

15 (B) by adding at the end the following:

16 “(B) CHILDREN IN FAMILIES WITH INCOME
17 ABOVE MEDICAID MANDATORY LEVEL NOT PRE-
18 VIOUSLY DESCRIBED.—The expenditures described
19 in this subparagraph are expenditures (other than
20 expenditures described in paragraph (2) or (3)) for
21 medical assistance made available to any child who
22 is eligible for assistance under section
23 1902(a)(10)(A) (other than under clause (i)) and
24 the income of whose family exceeds the minimum in-
25 come level required under subsection 1902(l)(2) (or,

1 if higher, the minimum level required under section
 2 1931 for that State) for a child of the age involved
 3 (treating any child who is 19 or 20 years of age as
 4 being 18 years of age).”.

5 (3) OFFSET OF ADDITIONAL EXPENDITURES
 6 FOR ENHANCED MATCH FOR PRE-CHIP EXPANSION;
 7 ELIMINATION OF OFFSET FOR REQUIRED COVERAGE
 8 OF FAMILYCARE PARENTS.—

9 (A) IN GENERAL.—Section 1905(u)(5) of
 10 the Social Security Act (42 U.S.C.
 11 1396d(u)(5)), as added by subsection (a)(1)(E),
 12 is amended—

13 (i) by amending subparagraph (A) to

14 read as follows:

15 “(A) REGULAR FMAP FOR EXPENDITURES FOR
 16 PREGNANT WOMEN WITH INCOME ABOVE 133 PER-
 17 CENT OF POVERTY.—The portion of the payments
 18 made for expenditures described in paragraph
 19 (4)(A)(ii) that represents the amount that would
 20 have been paid if the enhanced FMAP had not been
 21 substituted for the Federal medical assistance per-
 22 centage.”; and

23 (ii) by adding at the end the fol-

24 lowing:

1 “(B) FAMILYCARE PARENTS UNDER 100 PER-
2 CENT OF POVERTY.—Payments for expenditures de-
3 scribed in paragraph (4)(A)(i) in the case of parents
4 whose income does not exceed 100 percent of the in-
5 come official poverty line applicable to a family of
6 the size involved.

7 “(C) REGULAR FMAP FOR EXPENDITURES FOR
8 CERTAIN CHILDREN IN FAMILIES WITH INCOME
9 ABOVE MEDICAID MANDATORY LEVEL.—The portion
10 of the payments made for expenditures described in
11 paragraph (4)(B) that represents the amount that
12 would have been paid if the enhanced FMAP had
13 not been substituted for the Federal medical assist-
14 ance percentage.”.

15 (B) CONFORMING AMENDMENTS.—Sub-
16 paragraph (B) of section 2105(a)(1) of the So-
17 cial Security Act, as amended by section 14(a)
18 and subsection (a)(1)(D), is amended to read as
19 follows:

20 “(B) CERTAIN FAMILYCARE PARENTS AND
21 OTHERS.—Expenditures for medical assistance
22 that is attributable to expenditures described in
23 section 1905(u)(4), except as provided in sec-
24 tion 1905(u)(5).”.

1 (4) EFFECTIVE DATE.—The amendments made
2 by this subsection apply as of October 1, 2004, to
3 fiscal years beginning on or after such date and to
4 expenditures under the State plan on and after such
5 date, whether or not regulations implementing such
6 amendments have been issued.

7 (c) MAKING TITLE XXI BASE ALLOTMENTS PERMA-
8 NENT.—Section 2104(a) of the Social Security Act (42
9 U.S.C. 1397dd(a)) is amended—

10 (1) by striking “and” at the end of paragraph
11 (9);

12 (2) by striking the period at the end of para-
13 graph (10) and inserting “; and”; and

14 (3) by adding at the end the following:

15 “(11) for fiscal year 2008 and each fiscal year
16 thereafter, the amount of the allotment provided
17 under this subsection for the preceding fiscal year
18 increased by the percentage increase (if any) in the
19 medical care expenditure category of the Consumer
20 Price Index for All Urban Consumers (United States
21 city average).”.

22 (d) OPTIONAL APPLICATION OF PRESUMPTIVE ELI-
23 GIBILITY PROVISIONS TO PARENTS.—Section 1920A of
24 the Social Security Act (42 U.S.C. 1396r–1a) is amended
25 by adding at the end the following:

1 “(e) A State may elect to apply the previous provi-
 2 sions of this section to provide for a period of presumptive
 3 eligibility for medical assistance for a parent (as defined
 4 for purposes of section 1902(k)(1)) of a child with respect
 5 to whom such a period is provided under this section.”.

6 (e) CONFORMING AMENDMENTS.—

7 (1) ELIGIBILITY CATEGORIES.—Section
 8 1905(a) of the Social Security Act (42 U.S.C.
 9 1396d(a)) is amended, in the matter before para-
 10 graph (1)—

11 (A) by striking “or” at the end of clause
 12 (xii);

13 (B) by inserting “or” at the end of clause
 14 (xiii); and

15 (C) by inserting after clause (xiii) the fol-
 16 lowing:

17 “(xiv) who are parents described (or treated as
 18 if described) in section 1902(k)(1),”.

19 (2) INCOME LIMITATIONS.—Section 1903(f)(4)
 20 of the Social Security Act (42 U.S.C. 1396b(f)(4))
 21 is amended—

22 (A) effective October 1, 2004, by inserting

23 “1902(a)(10)(A)(i)(VIII),” after

24 “1902(a)(10)(A)(i)(VII),”; and

1 (B) by inserting
 2 “1902(a)(10)(A)(ii)(XIX),” after
 3 “1902(a)(10)(A)(ii)(XVIII),”.

4 (3) CONFORMING AMENDMENT RELATING TO
 5 NO WAITING PERIOD FOR PREGNANT WOMEN.—Sec-
 6 tion 2102(b)(1)(B) of the Social Security Act (42
 7 U.S.C. 1397bb(b)(1)(B)) is amended—

8 (A) by striking “, and” at the end of
 9 clause (i) and inserting a semicolon;

10 (B) by striking the period at the end of
 11 clause (ii) and inserting “; and”; and

12 (C) by adding at the end the following:

13 “(iii) may not apply a waiting period
 14 (including a waiting period to carry out
 15 paragraph (3)(C)) in the case of a targeted
 16 low-income parent who is pregnant.”.

