

107TH CONGRESS
2D SESSION

S. 2679

To amend the Internal Revenue Code of 1986 to provide for a tax credit for offering employer-based health insurance coverage, to provide for the establishment of health plan purchasing alliances, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 25, 2002

Mr. BAUCUS (for himself and Mr. SMITH of Oregon) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide for a tax credit for offering employer-based health insurance coverage, to provide for the establishment of health plan purchasing alliances, 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; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Health Insurance Access Act of 2002”.

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

Sec. 1. Short title; table of contents.

TITLE I—TAX CREDIT FOR OFFERING EMPLOYER-BASED
HEALTH INSURANCE COVERAGE

Sec. 101. Credit for employee health insurance expenses.

TITLE II—HEALTH PLAN PURCHASING ALLIANCES

Sec. 201. Grant program for State-based or State-directed health plan purchasing alliances.

Sec. 202. Private health plan purchasing alliances.

Sec. 203. Rules of construction.

Sec. 204. Enforcement.

Sec. 205. Study concerning reauthorization.

Sec. 206. Definitions.

TITLE III—PROMOTION OF STATE HIGH RISK POOLS

Sec. 301. Promotion of State high risk pools.

TITLE IV—OPTIONAL COVERAGE OF PARENTS AND PREGNANT
WOMEN UNDER MEDICAID AND SCHIP

Sec. 401. Optional coverage of parents and pregnant women under medicaid and SCHIP.

Sec. 402. Automatic enrollment of children born to pregnant women.

TITLE V—ACCESS TO MEDICARE BENEFITS FOR INDIVIDUALS 62-
TO-65 YEARS OF AGE

Sec. 501. Access to medicare benefits for individuals 62-to-65 years of age.

1 TITLE I—TAX CREDIT FOR OF-
2 FERING EMPLOYER-BASED
3 HEALTH INSURANCE COV-
4 ERAGE

5 SEC. 101. CREDIT FOR EMPLOYEE HEALTH INSURANCE EX-
6 PENSES.

7 (a) IN GENERAL.—Subpart D of part IV of sub-
8 chapter A of chapter 1 of the Internal Revenue Code of
9 1986 (relating to business-related credits) is amended by
10 adding at the end the following:

1 **“SEC. 45G. EMPLOYEE HEALTH INSURANCE EXPENSES.**

2 “(a) GENERAL RULE.—For purposes of section 38,
3 in the case of a qualified small employer, the employee
4 health insurance expenses credit determined under this
5 section is an amount equal to the applicable percentage
6 of the amount paid by the taxpayer during the taxable
7 year for qualified employee health insurance expenses.

8 “(b) APPLICABLE PERCENTAGE.—For purposes of
9 subsection (a), the applicable percentage is equal to—

10 “(1) 50 percent in the case of an employer with
11 less than 26 qualified employees,

12 “(2) 40 percent in the case of an employer with
13 more than 25 but less than 36 qualified employees,
14 and

15 “(3) 30 percent in the case of an employer with
16 more than 35 but less than 51 qualified employees.

17 “(c) PER EMPLOYEE DOLLAR LIMITATION.—The
18 amount of qualified employee health insurance expenses
19 taken into account under subsection (a) with respect to
20 any qualified employee for any taxable year shall not ex-
21 ceed the maximum employer contribution for self-only cov-
22 erage or family coverage (as applicable) determined under
23 section 8906(a) of title 5, United States Code, for the cal-
24 endar year in which such taxable year begins.

25 “(d) DEFINITIONS AND SPECIAL RULES.—For pur-
26 poses of this section—

1 “(1) QUALIFIED SMALL EMPLOYER.—

2 “(A) IN GENERAL.—The term ‘qualified
3 small employer’ means any small employer
4 which—

5 “(i) provides eligibility for health in-
6 surance coverage (after any waiting period
7 (as defined in section 9801(b)(4)) to all
8 qualified employees of the employer, and

9 “(ii) pays at least 70 percent of the
10 cost of such coverage (60 percent in the
11 case of family coverage) for each qualified
12 employee.

13 “(B) TRANSITION RULE FOR NEW
14 PLANS.—

15 “(i) IN GENERAL.—If a small em-
16 ployer (or any predecessor) did not provide
17 health insurance coverage to the qualified
18 employees of the employer during the em-
19 ployer’s precompliance period, then sub-
20 paragraph (A) shall be applied to such em-
21 ployer for the first 5 taxable years fol-
22 lowing such period by substituting ‘50 per-
23 cent’ for ‘70 percent’ in clause (ii) (or for
24 ‘60 percent’ in such clause, in the case of
25 family coverage).

“(ii) PRECOMPLIANCE PERIOD.—For purposes of clause (i), the precompliance periods are—

“(I) the period beginning with the small employer’s taxable year preceding its first taxable year beginning after the date of the enactment of this section, and

“(II) the period beginning with the small employer’s taxable year preceding the first taxable year for which the employer meets the requirement of subparagraph (A)(i).

An employer not in existence for any period shall be treated in the same manner as an employer which is in existence and not providing coverage.

“(C) SMALL EMPLOYER.—

“(i) IN GENERAL.—For purposes of this paragraph, the term ‘small employer’ means, with respect to any calendar year, any employer if such employer employed an average of not less than 2 and not more than 50 qualified employees on business days during either of the 2 preceding cal-

endar years. For purposes of the preceding sentence, a preceding calendar year may be taken into account only if the employer was in existence throughout such year.

“(ii) EMPLOYERS NOT IN EXISTENCE IN PRECEDING YEAR.—In the case of an employer which was not in existence throughout the 1st preceding calendar year, the determination under clause (i) shall be based on the average number of qualified employees that it is reasonably expected such employer will employ on business days in the current calendar year.