17 **SEC. 4. AUTOMATIC ENROLLMENT OF CHILDREN BORN TO**
 18 **TITLE XXI PARENTS.**

19 Section 2102(b)(1) of the Social Security Act (42
 20 U.S.C. 1397bb(b)(1)) is amended by adding at the end
 21 the following:

22 “(C) AUTOMATIC ELIGIBILITY OF CHIL-
 23 DREN BORN TO A PARENT BEING PROVIDED
 24 FAMILYCARE.—Such eligibility standards shall
 25 provide for automatic coverage of a child born

1 to an individual who is provided assistance
2 under this title in the same manner as medical
3 assistance would be provided under section
4 1902(e)(4) to a child described in such sec-
5 tion.”.

6 **SEC. 5. OPTIONAL COVERAGE OF LEGAL IMMIGRANTS**
7 **UNDER THE MEDICAID PROGRAM AND TITLE**
8 **XXI.**

9 (a) **MEDICAID PROGRAM.**—Section 1903(v) of the
10 Social Security Act (42 U.S.C. 1396b(v)) is amended—

11 (1) in paragraph (1), by striking “paragraph
12 (2)” and inserting “paragraphs (2) and (4)”; and

13 (2) by adding at the end the following:

14 “(4)(A) A State may elect (in a plan amendment
15 under this title) to provide medical assistance under this
16 title, notwithstanding sections 401(a), 402(b), 403, and
17 421 of the Personal Responsibility and Work Opportunity
18 Reconciliation Act of 1996, for aliens who are lawfully re-
19 siding in the United States (including battered aliens de-
20 scribed in section 431(c) of such Act) and who are other-
21 wise eligible for such assistance, within any of the fol-
22 lowing eligibility categories:

23 “(i) **PREGNANT WOMEN.**—Women during preg-
24 nancy (and during the 60-day period beginning on
25 the last day of the pregnancy).

1 “(ii) CHILDREN.—Children (as defined under
2 such plan), including optional targeted low-income
3 children described in section 1905(u)(2)(B).

4 “(iii) PARENTS.—If the State has elected the
5 eligibility category described in clause (ii), caretaker
6 relatives who are parents (including individuals
7 treated as a caregiver for purposes of carrying out
8 section 1931) of children (described in such clause
9 or otherwise) who are eligible for medical assistance
10 under the plan.

11 “(B) In the case of a State that has elected to provide
12 medical assistance to a category of aliens under subpara-
13 graph (A), no debt shall accrue under an affidavit of sup-
14 port against any sponsor of such an alien on the basis
15 of provision of assistance to such category and the cost
16 of such assistance shall not be considered as an unreim-
17 bursed cost.”.

18 (b) TITLE XXI.—Section 2107(e)(1) of the Social
19 Security Act (42 U.S.C. 1397gg(e)(1)) is amended by add-
20 ing at the end the following:

21 “(E) Section 1903(v)(4) (relating to op-
22 tional coverage of categories of lawful resident
23 alien children and parents), but only with re-
24 spect to an eligibility category under this title,

1 if the same eligibility category has been elected
2 under such section for purposes of title XIX.”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section take effect on October 1, 2001, and apply to
5 medical assistance and child health assistance furnished
6 on or after such date, whether or not regulations imple-
7 menting such amendments have been issued.

8 **SEC. 6. OPTIONAL COVERAGE OF CHILDREN THROUGH AGE**
9 **20 UNDER THE MEDICAID PROGRAM AND**
10 **TITLE XXI.**

11 (a) MEDICAID.—

12 (1) IN GENERAL.—Section 1902(l)(1)(D) of the
13 Social Security Act (42 U.S.C. 1396a(l)(1)(D)) is
14 amended by inserting “(or, at the election of a
15 State, 20 or 21 years of age)” after “19 years of
16 age”.

17 (2) CONFORMING AMENDMENTS.—

18 (A) Section 1902(e)(3)(A) of the Social Se-
19 curity Act (42 U.S.C. 1396a(e)(3)(A)) is
20 amended by inserting “(or 1 year less than the
21 age the State has elected under subsection
22 (l)(1)(D))” after “18 years of age”.

23 (B) Section 1902(e)(12) of the Social Se-
24 curity Act (42 U.S.C. 1396a(e)(12)) is amend-
25 ed by inserting “or such higher age as the State

1 has elected under subsection (l)(1)(D)” after
2 “19 years of age”.

3 (C) Section 1920A(b)(1) of the Social Se-
4 curity Act (42 U.S.C. 1396r-1a(b)(1)) is
5 amended by inserting “or such higher age as
6 the State has elected under section
7 1902(l)(1)(D)” after “19 years of age”.

8 (D) Section 1928(h)(1) of the Social Secu-
9 rity Act (42 U.S.C. 1396s(h)(1)) is amended by
10 inserting “or 1 year less than the age the State
11 has elected under section 1902(l)(1)(D)” before
12 the period at the end.

13 (E) Section 1932(a)(2)(A) of the Social
14 Security Act (42 U.S.C. 1396u-2(a)(2)(A)) is
15 amended by inserting “(or such higher age as
16 the State has elected under section
17 1902(l)(1)(D))” after “19 years of age”.

18 (b) TITLE XXI.—Section 2110(c)(1) of the Social
19 Security Act (42 U.S.C. 1397jj(c)(1)) is amended by in-
20 serting “(or such higher age as the State has elected under
21 section 1902(l)(1)(D))”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section take effect on October 1, 2001, and apply to
24 medical assistance and child health assistance provided on

1 or after such date, whether or not regulations imple-
 2 menting such amendments have been issued.

3 **SEC. 7. APPLICATION OF SIMPLIFIED TITLE XXI PROCE-**
 4 **DURES UNDER THE MEDICAID PROGRAM.**

5 (a) APPLICATION UNDER MEDICAID.—

6 (1) IN GENERAL.—Section 1902(l) of the Social
 7 Security Act (42 U.S.C. 1396a(l)) is amended—

8 (A) in paragraph (3), by inserting “subject
 9 to paragraph (5)”, after “Notwithstanding sub-
 10 section (a)(17),”; and

11 (B) by adding at the end the following:

12 “(5) With respect to determining the eligibility of in-
 13 dividuals under 19 years of age (or such higher age as
 14 the State has elected under paragraph (1)(D)) for medical
 15 assistance under subsection (a)(10)(A) and, separately,
 16 with respect to determining the eligibility of individuals
 17 for medical assistance under subsection
 18 (a)(10)(A)(i)(VIII) or (a)(10)(A)(ii)(XIX), notwith-
 19 standing any other provision of this title, if the State has
 20 established a State child health plan under title XXI—

21 “(A) the State may not apply a resource stand-
 22 ard;

23 “(B) the State shall use the same simplified eli-
 24 gibility form (including, if applicable, permitting ap-
 25 plication other than in person) as the State uses

1 under such State child health plan with respect to
2 such individuals;

3 “(C) the State shall provide for initial eligibility
4 determinations and redeterminations of eligibility
5 using verification policies, forms, and frequency that
6 are no less restrictive than the policies, forms, and
7 frequency the State uses for such purposes under
8 such State child health plan with respect to such in-
9 dividuals; and

10 “(D) the State shall not require a face-to-face
11 interview for purposes of initial eligibility determina-
12 tions and redeterminations unless the State requires
13 such an interview for such purposes under such child
14 health plan with respect to such individuals.”.

15 (2) EFFECTIVE DATE.—The amendments made
16 by paragraph (1) apply to determinations of eligi-
17 bility made on or after the date that is 1 year after
18 the date of the enactment of this Act, whether or
19 not regulations implementing such amendments have
20 been issued.

21 (b) PRESUMPTIVE ELIGIBILITY.—

22 (1) IN GENERAL.—Section 1920A(b)(3)(A)(i) of
23 the Social Security Act (42 U.S.C. 1396r-
24 1a(b)(3)(A)(i)) is amended by inserting “a child care

1 resource and referral agency,” after “a State or trib-
2 al child support enforcement agency,”.

3 (2) APPLICATION TO PRESUMPTIVE ELIGIBILITY
4 FOR PREGNANT WOMEN UNDER MEDICAID.—Section
5 1920(b) of the Social Security Act (42 U.S.C.
6 1396r–1(b)) is amended by adding at the end after
7 and below paragraph (2) the following flush sen-
8 tence:

9 “The term ‘qualified provider’ includes a qualified entity
10 as defined in section 1920A(b)(3).”.

11 (3) APPLICATION UNDER TITLE XXI.—

12 (A) IN GENERAL.—Section 2107(e)(1)(D)
13 of the Social Security Act (42 U.S.C.
14 1397gg(e)(1)) is amended to read as follows:

15 “(D) Sections 1920 and 1920A (relating to
16 presumptive eligibility).”.

17 (B) CONFORMING ELIMINATION OF RE-
18 SOURCE TEST.—Section 2102(b)(1)(A) of such
19 Act (42 U.S.C. 1397bb(b)(1)(A)) is amended—

20 (i) by striking “ and resources (in-
21 cluding any standards relating to
22 spenddowns and disposition of resources)”;
23 and

24 (ii) by adding at the end the fol-
25 lowing: “Effective 1 year after the date of

1 the enactment of the FamilyCare Act of
2 2001, such standards may not include the
3 application of a resource standard or
4 test.”.

5 (c) AUTOMATIC REASSESSMENT OF ELIGIBILITY FOR
6 TITLE XXI AND MEDICAID BENEFITS FOR CHILDREN
7 LOSING MEDICAID OR TITLE XXI ELIGIBILITY.—

8 (1) LOSS OF MEDICAID ELIGIBILITY.—Section
9 1902(a) of the Social Security Act (42 U.S.C.
10 1396a(a)) is amended—

11 (A) by striking the period at the end of
12 paragraph (65) and inserting “; and”, and

13 (B) by inserting after paragraph (65) the
14 following:

15 “(66) provide, in the case of a State with a
16 State child health plan under title XXI, that before
17 medical assistance to a child (or a parent of a child)
18 is discontinued under this title, a determination of
19 whether the child (or parent) is eligible for benefits
20 under title XXI shall be made and, if determined to
21 be so eligible, the child (or parent) shall be auto-
22 matically enrolled in the program under such title
23 without the need for a new application.”.

1 (2) LOSS OF TITLE XXI ELIGIBILITY AND CO-
2 ORDINATION WITH MEDICAID.—Section 2102(b) (42
3 U.S.C. 1397bb(b)) is amended—

4 (A) in paragraph (3), by redesignating
5 subparagraphs (D) and (E) as subparagraphs
6 (E) and (F), respectively, and by inserting after
7 subparagraph (C) the following:

8 “(D) that before health assistance to a
9 child (or a parent of a child) is discontinued
10 under this title, a determination of whether the
11 child (or parent) is eligible for benefits under
12 title XIX is made and, if determined to be so
13 eligible, the child (or parent) is automatically
14 enrolled in the program under such title with-
15 out the need for a new application;”;

16 (B) by redesignating paragraph (4) as
17 paragraph (5); and

18 (C) by inserting after paragraph (3) the
19 following new paragraph:

20 “(4) COORDINATION WITH MEDICAID.—The
21 State shall coordinate the screening and enrollment
22 of individuals under this title and under title XIX
23 consistent with the following:

24 “(A) Information that is collected under
25 this title or under title XIX which is needed to

1 make an eligibility determination under the
2 other title shall be transmitted to the appro-
3 priate administering entity under such other
4 title in a timely manner so that coverage is not
5 delayed and families do not have to submit the
6 same information twice. Families shall be pro-
7 vided the information they need to complete the
8 application process for coverage under both ti-
9 tles and be given appropriate notice of any de-
10 terminations made on their applications for
11 such coverage.