“(2) QUALIFIED EMPLOYEE HEALTH INSURANCE EXPENSES.—

“(A) IN GENERAL.—The term ‘qualified employee health insurance expenses’ means any amount paid by an employer for health insurance coverage to the extent such amount is attributable to coverage provided to any employee while such employee is a qualified employee.

“(B) EXCEPTION FOR AMOUNTS PAID UNDER SALARY REDUCTION ARRANGEMENTS.—No amount paid or incurred for health insurance coverage pursuant to a salary reduction

1 arrangement shall be taken into account under
 2 subparagraph (A).

3 “(C) HEALTH INSURANCE COVERAGE.—
 4 The term ‘health insurance coverage’ has the
 5 meaning given such term by paragraph (1) of
 6 section 9832(b) (determined by disregarding
 7 the last sentence of paragraph (2) of such sec-
 8 tion).

9 “(3) QUALIFIED EMPLOYEE.—The term ‘quali-
 10 fied employee’ means an employee of an employer
 11 who, with respect to any period, is not provided
 12 health insurance coverage under—

13 “(A) a health plan of the employee’s
 14 spouse,

15 “(B) title XVIII, XIX, or XXI of the So-
 16 cial Security Act,

17 “(C) chapter 17 of title 38, United States
 18 Code,

19 “(D) chapter 55 of title 10, United States
 20 Code,

21 “(E) chapter 89 of title 5, United States
 22 Code, or

23 “(F) any other provision of law.

24 “(4) EMPLOYEE.—The term ‘employee’—

1 “(A) means any individual, with respect to
 2 any calendar year, who is reasonably expected
 3 to receive at least \$5,000 of compensation from
 4 the employer during such year,

5 “(B) does not include an employee within
 6 the meaning of section 401(c)(1), and

7 “(C) includes a leased employee within the
 8 meaning of section 414(n).

9 “(5) COMPENSATION.—The term ‘compensa-
 10 tion’ means amounts described in section
 11 6051(a)(3).

12 “(e) CERTAIN RULES MADE APPLICABLE.—For pur-
 13 poses of this section, rules similar to the rules of section
 14 52 shall apply.

15 “(f) DENIAL OF DOUBLE BENEFIT.—No deduction
 16 or credit under any other provision of this chapter shall
 17 be allowed with respect to qualified employee health insur-
 18 ance expenses taken into account under subsection (a).”.

19 (b) CREDIT TO BE PART OF GENERAL BUSINESS
 20 CREDIT.—Section 38(b) of the Internal Revenue Code of
 21 1986 (relating to current year business credit) is amended
 22 by striking “plus” at the end of paragraph (14), by strik-
 23 ing the period at the end of paragraph (15) and inserting
 24 “, plus”, and by adding at the end the following:

1 “(16) the employee health insurance expenses
2 credit determined under section 45G.”.

3 (c) CREDIT ALLOWED AGAINST MINIMUM TAX.—

4 (1) IN GENERAL.—Subsection (c) of section 38
5 of the Internal Revenue Code of 1986 (relating to
6 limitation based on amount of tax) is amended by
7 redesignating paragraph (3) as paragraph (4) and
8 by inserting after paragraph (2) the following new
9 paragraph:

10 “(3) SPECIAL RULES FOR EMPLOYEE HEALTH
11 INSURANCE CREDIT.—

12 “(A) IN GENERAL.—In the case of the em-
13 ployee health insurance credit—

14 “(i) this section and section 39 shall
15 be applied separately with respect to the
16 credit, and

17 “(ii) in applying paragraph (1) to the
18 credit—

19 “(I) the amounts in subpara-
20 graphs (A) and (B) thereof shall be
21 treated as being zero, and

22 “(II) the limitation under para-
23 graph (1) (as modified by subclause
24 (I)) shall be reduced by the credit al-
25 lowed under subsection (a) for the

1 taxable year (other than the employee
2 health insurance credit).

3 “(B) EMPLOYEE HEALTH INSURANCE
4 CREDIT.—For purposes of this subsection, the
5 term ‘employee health insurance credit’ means
6 the credit allowable under subsection (a) by rea-
7 son of section 45G(a).”.

8 (2) CONFORMING AMENDMENT.—Subclause (II)
9 of section 38(c)(2)(A)(ii) of such Code is amended
10 by striking “(other” and all that follows through
11 “credit)” and inserting “(other than the empower-
12 ment zone employment credit or the employee health
13 insurance credit)”.

14 (d) NO CARRYBACKS.—Subsection (d) of section 39
15 of the Internal Revenue Code of 1986 (relating to
16 carryback and carryforward of unused credits) is amended
17 by adding at the end the following:

18 “(11) NO CARRYBACK OF SECTION 45G CREDIT
19 BEFORE EFFECTIVE DATE.—No portion of the un-
20 used business credit for any taxable year which is
21 attributable to the employee health insurance ex-
22 penses credit determined under section 45G may be
23 carried back to a taxable year ending before the date
24 of the enactment of section 45G.”.

1 (e) CLERICAL AMENDMENT.—The table of sections
 2 for subpart D of part IV of subchapter A of chapter 1
 3 of the Internal Revenue Code of 1986 is amended by add-
 4 ing at the end the following:

“Sec. 45G. Employee health insurance expenses.”.

5 (f) EMPLOYER OUTREACH.—The Internal Revenue
 6 Service shall, in conjunction with the Small Business Ad-
 7 ministration, develop materials and implement an edu-
 8 cational program to ensure that business personnel are
 9 aware of—

10 (1) the eligibility criteria for the tax credit pro-
 11 vided under section 45G of the Internal Revenue
 12 Code of 1986 (as added by this section),

13 (2) the methods to be used in calculating such
 14 credit,

15 (3) the documentation needed in order to claim
 16 such credit, and

17 (4) any available health plan purchasing alli-
 18 ances established under title II,

19 so that the maximum number of eligible businesses may
 20 claim the tax credit.