12 “(B) If a State does not use a joint appli-
13 cation under this title and such title, the State
14 shall—

15 “(i) promptly inform a child’s parent
16 or caretaker in writing and, if appropriate,
17 orally, that a child has been found likely to
18 be eligible under title XIX;

19 “(ii) provide the family with an appli-
20 cation for medical assistance under such
21 title and offer information about what (if
22 any) further information, documentation,
23 or other steps are needed to complete such
24 application process;

1 “(iii) offer assistance in completing
2 such application process; and

3 “(iv) promptly transmit the separate
4 application under this title or the informa-
5 tion obtained through such application,
6 and all other relevant information and doc-
7 umentation, including the results of the
8 screening process, to the State agency
9 under title XIX for a final determination
10 on eligibility under such title.

11 “(C) Applicants are notified in writing
12 of—

13 “(i) benefits (including restrictions on
14 cost-sharing) under title XIX; and

15 “(ii) eligibility rules that prohibit chil-
16 dren who have been screened eligible for
17 medical assistance under such title from
18 being enrolled under this title, other than
19 provisional temporary enrollment while a
20 final eligibility determination is being made
21 under such title.

22 “(D) If the agency administering this title
23 is different from the agency administering a
24 State plan under title XIX, such agencies shall

1 coordinate the screening and enrollment of ap-
2 plicants for such coverage under both titles.

3 “(E) The coordination procedures estab-
4 lished between the program under this title and
5 under title XIX shall apply not only to the ini-
6 tial eligibility determination of a family but also
7 to any renewals or redeterminations of such eli-
8 gibility.”.

9 (3) EFFECTIVE DATE.—The amendments made
10 by paragraphs (1) and (2) apply to individuals who
11 lose eligibility under the medicaid program under
12 title XIX, or under a State child health insurance
13 plan under title XXI, respectively, of the Social Se-
14 curity Act on or after October 1, 2001 (or, if later,
15 60 days after the date of the enactment of this Act),
16 whether or not regulations implementing such
17 amendments have been issued.

18 (d) PROVISION OF MEDICAID AND CHIP APPLICA-
19 TIONS AND INFORMATION UNDER THE SCHOOL LUNCH
20 PROGRAM.—Section 9(b)(2)(B) of the Richard B. Russell
21 National School Lunch Act (42 U.S.C. 1758(b)(2)(B)) is
22 amended—

23 (1) by striking “(B) Applications” and inserting
24 “(B)(i) Applications”; and

25 (2) by adding at the end the following:

1 “(ii)(I) Applications for free and reduced price
 2 lunches that are distributed pursuant to clause (i) to par-
 3 ents or guardians of children in attendance at schools par-
 4 ticipating in the school lunch program under this Act shall
 5 also contain information on the availability of medical as-
 6 sistance under title XIX of the Social Security Act (42
 7 U.S.C. 1396 et seq.) and of child health and FamilyCare
 8 assistance under title XXI of such Act, including informa-
 9 tion on how to obtain an application for assistance under
 10 such programs.

11 “(II) Information on the programs referred to in sub-
 12 clause (I) shall be provided on a form separate from the
 13 application form for free and reduced price lunches under
 14 clause (i).”.

15 (e) 12-MONTHS CONTINUOUS ELIGIBILITY.—

16 (1) MEDICAID.—Section 1902(e)(12) of the So-
 17 cial Security Act (42 U.S.C. 1396a(e)(12)) is
 18 amended—

19 (A) by striking “At the option of the State,
 20 the plan may” and inserting “The plan shall”;

21 (B) by striking “an age specified by the
 22 State (not to exceed 19 years of age)” and in-
 23 serting “19 years of age (or such higher age as
 24 the State has elected under subsection
 25 (l)(1)(D)) or, at the option of the State, who is

1 eligible for medical assistance as the parent of
2 such a child”; and

3 (C) in subparagraph (A), by striking “a
4 period (not to exceed 12 months) ” and insert-
5 ing “the 12-month period beginning on the
6 date”.

7 (2) TITLE XXI.—Section 2102(b)(2) of such
8 Act (42 U.S.C. 1397bb(b)(2)) is amended by adding
9 at the end the following: “Such methods shall pro-
10 vide 12-months continuous eligibility for children
11 under this title in the same manner that section
12 1902(e)(12) provides 12-months continuous eligi-
13 bility for children described in such section under
14 title XIX. If a State has elected to apply section
15 1902(e)(12) to parents, such methods may provide
16 12-months continuous eligibility for parents under
17 this title in the same manner that such section pro-
18 vides 12-months continuous eligibility for parents
19 described in such section under title XIX.”.

20 (3) EFFECTIVE DATE.—

21 (A) IN GENERAL.—The amendments made
22 by this subsection shall take effect on October
23 1, 2001 (or, if later, 60 days after the date of
24 the enactment of this Act), whether or not reg-

1 ulations implementing such amendments have
2 been issued.

3 **SEC. 8. IMPROVING WELFARE-TO-WORK TRANSITION**
4 **UNDER THE MEDICAID PROGRAM.**

5 (a) MAKING PROVISION PERMANENT.—

6 (1) IN GENERAL.—Subsection (f) of section
7 1925 of the Social Security Act (42 U.S.C. 1396r–
8 6) is repealed.

9 (2) CONFORMING AMENDMENT.—Section
10 1902(e)(1) of the Social Security Act (42 U.S.C.
11 1396a(e)(1)) is repealed.

12 (b) STATE OPTION OF INITIAL 12-MONTH ELIGI-
13 BILITY.—Section 1925 of the Social Security Act (42
14 U.S.C. 1396r–6) is amended—

15 (1) in subsection (a), by adding at the end the
16 following:

17 “(5) OPTION OF 12-MONTH INITIAL ELIGIBILITY
18 PERIOD.—A State may elect to treat any reference
19 in this subsection to a 6-month period (or 6 months)
20 as a reference to a 12-month period (or 12 months).
21 In the case of such an election, subsection (b) shall
22 not apply.”; and

23 (2) in subsection (b)(1), by inserting “and sub-
24 section (a)(5)” after “paragraph (3)”.

25 (c) SIMPLIFICATION.—

1 (1) REMOVAL OF ADMINISTRATIVE REPORTING
2 REQUIREMENTS FOR ADDITIONAL 6-MONTH EXTEN-
3 SION.—Section 1925(b)(2) of the Social Security Act
4 (42 U.S.C. 1396r-6(b)(2)) is amended—

5 (A) by striking subparagraph (B);

6 (B) in subparagraph (A)(i)—

7 (i) in the heading, by striking “AND
8 REQUIREMENTS”;

9 (ii) by striking “(I)” and all that fol-
10 lows through “(II)” and inserting “(i)”;

11 (iii) by striking “, and (III)” and in-
12 serting “and (ii)”;

13 (iv) by redesignating such subpara-
14 graph as subparagraph (A) (with appro-
15 priate indentation); and

16 (C) in subparagraph (A)(ii)—

17 (i) in the heading, by striking “RE-
18 PORTING REQUIREMENTS AND”;

19 (ii) by striking “notify the family of
20 the reporting requirement under subpara-
21 graph (B)(ii) and” and inserting “provide
22 the family with notification of”; and

23 (iii) by redesignating such subpara-
24 graph as subparagraph (B) (with appro-
25 priate indentation).

1 (2) REMOVAL OF REQUIREMENT FOR PREVIOUS
2 RECEIPT OF MEDICAL ASSISTANCE.—Section
3 1925(a)(1) of the Social Security Act (42 U.S.C.
4 1396r-6(a)(1)) is amended—

5 (A) by inserting “but subject to subpara-
6 graph (B)” after “any other provision of this
7 title”;

8 (B) by redesignating the matter after “RE-
9 QUIREMENT.—” as a subparagraph (A) with
10 the heading “IN GENERAL.—” and with the
11 same indentation as subparagraph (B) (as
12 added by subparagraph (C)); and

13 (C) by adding at the end the following:

14 “(B) STATE OPTION TO WAIVE REQUIRE-
15 MENT FOR 3 MONTHS PREVIOUS RECEIPT OF
16 MEDICAL ASSISTANCE.—A State may, at its op-
17 tion, elect also to apply subparagraph (A) in
18 the case of a family that had applied for and
19 was eligible for such aid for fewer than 3
20 months during the 6 immediately preceding
21 months described in such subparagraph.”.

22 (3) PERMITTING INCREASE OR WAIVER OF 185
23 PERCENT OF POVERTY EARNING LIMIT.—Section
24 1925(b)(3)(A)(iii)(III) of the Social Security Act (42
25 U.S.C. 1396r-6(b)(3)(A)(iii)(III)) is amended—

1 (A) by inserting “(at its option)” after
2 “the State”; and

3 (B) by inserting “(or such higher percent
4 as the State may specify)” after “185 percent”.

5 (4) EXEMPTION FOR STATES COVERING NEEDY
6 FAMILIES UP TO 185 PERCENT OF POVERTY.—Sec-
7 tion 1925 of the Social Security Act (42 U.S.C.
8 1396r–6), as amended by subsection (a), is
9 amended—

10 (A) in each of subsections (a)(1) and
11 (b)(1), by inserting “but subject to subsection
12 (f),” after “Notwithstanding any other provi-
13 sion of this title,”; and

14 (B) by adding at the end the following:
15 “(f) EXEMPTION FOR STATE COVERING NEEDY
16 FAMILIES UP TO 185 PERCENT OF POVERTY.—

17 “(1) IN GENERAL.—At State option, the provi-
18 sions of this section shall not apply to a State that
19 uses the authority under section
20 1902(a)(10)(A)(ii)(XIX), section 1931(b)(2)(C), or
21 otherwise to make medical assistance available under
22 the State plan under this title to eligible individuals
23 described in section 1902(k)(1), or all individuals de-
24 scribed in section 1931(b)(1), and who are in fami-
25 lies with gross incomes (determined without regard

1 to work-related child care expenses of such individ-
 2 uals) at or below 185 percent of the income official
 3 poverty line (as defined by the Office of Manage-
 4 ment and Budget, and revised annually in accord-
 5 ance with section 673(2) of the Omnibus Budget
 6 Reconciliation Act of 1981) applicable to a family of
 7 the size involved.

8 “(2) APPLICATION TO OTHER PROVISIONS OF
 9 THIS TITLE.—The State plan of a State described in
 10 paragraph (1) shall be deemed to meet the require-
 11 ments of section 1902(a)(10)(A)(i)(I).”.

12 (d) EFFECTIVE DATE.—The amendments made by
 13 this section take effect on October 1, 2001, whether or
 14 not regulations implementing such amendments have been
 15 issued.

16 **SEC. 9. ELIMINATION OF 100 HOUR RULE AND OTHER**
 17 **AFDC-RELATED ELIGIBILITY RESTRICTIONS.**

18 (a) IN GENERAL.—Section 1931(b)(1)(A)(ii) of the
 19 Social Security Act (42 U.S.C. 1396u–1(b)(1)(A)(ii)) is
 20 amended by inserting “other than the requirement that
 21 the child be deprived of parental support or care by reason
 22 of the death, continued absence from the home, incapacity,
 23 or unemployment of a parent,” after “section 407(a),”.

24 (b) CONFORMING AMENDMENT.—Section 1905(a) of
 25 the Social Security Act (42 U.S.C. 1396d(a)) is amended,

1 in the matter before paragraph (1), in clause (ii), by strik-
2 ing “if such child is (or would, if needy, be) a dependent
3 child under part A of title IV”.

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section apply to eligibility determinations made on or
6 after October 1, 2001, whether or not regulations imple-
7 menting such amendments have been issued.