21 (g) EFFECTIVE DATE.—The amendments made by
 22 this section shall apply to amounts paid or incurred in tax-
 23 able years beginning after the date of the enactment of
 24 this Act.

1 **TITLE II—HEALTH PLAN**
2 **PURCHASING ALLIANCES**

3 **SEC. 201. GRANT PROGRAM FOR STATE-BASED OR STATE-**
4 **DIRECTED HEALTH PLAN PURCHASING ALLI-**
5 **ANCES.**

6 (a) PROGRAM ESTABLISHMENT.—The Secretary
7 shall establish a program to award grants to eligible enti-
8 ties to facilitate the development, establishment, and ca-
9 pacity, in accordance with this title, of State-based or
10 State-directed health plan purchasing alliances (or other
11 similar health plan purchasing pools) for purposes of cre-
12 ating greater access to lower-cost health benefits for small
13 employer groups and individuals.

14 (b) APPLICATION REQUIREMENTS.—An eligible enti-
15 ty shall not be awarded a grant under this title unless
16 the eligible entity—

17 (1) prepares and submits to the Secretary an
18 application, at such time, in such manner, and con-
19 taining such information and assurances as the Sec-
20 retary may require (including evidence of compliance
21 with applicable requirements of this title);

22 (2) in the case of an eligible entity described in
23 subparagraph (B) or (C) of section 206(1), provides
24 documentation to the Secretary of a determination
25 by the chief executive officer of each State involved

1 that the proposed project is in the best interests of
 2 the State; and

3 (3) in the case of an entity described in sub-
 4 paragraph (A) of section 206(1), provides docu-
 5 mentation to the Secretary that the entity has pro-
 6 vided notification to an eligible small employer (as
 7 defined in section 45G(d)(1) of the Internal Revenue
 8 Code of 1986 (as added by section 101)) located in
 9 the State of—

10 (A) the availability of the employee health
 11 insurance expenses credit provided under sec-
 12 tion 45G of such Code; and

13 (B) the existence of State-based or State-
 14 directed health plan purchasing alliances (or
 15 other similar health plan purchasing pools) in
 16 the State; and

17 (4) otherwise complies with the provisions of
 18 subsections (b) through (f) of section 202.

19 (c) USE OF FUNDS.—

20 (1) DEVELOPMENT AND ESTABLISHMENT OF
 21 ALLIANCES.—

22 (A) IN GENERAL.—Except as provided in
 23 subparagraph (B), funds made available under
 24 a grant made under this section may be used
 25 by the grantee to pay the costs associated with

1 the development and establishment of a health
2 plan purchasing alliance, the provision of tech-
3 nical assistance concerning the alliance, and the
4 capitalization of the alliance.

5 (B) EXCEPTION.—With respect to funds
6 made available under a grant made under this
7 section that are used to develop and establish a
8 health plan purchasing alliance, such funds may
9 only be used for the operating costs of the
10 health plan purchasing alliance for the first 6
11 months after the date on which the alliance is
12 established.

13 (2) DEVELOPMENT OF CAPACITY OF EXISTING
14 ALLIANCES.—Funds made available under a grant
15 made under this section may be used by the grantee
16 to pay the costs associated with developing the ca-
17 pacity of a State-based or State-directed health plan
18 purchasing alliance (or other similar health plan
19 purchasing pool) that is in existence as of the date
20 on which the grant is made to coordinate the serv-
21 ices offered under the alliance with other Federal or
22 State funds or subsidies that are designed to create
23 access to lower-cost health benefits, including the
24 employee health insurance expenses credit provided

1 under section 45G of the Internal Revenue Code of
2 1986 (as added by section 101).

3 (d) LIMITATIONS.—

4 (1) IN GENERAL.—The Secretary shall not
5 award more than 2 grants under this section with
6 respect to each State.

7 (2) STATE AGENCIES.—The Secretary shall not
8 award more than 1 grant under this section to an
9 entity that is described in section 206(1)(A) with re-
10 spect to a State.

11 (e) FUNDING.—There are appropriated to the Sec-
12 retary for the purpose of awarding grants under this title,
13 not more than—

14 (1) \$20,000,000 for fiscal year 2002; and

15 (2) \$80,000,000 for each of fiscal years 2003
16 through 2006.

17 (f) DURATION.—The grant period for a grant award-
18 ed under this section shall not exceed 30 months.

19 **SEC. 202. PRIVATE HEALTH PLAN PURCHASING ALLIANCES.**

20 (a) CERTIFICATION.—

21 (1) IN GENERAL.—In order to be certified as a
22 health plan purchasing alliance under this title, the
23 following requirements must be met:

24 (A) REQUEST.—A coalition of small em-
25 ployer groups (or a coalition made up of a

group of individuals and 1 or more small employer groups) shall submit to the State a request for certification as a health plan purchasing alliance.

(B) STATE DETERMINATIONS.—The State shall—

(i) determine that the coalition meets the requirements of this title in a timely manner; and

(ii) ensure continued compliance with the requirements of this title.

(C) REGISTRATION.—Each certified health plan purchasing alliance shall be registered with the Secretary.

(2) STATE FAILURE TO IMPLEMENT A CERTIFICATION PROGRAM.—

(A) IN GENERAL.—Except as provided in subparagraph (B), if a State fails to implement a program for the certification of health plan purchasing alliances in accordance with the requirements of this section, the Secretary shall certify and oversee the operations of alliances in the State.

(B) EXCEPTION.—The Secretary shall not certify a health plan purchasing alliance in a

1 State which, as of the date of enactment of this
 2 Act, has enacted a law that facilitates group
 3 purchasing of health benefits for small employ-
 4 ers or individuals, but only if the law ensures
 5 that—

6 (i) individuals and employees have a
 7 choice of multiple, unaffiliated health plan
 8 issuers;

9 (ii) health plan coverage is subject to
 10 State premium rating requirements that
 11 are not based on the factors described in
 12 subsection (e)(3), that ensure a fair rating
 13 in a manner so that premiums shall be
 14 reasonable relative to rates, and that con-
 15 tain a mandatory minimum loss ratio;

16 (iii) comparative health plan materials
 17 are disseminated consistent with subsection
 18 (d)(1)(D); and

19 (iv) the objectives of this title are oth-
 20 erwise met.

21 (3) INTERSTATE ALLIANCES.—

22 (A) IN GENERAL.—A health plan pur-
 23 chasing alliance operating in more than 1 State
 24 shall be certified in each State in which it oper-

1 ates and shall comply with the laws of each
2 such State.

3 (B) OPERATION.—States may enter into
4 alliance agreements for the purpose of over-
5 seeing the operation of a health plan purchasing
6 alliance operating in more than 1 State.

7 (C) DOMICILE.—For purposes of this
8 paragraph, a health plan purchasing alliance
9 operating in more than 1 State shall be consid-
10 ered to be domiciled in the State in which most
11 of the members of the alliance reside, as deter-
12 mined as of the date on which the alliance is
13 first established.

14 (b) BOARD OF DIRECTORS.—

15 (1) IN GENERAL.—Each health plan purchasing
16 alliance shall be governed by a board of directors
17 that shall be responsible for ensuring the perform-
18 ance of the duties of the alliance under this section.
19 The board shall be composed of representatives of
20 employers, employees, and individuals participating
21 in the alliance.

22 (2) INTERSTATE ALLIANCES.—In the case of a
23 health plan purchasing alliance operating in more
24 than 1 State, the board of directors governing the

1 alliance shall include representatives from each State
2 participating in the alliance.

3 (3) LIMITATION ON COMPENSATION.—A health
4 plan purchasing alliance may not provide compensa-
5 tion to members of the board of directors of the alli-
6 ance. The alliance may provide reimbursements to
7 such members for the reasonable and necessary ex-
8 penses incurred by the members in the performance
9 of their duties as members of the board.

10 (c) MEMBERSHIP AND MARKETING AREA.—

11 (1) MEMBERSHIP.—A health plan purchasing
12 alliance shall determine whether to permit individ-
13 uals to become members. Upon the establishment of
14 membership criteria, the alliance shall, except as
15 provided in paragraph (2), accept all employers, em-
16 ployees, and individuals residing within the area
17 served by the alliance who meet such requirements
18 as members on a first-come, first-served basis, or on
19 another basis established by the State to ensure eq-
20 uitable access to the alliance. The purchasing alli-
21 ance shall not discriminate or deny membership on
22 the basis of health status, age, race, sex, occupation,
23 or insurability.

24 (2) MARKETING AREA.—A State may establish
25 rules regarding the geographic area that must be

1 served by health plan purchasing alliances to ensure
2 that alliances do not discriminate on the basis of the
3 health status or insurability of the populations that
4 reside in the area served. A State may not use such
5 rules to limit arbitrarily the number of health plan
6 purchasing alliances.

7 (d) DUTIES AND RESPONSIBILITIES.—

8 (1) IN GENERAL.—A health plan purchasing al-
9 liance shall—

10 (A) objectively evaluate potential health
11 plan issuers and enter into agreements with
12 multiple, unaffiliated health plan issuers, except
13 that the requirement of this subparagraph shall
14 not apply in regions (such as remote or frontier
15 areas) in which compliance with such require-
16 ment is not possible;

17 (B) prepare and disseminate comparative
18 health plan materials (including information
19 about cost, quality, benefits, and other informa-
20 tion determined necessary by the State to per-
21 mit a comparison of all health plans offered
22 through the alliance to small employers, em-
23 ployees, and individuals);

1 (C) actively market to all eligible employ-
2 ers and individuals residing within the service
3 area;

4 (D) act as an ombudsman on behalf of
5 group health plan or individual health plan en-
6 rollees; and

7 (E) coordinate and provide for an open en-
8 rollment period of at least 30 days per calendar
9 year for participating employers and individ-
10 uals.

11 (2) PERMISSIBLE ACTIVITIES.—A health plan
12 purchasing alliance may perform such other func-
13 tions as necessary to further the purposes of this
14 title, and may—

15 (A) collect and distribute premiums and
16 perform other administrative functions;

17 (B) conduct surveys of enrollee satisfaction
18 or grievances;

19 (C) charge membership fees to enrollees
20 and charge participation fees to alliance health
21 plan issuers, but only if such fees are not based
22 on health status; and

23 (D) negotiate with health care providers
24 and health plan issuers.

1 (e) LIMITATIONS ON ACTIVITIES.—A health plan
 2 purchasing alliance shall not—

3 (1) perform any activity related to the licensing
 4 of health plan issuers;

5 (2) assume financial risk directly or indirectly
 6 on behalf of members of a health plan purchasing al-
 7 liance relating to any group health plan or individual
 8 health plan;

9 (3) establish eligibility, enrollment, or premium
 10 contribution requirements for participants or bene-
 11 ficiaries in health plans based on health status, med-
 12 ical condition, claims experience, receipt of health
 13 care, medical history, evidence of insurability, ge-
 14 netic information, or disability;

15 (4) operate on a for-profit or other basis where
 16 the legal structure of the alliance permits profits to
 17 be made and not returned to the members of the al-
 18 liance; or

19 (5) perform any other activities that are de-
 20 scribed in subsection (f) or that are otherwise incon-
 21 sistent with the performance of its duties under this
 22 title.