8 **SEC. 10. STATE GRANT PROGRAM FOR MARKET INNOVA-**
9 **TION.**

10 (a) IN GENERAL.—The Secretary of Health and
11 Human Services (in this section referred to as the “Sec-
12 retary”) shall establish a program (in this section referred
13 to as the “program”) to award demonstration grants
14 under this section to States to allow States to demonstrate
15 the effectiveness of innovative ways to increase access to
16 health insurance through market reforms and other inno-
17 vative means. Such innovative means may include any of
18 the following:

19 (1) Alternative group purchasing or pooling ar-
20 rangements, such as purchasing cooperatives for
21 small businesses, reinsurance pools, or high risk
22 pools.

23 (2) Individual or small group market reforms.

24 (3) Consumer education and outreach.

1 (4) Subsidies to individuals, employers, or both,
2 in obtaining health insurance.

3 (b) SCOPE; DURATION.—The program shall be lim-
4 ited to not more than 10 States and to a total period of
5 5 years, beginning on the date the first demonstration
6 grant is made.

7 (c) CONDITIONS FOR DEMONSTRATION GRANTS.—

8 (1) IN GENERAL.—The Secretary may not pro-
9 vide for a demonstration grant to a State under the
10 program unless the Secretary finds that under the
11 proposed demonstration grant—

12 (A) the State will provide for demonstrated
13 increase of access for some portion of the exist-
14 ing uninsured population through a market in-
15 novation (other than merely through a financial
16 expansion of a program initiated before the
17 date of the enactment of this Act);

18 (B) the State will comply with applicable
19 Federal laws;

20 (C) the State will not discriminate among
21 participants on the basis of any health status-
22 related factor (as defined in section 2791(d)(9)
23 of the Public Health Service Act (42 U.S.C.
24 300gg–91(d)(9)), except to the extent a State
25 wishes to focus on populations that otherwise

1 would not obtain health insurance because of
2 such factors; and

3 (D) the State will provide for such evalua-
4 tion, in coordination with the evaluation re-
5 quired under subsection (d), as the Secretary
6 may specify.

7 (2) APPLICATION.—The Secretary shall not
8 provide a demonstration grant under the program to
9 a State unless—

10 (A) the State submits to the Secretary
11 such an application, in such a form and man-
12 ner, as the Secretary specifies;

13 (B) the application includes information
14 regarding how the demonstration grant will ad-
15 dress issues such as governance, targeted popu-
16 lation, expected cost, and the continuation after
17 the completion of the demonstration grant pe-
18 riod; and

19 (C) the Secretary determines that the dem-
20 onstration grant will be used consistent with
21 this section.

22 (3) FOCUS.—A demonstration grant proposal
23 under this section need not cover all uninsured indi-
24 viduals in a State or all health care benefits with re-
25 spect to such individuals.

1 (d) EVALUATION.—The Secretary shall enter into a
2 contract with an appropriate entity outside the Depart-
3 ment of Health and Human Services to conduct an overall
4 evaluation of the program at the end of the program pe-
5 riod. Such evaluation shall include an analysis of improve-
6 ments in access, costs, quality of care, or choice of cov-
7 erage, under different demonstration grants.

8 (e) OPTION TO PROVIDE FOR INITIAL PLANNING
9 GRANTS.—Notwithstanding the previous provisions of this
10 section, under the program the Secretary may provide for
11 a portion of the amounts appropriated under subsection
12 (f) (not to exceed \$5,000,000) to be made available to any
13 State for initial planning grants to permit States to de-
14 velop demonstration grant proposals under the previous
15 provisions of this section.

16 (f) AUTHORIZATION OF APPROPRIATIONS.—There
17 are authorized to be appropriated \$100,000,000 for each
18 fiscal year to carry out this section. Amounts appropriated
19 under this subsection shall remain available until ex-
20 pended.

21 (g) STATE DEFINED.—In this section, the term
22 “State” has the meaning given such term for purposes of
23 title XIX of the Social Security Act (42 U.S.C. 1396 et
24 seq.).

1 **SEC. 11. LIMITATIONS ON CONFLICTS OF INTEREST.**

2 (a) LIMITATION ON CONFLICTS OF INTEREST IN
3 MARKETING ACTIVITIES.—

4 (1) TITLE XXI.—Section 2105(c) of the Social
5 Security Act (42 U.S.C. 300aa–5(c)) is amended by
6 adding at the end the following:

7 “(8) LIMITATION ON EXPENDITURES FOR MAR-
8 KETING ACTIVITIES.—Amounts expended by a State
9 for the use of an administrative vendor in marketing
10 health benefits coverage to low-income children
11 under this title shall not be considered, for purposes
12 of subsection (a)(2)(D), to be reasonable costs to ad-
13 minister the plan unless the following conditions are
14 met with respect to the vendor:

15 “(A) The vendor is independent of any en-
16 tity offering the coverage in the same area of
17 the State in which the vendor is conducting
18 marketing activities.

19 “(B) No person who is an owner, em-
20 ployee, consultant, or has a contract with the
21 vendor either has any direct or indirect finan-
22 cial interest with such an entity or has been ex-
23 cluded from participation in the program under
24 this title or title XVIII or XIX or debarred by
25 any Federal agency, or subject to a civil money
26 penalty under this Act.”.

1 (b) PROHIBITION OF AFFILIATION WITH DEBARRED
2 INDIVIDUALS.—

3 (1) MEDICAID.—Section 1903(i) of the Social
4 Security Act (42 U.S.C. 1396b(i)) is amended—

5 (A) by striking the period at the end of
6 paragraph (20) and inserting “; or”; and

7 (B) by inserting after paragraph (20) the
8 following:

9 “(21) with respect to any amounts expended for
10 an entity that receives payments under the plan
11 unless—

12 “(A) no person with an ownership or con-
13 trol interest (as defined in section 1124(a)(3))
14 in the entity is a person that is debarred, sus-
15 pended, or otherwise excluded from partici-
16 pating in procurement or non-procurement ac-
17 tivities under the Federal Acquisition Regula-
18 tion; and

19 “(B) such entity has not entered into an
20 employment, consulting, or other agreement for
21 the provision of items or services that are mate-
22 rial to such entity’s obligations under the plan
23 with a person described in subparagraph (A).”.