23 (f) CONFLICT OF INTEREST.—

24 (1) PROHIBITIONS.—No individual, partnership,
 25 or corporation shall serve on the board of directors

1 of a health plan purchasing alliance, be employed by
 2 such an alliance, receive compensation from such an
 3 alliance, or initiate or finance such an alliance if
 4 such individual, partnership, or corporation—

5 (i) fails to discharge the duties and
 6 responsibilities in a manner that is solely
 7 in the interest of the alliance and the
 8 members of the alliance;

9 (ii) derives personal financial benefit
 10 (other than ordinary compensation re-
 11 ceived) from the sale of the alliance, or has
 12 a financial interest in health plans or re-
 13 lated financial entities, services or products
 14 sold by or distributed through that alli-
 15 ance; or

16 (iii) serves as a member of the board
 17 of directors of any organization doing busi-
 18 ness with, competing with, or exercising
 19 authority over the alliance.

20 (2) CONTRACTS WITH THIRD PARTIES.—Noth-
 21 ing in subparagraph (A) shall be construed to pro-
 22 hibit the board of directors of a health plan pur-
 23 chasing alliance, or its officers from contracting with
 24 third parties to provide administrative, marketing,

1 consultative, or other services on behalf of the alli-
 2 ance.

3 (g) LIMITED PREEMPTION OF CERTAIN STATE
 4 LAWS.—

5 (1) IN GENERAL.—Any State law that sets re-
 6 strictions on the organization of groups for the pur-
 7 pose of purchasing health insurance, or that pro-
 8 hibits groups from combining for that purpose, is
 9 preempted with respect to an alliance that meets the
 10 requirements of this title.

11 (2) HEALTH PLAN ISSUERS.—

12 (A) RATING.—Except as provided in sub-
 13 paragraph (B), a health plan issuer offering a
 14 group health plan or individual health plan
 15 through a health plan purchasing alliance cer-
 16 tified under this title shall comply with all State
 17 rating requirements that would otherwise apply
 18 if the health plan was offered outside of the al-
 19 liance.

20 (B) PREMIUM RATE EXCEPTION.—

21 (i) IN GENERAL.—A State law that
 22 imposes premium rate requirements is pre-
 23 empted to the extent that such law would
 24 prohibit a health plan issuer from reducing
 25 premium rates under an agreement with a

1 health plan purchasing alliance certified
 2 under this title to reflect the savings de-
 3 rived by the issuer from reductions in ad-
 4 ministrative costs, marketing costs, profit
 5 margins, economies of scale, or from other
 6 factors.

7 (ii) LIMITATION.—Clause (i) shall not
 8 apply where the reduction in premium
 9 rates is based on the health status, demo-
 10 graphic factors, industry type, duration, or
 11 other indicators of health risk of the mem-
 12 bers of the alliance involved.

13 (C) ALTERNATIVE BENEFIT PLAN EXCEP-
 14 TION.—State laws authorizing the issuance of
 15 alternative benefit plans to small employers
 16 may be applied to health plan issuers offering
 17 such alternative benefit plans through a health
 18 plan purchasing alliance certified under this
 19 title.

20 **SEC. 203. RULES OF CONSTRUCTION.**

21 Nothing in this title shall be construed to—

22 (1) require that a State organize, operate, or
 23 otherwise create health plan purchasing alliances;

24 (2) otherwise require the establishment of
 25 health plan purchasing alliances;

1 (3) require individuals, plan sponsors, or em-
2 ployers to purchase health insurance plans through
3 a health plan purchasing alliance;

4 (4) preempt a State from requiring licensure
5 for individuals who are involved in directly supplying
6 advice or selling health plans on behalf of a pur-
7 chasing alliance;

8 (5) limit purchasing arrangements operated in
9 a State to the health plan purchasing alliances es-
10 tablished in accordance with this title;

11 (6) confer authority upon a State that the State
12 would not otherwise have to regulate health plan
13 issuers or employee health benefits plans;

14 (7) confer authority upon a State (or the Fed-
15 eral Government) that the State (or Federal Govern-
16 ment) would not otherwise have to regulate group
17 purchasing arrangements, coalitions, association
18 plans, or other similar entities that do not desire to
19 become a health plan purchasing alliance in accord-
20 ance with this section;

21 (8) preempt a State law if such law prohibits
22 the variance of premium rates of employers, employ-
23 ees, or individuals participating as members in a
24 health purchasing alliance in excess of the amount
25 of such variations that would be permitted under

1 such State laws among individuals, employers, and
2 employees that are not participating in the health
3 plan purchasing alliance; or

4 (9) except as specifically provided otherwise in
5 this subsection, prevent the application of State laws
6 and regulations otherwise applicable to health plan
7 issuers offering group health plans or individual
8 health plans through a health plan purchasing alli-
9 ance.

10 **SEC. 204. ENFORCEMENT.**

11 For purposes of enforcement only, the requirements
12 of parts 4 and 5 of subtitle B of title I of the Employee
13 Retirement Income Security Act of 1974 (29 U.S.C. 1101
14 et seq.) shall apply to a health plan purchasing alliance
15 certified by the Secretary under section 202(a)(2) of this
16 title as if such alliance were an employee welfare benefit
17 plan.

18 **SEC. 205. STUDY CONCERNING REAUTHORIZATION.**

19 (a) STUDY.—The Secretary shall conduct a study to
20 determine whether the grant program established under
21 this title should be reauthorized for fiscal years after fiscal
22 year 2006.

23 (b) REPORT.—Not later than 2 years after the date
24 of enactment of this Act, the Secretary shall prepare and
25 submit to the appropriate committees of Congress, a re-

1 port concerning the results of the study conducted under
 2 subsection (a). Such report shall include—

3 (1) the recommendations of the Secretary with
 4 respect to the reauthorization of the grant program
 5 established under this section; and

6 (2) the effect of the implementation of this title
 7 on—

8 (A) reducing the number of uninsured in-
 9 dividuals;

10 (B) premium rates paid by small employ-
 11 ers and individuals; and

12 (C) the level of health benefits offered by
 13 health insurance issuers.

14 **SEC. 206. DEFINITIONS.**

15 In this title:

16 (1) **ELIGIBLE ENTITIES.**—The term “eligible
 17 entity” means an entity that is—

18 (A) a State agency;

19 (B) a nonprofit entity organized for the
 20 purpose of establishing a health plan pur-
 21 chasing alliance; or

22 (C) a for-profit cooperative organization
 23 whose profits are shared on a pro-rata basis
 24 among the members of the cooperative.

1 (2) HEALTH PLAN PURCHASING ALLIANCE.—

2 The term “health plan purchasing alliance” means a
 3 State agency (or a consortium of State agencies on
 4 behalf of more than 1 State) or employer groups
 5 that, on a voluntary basis and in accordance with
 6 this title, form an alliance for the purpose of pur-
 7 chasing insurance plans offered by health insurance
 8 plan issuers.

9 (3) SECRETARY.—The term “Secretary” means
 10 the Secretary of Health and Human Services.

11 (4) SMALL EMPLOYER GROUP.—The term
 12 “small employer group” means all employees em-
 13 ployed by the same employer. The maximum number
 14 of employees in the small employer group shall not
 15 exceed 50 full time equivalent employees.

16 (5) STATE.—The term “State” means the 50
 17 States, the District of Columbia, and the Common-
 18 wealth of Puerto Rico.

19 **TITLE III—PROMOTION OF** 20 **STATE HIGH RISK POOLS**

21 **SEC. 301. PROMOTION OF STATE HIGH RISK POOLS.**

22 (a) IN GENERAL.—Title XXVII of the Public Health
 23 Service Act is amended by inserting after section 2744 the
 24 following new section:

1 **“SEC. 2745. PROMOTION OF QUALIFIED HIGH RISK POOLS.**

2 “(a) SEED GRANTS TO STATES.—The Secretary shall
3 establish a program to award grants of up to \$1,000,000
4 to each State that has not created a qualified high risk
5 pool as of the date of the enactment of this section for
6 the State’s costs of creation and initial operation of such
7 a pool.

8 “(b) MATCHING FUNDS FOR OPERATION OF
9 POOLS.—

10 “(1) IN GENERAL.—In the case of a State that
11 has established a qualified high risk pool that re-
12 stricts premiums charged under the pool to not more
13 than 150 percent of the premium for applicable
14 standard risk rates and that offers a choice of 2 or
15 more coverage options through the pool, from the
16 funds appropriated under subsection (c) for a fiscal
17 year and allotted to the State under paragraph (2),
18 the Secretary shall provide a grant of up to 50 per-
19 cent of the losses incurred by the State in connec-
20 tion with the operation of the pool.

21 “(2) ALLOTMENT.—The amounts appropriated
22 under subsection (c) (other than amounts used to
23 make grants under subsection (a)) for a fiscal year,
24 shall be allotted to each State based on the propor-
25 tion of uninsured individuals in the State as com-
26 pared to all individuals in the State.

1 “(3) CONSTRUCTION.—Nothing in this sub-
 2 section shall be construed as preventing a State
 3 from supplementing the funds made available under
 4 this subsection for the support and operation of
 5 qualified high risk pools.

6 “(c) FUNDING.—

7 “(1) IN GENERAL.—There are appropriated to
 8 carry out this section, not more than—

9 “(A) \$20,000,000 for fiscal year 2002; and

10 “(B) \$50,000,000 for each of fiscal years
 11 2003 through 2006.

12 “(2) AVAILABILITY.—Funds appropriated
 13 under paragraph (1) for a fiscal year shall remain
 14 available for obligation through the end of the fol-
 15 lowing fiscal year.

16 “(d) QUALIFIED HIGH RISK POOL AND STATE DE-
 17 FINED.—For purposes of this section, the term ‘qualified
 18 high risk pool’ has the meaning given such term in section
 19 2744(c)(2) and the term ‘State’ means any of the 50
 20 States, the District of Columbia, and the Commonwealth
 21 of Puerto Rico.”.

22 (b) CONSTRUCTION.—Nothing in section 2745 of the
 23 Public Health Service Act (as added by subsection (a))
 24 shall be construed as affecting the ability of a State to
 25 use mechanisms, described in sections 2741(c) and 2744

1 of the Public Health Service Act (42 U.S.C. 300gg–41(c),
 2 300gg–44), as an alternative to applying the guaranteed
 3 availability provisions of section 2741(a) of such Act (42
 4 U.S.C. 300gg–41(a)).

5 (c) STUDY CONCERNING REAUTHORIZATION.—

6 (1) STUDY.—The Secretary of Health and
 7 Human Services shall conduct a study to determine
 8 whether the grant program established under this
 9 title should be reauthorized for fiscal years after fis-
 10 cal year 2006.

11 (2) REPORT.—Not later than 2 years after the
 12 date of enactment of this Act, the Secretary of
 13 Health and Human Services shall prepare and sub-
 14 mit to the appropriate committees of Congress, a re-
 15 port concerning the results of the study conducted
 16 under paragraph (1). Such report shall include—

17 (A) the recommendations of the Secretary
 18 with respect to the reauthorization of the grant
 19 program established under section 2745 of the
 20 Public Health Service Act (as added by this
 21 section);

22 (B) a description of how amounts were
 23 used under such section; and

24 (C) the effect of the implementation of
 25 such grant program on—

- 1 (i) reducing the number of uninsured
- 2 individuals;
- 3 (ii) premium rates; and
- 4 (iii) the level of health benefits offered
- 5 by health insurance issuers.