24 (2) TITLE XXI.—Section 2107(e)(1) of the So-
25 cial Security Act (42 U.S.C. 1397gg(e)(1)), as

1 amended by sections 5(b) and 7(b)(3), is further
2 amended—

3 (A) in subparagraph (B), by striking “and
4 (17)” and inserting “(17), and (21)”; and

5 (B) by adding at the end the following:

6 “(F) Section 1902(a)(67) (relating to pro-
7 hibition of affiliation with debarred individ-
8 uals).”.

9 (c) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to expenditures made on or after
11 October 1, 2001, whether or not regulations implementing
12 such amendments have been issued.

13 **SEC. 12. INCREASE IN CHIP ALLOTMENT FOR EACH OF FIS-**
14 **CAL YEARS 2002 THROUGH 2004.**

15 Paragraphs (5), (6), and (7) of section 2104(a) of
16 the Social Security Act (42 U.S.C. 1397dd(a)) are amend-
17 ed by striking “\$3,150,000,000” each place it appears and
18 inserting “\$4,150,000,000”.

19 **SEC. 13. DEMONSTRATION PROGRAMS TO IMPROVE MED-**
20 **ICAID AND CHIP OUTREACH TO HOMELESS**
21 **INDIVIDUALS AND FAMILIES.**

22 (a) AUTHORITY.—The Secretary of Health and
23 Human Services may award demonstration grants to not
24 more than 7 States (or other qualified entities) to conduct
25 innovative programs that are designed to improve out-

1 reach to homeless individuals and families under the pro-
2 grams described in subsection (b) with respect to enroll-
3 ment of such individuals and families under such pro-
4 grams and the provision of services (and coordinating the
5 provision of such services) under such programs.

6 (b) PROGRAMS FOR HOMELESS DESCRIBED.—The
7 programs described in this subsection are as follows:

8 (1) MEDICAID.—The program under title XIX
9 of the Social Security Act (42 U.S.C. 1396 et seq.).

10 (2) CHIP.—The program under title XXI of
11 the Social Security Act (42 U.S.C. 1397aa et seq.).

12 (3) TANF.—The program under part of A of
13 title IV of the Social Security Act (42 U.S.C. 601
14 et seq.).

15 (4) SAMHSA BLOCK GRANTS.—The program
16 of grants under part B of title XIX of the Public
17 Health Service Act (42 U.S.C. 300x–1 et seq.).

18 (5) FOOD STAMP PROGRAM.—The program
19 under the Food Stamp Act of 1977 (7 U.S.C. 2011
20 et seq.).

21 (6) WORKFORCE INVESTMENT ACT.—The pro-
22 gram under the Workforce Investment Act of 1999
23 (29 U.S.C. 2801 et seq.).

1 (7) WELFARE-TO-WORK.—The welfare-to-work
2 program under section 403(a)(5) of the Social Secu-
3 rity Act (42 U.S.C. 603(a)(5)).

4 (8) OTHER PROGRAMS.—Other public and pri-
5 vate benefit programs that serve low-income individ-
6 uals.

7 (c) APPROPRIATIONS.—For the purposes of carrying
8 out this section, there is appropriated for fiscal year 2002,
9 out of any funds in the Treasury not otherwise appro-
10 priated, \$10,000,000, to remain available until expended.

11 **SEC. 14. TECHNICAL AND CONFORMING AMENDMENTS TO**
12 **AUTHORITY TO PAY MEDICAID EXPANSION**
13 **COSTS FROM TITLE XXI APPROPRIATION.**

14 (a) AUTHORITY TO PAY MEDICAID EXPANSION
15 COSTS FROM TITLE XXI APPROPRIATION.—Section
16 2105(a) of the Social Security Act (42 U.S.C. 1397ee(a))
17 is amended to read as follows:

18 “(a) ALLOWABLE EXPENDITURES.—

19 “(1) IN GENERAL.—Subject to the succeeding
20 provisions of this section, the Secretary shall pay to
21 each State with a plan approved under this title,
22 from its allotment under section 2104, an amount
23 for each quarter equal to the enhanced FMAP of the
24 following expenditures in the quarter:

1 “(A) CHILD HEALTH ASSISTANCE UNDER
2 MEDICAID.—Expenditures for child health as-
3 sistance under the plan for targeted low-income
4 children in the form of providing medical assist-
5 ance for expenditures described in the fourth
6 sentence of section 1905(b).

7 “(B) RESERVED.—[reserved].

8 “(C) CHILD HEALTH ASSISTANCE UNDER
9 THIS TITLE.—Expenditures for child health as-
10 sistance under the plan for targeted low-income
11 children in the form of providing health benefits
12 coverage that meets the requirements of section
13 2103.

14 “(D) ASSISTANCE AND ADMINISTRATIVE
15 EXPENDITURES SUBJECT TO LIMIT.—Expendi-
16 tures only to the extent permitted consistent
17 with subsection (c)—

18 “(i) for other child health assistance
19 for targeted low-income children;

20 “(ii) for expenditures for health serv-
21 ices initiatives under the plan for improv-
22 ing the health of children (including tar-
23 geted low-income children and other low-
24 income children);

1 “(iii) for expenditures for outreach ac-
2 tivities as provided in section 2102(e)(1)
3 under the plan; and

4 “(iv) for other reasonable costs in-
5 curred by the State to administer the plan.

6 “(2) ORDER OF PAYMENTS.—Payments under a
7 subparagraph of paragraph (1) from a State’s allot-
8 ment for expenditures described in each such sub-
9 paragraph shall be made on a quarterly basis in the
10 order of such subparagraph in such paragraph.

11 “(3) NO DUPLICATIVE PAYMENT.—In the case
12 of expenditures for which payment is made under
13 paragraph (1), no payment shall be made under title
14 XIX.”.

15 (b) CONFORMING AMENDMENTS.—

16 (1) SECTION 1905(u).—Section 1905(u)(1)(B)
17 of the Social Security Act (42 U.S.C.
18 1396d(u)(1)(B)) is amended by inserting “and sec-
19 tion 2105(a)(1)” after “subsection (b)”.