6 **TITLE IV—OPTIONAL COVERAGE**
 7 **OF PARENTS AND PREGNANT**
 8 **WOMEN UNDER MEDICAID**
 9 **AND SCHIP**

10 **SEC. 401. OPTIONAL COVERAGE OF PARENTS AND PREG-**
 11 **NANT WOMEN UNDER MEDICAID AND SCHIP.**

12 (a) INCENTIVES TO IMPLEMENT COVERAGE OF PAR-
 13 ENTS.—

14 (1) UNDER MEDICAID.—

15 (A) ESTABLISHMENT OF NEW OPTIONAL
 16 ELIGIBILITY CATEGORY.—Section
 17 1902(a)(10)(A)(ii) of the Social Security Act
 18 (42 U.S.C. 1396a(a)(10)(A)(ii)) is amended—

- 19 (i) by striking “or” at the end of sub-
- 20 clause (XVII);
- 21 (ii) by adding “or” at the end of sub-
- 22 clause (XVIII); and
- 23 (iii) by adding at the end the fol-
- 24 lowing:

1 “(XIX) who are individuals de-
 2 scribed in subsection (k)(1) (relating
 3 to parents of categorically eligible chil-
 4 dren);”.

5 (B) PARENTS DESCRIBED.—Section 1902
 6 of the Social Security Act (42 U.S.C. 1396a) is
 7 further amended by inserting after subsection
 8 (j) the following:

9 “(k)(1)(A) Individuals described in this paragraph
 10 are individuals—

11 “(i) who are the parents of an individual who
 12 is under 19 years of age and who is eligible for med-
 13 ical assistance under subsection (a)(10)(A);

14 “(ii) who are not eligible for medical assistance
 15 under such subsection, under a waiver approved
 16 under section 1115, or otherwise (except under sec-
 17 tion 1931 or under subsection (a)(10)(A)(ii)(XIX));
 18 and

19 “(iii) whose family income or resources exceed
 20 the effective income or resource level applicable
 21 under the State plan under part A of title IV as in
 22 effect as of July 16, 1996, but does not exceed the
 23 highest effective income level applicable to a child in
 24 the family under this title.

1 “(B) In establishing an income eligibility level for in-
 2 dividuals described in this paragraph, a State may vary
 3 such level consistent with the various income levels estab-
 4 lished under subsection (l)(2) in order to ensure, to the
 5 maximum extent possible, that such individuals shall be
 6 enrolled in the same program as their children.

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

12 “(D) In this subsection, the term ‘parent’ has the
 13 meaning given the term ‘caretaker relative’ for purposes
 14 of carrying out section 1931.

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

20 (C) ENHANCED MATCHING FUNDS AVAIL-
 21 ABLE IF CERTAIN CONDITIONS MET.—Section
 22 1905 of the Social Security Act (42 U.S.C.
 23 1396d) is amended—

24 (i) in the fourth sentence of sub-
 25 section (b), by striking “or subsection

1 (u)(3)” and inserting “, (u)(3), or (u)(4)”;

2 and

3 (ii) in subsection (u)—

4 (I) by redesignating paragraph

5 (4) as paragraph (6); and

6 (II) by inserting after paragraph

7 (3) the following:

8 “(4) For purposes of subsection (b) and section
9 2105(a), the expenditures described in this paragraph are
10 the expenditures described in the following subparagraphs
11 (A) and (B):

12 “(A) PARENTS.—If the conditions described in
13 subparagraph (C)(i) are met, expenditures for med-
14 ical assistance for parents described in section
15 1902(k)(1) and for parents who would be described
16 in such section but for the fact that they are eligible
17 for medical assistance under a waiver approved
18 under section 1115.

19 “(B) CERTAIN PREGNANT WOMEN.—If the con-
20 ditions described in subparagraph (C)(ii) are met,
21 expenditures for medical assistance for pregnant
22 women described in subsection (n) or under section
23 1902(l)(1)(A) in a family the income of which ex-
24 ceeds 133 percent of the poverty line.

25 “(C) CONDITIONS.—

1 “(i) EXPENDITURES FOR PARENTS.—The
2 conditions described in this clause are the fol-
3 lowing:

4 “(I) The State child health plan under
5 title XXI (whether implemented under that
6 title or under this title) does not limit the
7 acceptance of applications, does not use a
8 waiting list for children who meet eligi-
9 bility standards to qualify for assistance,
10 and provides benefits to all children in the
11 State who apply for and meet eligibility
12 standards.

13 “(II) The State plans under this title
14 and title XXI do not provide coverage for
15 parents described in subparagraph (A)
16 with higher family income without covering
17 such parents with a lower family income.

18 “(III) The State does not apply an in-
19 come level for parents that is lower than
20 the effective income level (expressed as a
21 percent of the poverty line and considering
22 applicable income disregards) that has
23 been specified under the State plan under
24 this title (including under a waiver author-
25 ized by the Secretary or under section

1 1902(r)(2)), as of January 1, 2002, to be
 2 eligible for medical assistance as a parent
 3 under this title.

4 “(ii) EXPENDITURES FOR CERTAIN PREG-
 5 NANT WOMEN.—The conditions described in
 6 this clause are the following:

7 “(I) The State plans under this title
 8 and title XXI do not provide coverage for
 9 pregnant women described in subpara-
 10 graph (B) with higher family income with-
 11 out covering such pregnant women with a
 12 lower family income.