20 (2) SECTION 2105(c).—Section 2105(c)(2)(A) of
21 the Social Security Act (42 U.S.C. 1397ee(c)(2)(A))
22 is amended by striking “subparagraphs (A), (C),
23 and (D) of”.

24 (c) EFFECTIVE DATE.—The amendments made by
25 this section shall be effective as if included in the enact-

1 ment of the Balanced Budget Act of 1997 (Public Law
2 105–33; 111 Stat. 251), whether or not regulations imple-
3 menting such amendments have been issued.

4 **SEC. 15. ADDITIONAL CHIP REVISIONS.**

5 (a) LIMITING COST-SHARING TO 2.5 PERCENT FOR
6 FAMILIES WITH INCOME BELOW 150 PERCENT OF POV-
7 ERTY.—Section 2103(e)(3)(A) of the Social Security Act
8 (42 U.S.C. 1397cc(e)(3)(A)) is amended—

9 (1) by striking “and” at the end of clause (i);

10 (2) by striking the period at the end of clause

11 (ii) and inserting “; and”; and

12 (3) by adding at the end the following new
13 clause:

14 “(iii) total annual aggregate cost-
15 sharing described in clauses (i) and (ii)
16 with respect to all such targeted low-in-
17 come children in a family under this title
18 that exceeds 2.5 percent of such family’s
19 income for the year involved.”.

20 (b) REPORTING OF ENROLLMENT DATA.—

21 (1) QUARTERLY REPORTS.—Section 2107(b)(1)
22 of such Act (42 U.S.C. 1397gg(b)(1)) is amended by
23 adding at the end the following: “In quarterly re-
24 ports on enrollment required under this paragraph,
25 a State shall include information on the age, gender,

1 race, ethnicity, service delivery system, and family
2 income of individuals enrolled.”.

3 (2) ANNUAL REPORTS.—Section
4 2108(b)(1)(B)(i) of such Act (42 U.S.C.
5 1397hh(b)(1)(B)(i)) is amended by inserting “pri-
6 mary language of enrollees,” after “family income,”.

7 (c) EMPLOYER COVERAGE WAIVER CHANGES.—Sec-
8 tion 2105(e)(3) of such Act (42 U.S.C. 1397ee(e)(3)) is
9 amended—

10 (1) by redesignating subparagraphs (A) and
11 (B) as clauses (i) and (ii) and indenting appro-
12 priately;

13 (2) by designating the matter beginning with
14 “Payment may be made” as a subparagraph (A)
15 with the heading “IN GENERAL” and indenting ap-
16 propriately; and

17 (3) by adding at the end the following new sub-
18 paragraphs:

19 “(B) APPLICATION OF REQUIREMENTS.—
20 In carrying out subparagraph (A)—

21 “(i) the Secretary shall not require a
22 minimum employer contribution level that
23 is separate from the requirement of cost-
24 effectiveness under subparagraph (A)(i),
25 but a State shall identify a reasonable min-

1 imum employer contribution level that is
2 based on data demonstrating that such a
3 level is representative to the employer-
4 sponsored insurance market in the State
5 and shall monitor employer contribution
6 levels over time to determine whether sub-
7 stitution is occurring and report the find-
8 ings in annual reports under section
9 2108(a);

10 “(ii) the State shall establish a wait-
11 ing period of at least 6 months without
12 group health coverage, but may establish
13 reasonable exceptions to such period and
14 shall not apply such a waiting period to a
15 child who is provided coverage under a
16 group health plan under section 1906;

17 “(iii) subject to clause (iv), the State
18 shall provide satisfactory assurances that
19 the minimum benefits and cost-sharing
20 protections established under this title are
21 provided, either through the coverage
22 under subparagraph (A) or as a supple-
23 ment to such coverage; and

24 “(iv) coverage under such subpara-
25 graph shall not be considered to violate

1 clause (iii) because it does not comply with
2 requirements relating to reviews of health
3 service decisions if the enrollee involved is
4 provided the option of being provided bene-
5 fits directly under this title.

6 “(C) ACCESS TO EXTERNAL REVIEW PROC-
7 ESS.—In carrying out subparagraph (A), if a
8 State provides coverage under a group health
9 plan that does not meet the following external
10 review requirements, the State must give appli-
11 cants and enrollees (at initial enrollment and at
12 each redetermination of eligibility) the option to
13 obtain health benefits coverage other than
14 through that group health plan:

15 “(i) The enrollee has an opportunity
16 for external review of a—

17 “(I) delay, denial, reduction, sus-
18 pension, or termination of health serv-
19 ices, in whole or in part, including a
20 determination about the type or level
21 of services; and

22 “(II) failure to approve, furnish,
23 or provide payment for health services
24 in a timely manner.

1 “(ii) The external review is conducted
2 by the State or a impartial contractor
3 other than the contractor responsible for
4 the matter subject to external review.

5 “(iii) The external review decision is
6 made on a timely basis in accordance with
7 the medical needs of the patient. If the
8 medical needs of the patient do not dictate
9 a shorter time frame, the review must be
10 completed—

11 “(I) within 90 calendar days of
12 the date of the request for internal or
13 external review; or

14 “(II) within 72 hours if the en-
15 rollee’s physician or plan determines
16 that the deadline under subclause (I)
17 could seriously jeopardize the enroll-
18 ee’s life or health or ability to attain,
19 maintain, or regain maximum func-
20 tion (except that a State may extend
21 the 72-hour deadline by up to 14 days
22 if the enrollee requests an extension).

23 “(iv) The external review decision
24 shall be in writing.

1 “(v) Applicants and enrollees have an
2 opportunity—

3 “(I) to represent themselves or
4 have representatives of their choosing
5 in the review process;

6 “(II) timely review their files and
7 other applicable information relevant
8 to the review of the decision; and

9 “(III) fully participate in the re-
10 view process, whether the review is
11 conducted in person or in writing, in-
12 cluding by presenting supplemental
13 information during the review proc-
14 ess.”.

15 (d) EFFECTIVE DATE.—The amendments made by
16 this section apply as of October 1, 2001, whether or not
17 regulations implementing such amendments have been
18 issued.

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