13 “(II) The State does not apply an in-
 14 come level for pregnant women that is
 15 lower than the effective income level (ex-
 16 pressed as a percent of the poverty line
 17 and considering applicable income dis-
 18 regards) that has been specified under the
 19 State plan under subsection
 20 (a)(10)(A)(i)(III) or (l)(2)(A) of section
 21 1902, as of January 1, 2002, to be eligible
 22 for medical assistance as a pregnant
 23 woman.

24 “(III) The State satisfies the condi-
 25 tion described in clause (i)(I).

1 “(D) DEFINITIONS.—In this paragraph:

2 “(i) The term ‘parent’ has the meaning
3 given the term ‘caretaker relative’ for purposes
4 of carrying out section 1931.

5 “(ii) The term ‘poverty line’ has the mean-
6 ing given such term in section 2110(c)(5).”.

7 (D) APPROPRIATION FROM TITLE XXI AL-
8 LOTMENT FOR MEDICAID EXPANSION COSTS
9 FOR PARENTS; ELIMINATION OF COUNTING
10 MEDICAID CHILD PRESUMPTIVE ELIGIBILITY
11 COSTS AGAINST TITLE XXI ALLOTMENT.—Sec-
12 tion 2105(a)(1)(B) of the Social Security Act
13 (42 U.S.C. 1397ee(a)(1)(B)) is amended to
14 read as follows:

15 “(B) for the provision of medical assist-
16 ance that is attributable to expenditures de-
17 scribed in subparagraph (A) or (B) of section
18 1905(u)(4);”.

19 (E) RULES FOR COUNTING ONLY EN-
20 HANCED PORTION OF CERTAIN EXPENDITURES
21 FOR COVERAGE OF PREGNANT WOMEN AGAINST
22 A STATE’S TITLE XXI ALLOTMENT.—Section
23 1905 of the Social Security Act (42 U.S.C.
24 1396d), as amended by subparagraph (C), is
25 amended—

1 (i) in the fourth sentence of sub-
 2 section (b), by inserting “(except in the
 3 case of expenditures described in sub-
 4 section (u)(5))” after “do not exceed”; and
 5 (ii) in subsection (u), by inserting
 6 after paragraph (4), the following:

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

11 “(A) REGULAR FMAP FOR EXPENDITURES FOR
 12 COVERAGE OF PREGNANT WOMEN THAT EXCEEDS
 13 133 PERCENT OF POVERTY.—With respect to expend-
 14 itures described in paragraph (4)(B), the portion of
 15 the payments made for such expenditures that rep-
 16 resents the amount that would have been paid for
 17 such expenditures if the enhanced FMAP had not
 18 been substituted for the Federal medical assistance
 19 percentage.”.

20 (2) UNDER TITLE XXI.—

21 (A) COVERAGE.—Title XXI of the Social
 22 Security Act (42 U.S.C. 1397aa et seq.) is
 23 amended by adding at the end the following:

1 **“SEC. 2111. OPTIONAL COVERAGE OF PARENTS OF TAR-**
 2 **GETED LOW-INCOME CHILDREN OR TAR-**
 3 **GETED LOW-INCOME PREGNANT WOMEN.**

4 “(a) OPTIONAL COVERAGE.—Notwithstanding any
 5 other provision of this title, a State may provide for cov-
 6 erage, through an amendment to its State child health
 7 plan under section 2102, of parent health assistance for
 8 targeted low-income parents, pregnancy-related assistance
 9 for targeted low-income pregnant women, or both, in ac-
 10 cordance with this section, but only if—

11 “(1) with respect to the provision of parent
 12 health assistance, the State meets the conditions de-
 13 scribed in clause (i) of section 1905(u)(4)(C);

14 “(2) with respect to the provision of pregnancy-
 15 related assistance, the State meets the conditions de-
 16 scribed in clause (ii) of section 1905(u)(4)(C); and

17 “(3) in the case of parent health assistance for
 18 targeted low-income parents, the State elects to pro-
 19 vide medical assistance under section
 20 1902(a)(10)(A)(ii)(XIX), under section 1931, or
 21 under a waiver under section 1115 to individuals de-
 22 scribed in section 1902(k)(1)(A)(i) and elects an ef-
 23 fective income level that, consistent with paragraphs
 24 (1)(B) and (2) of section 1902(k), ensures to the
 25 maximum extent possible, that such individuals shall
 26 be enrolled in the same program as their children if

1 their children are eligible for coverage under title
2 XIX (including under a waiver authorized by the
3 Secretary or under section 1902(r)(2)).”.

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

5 “(1) PARENT HEALTH ASSISTANCE.—The term
6 ‘parent health assistance’ has the meaning given the
7 term child health assistance in section 2110(a) as if
8 any reference to targeted low-income children were
9 a reference to targeted low-income parents.

10 “(2) PARENT.—The term ‘parent’ has the
11 meaning given the term ‘caretaker relative’ for pur-
12 poses of carrying out section 1931.

13 “(3) PREGNANCY-RELATED ASSISTANCE.—The
14 term ‘pregnancy-related assistance’ has the meaning
15 given the term child health assistance in section
16 2110(a) as if any reference to targeted low-income
17 children were a reference to targeted low-income
18 pregnant women, except that the assistance shall be
19 limited to services related to pregnancy (which in-
20 clude prenatal, delivery, and postpartum services)
21 and to other conditions that may complicate preg-
22 nancy.

23 “(4) TARGETED LOW-INCOME PARENT.—The
24 term ‘targeted low-income parent’ has the meaning
25 given the term targeted low-income child in section

1 2110(b) as if any reference to a child were a ref-
 2 erence to a parent (as defined in paragraph (2)) of
 3 the child; except that in applying such section—

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

8 “(B) in paragraph (3), January 1, 2002,
 9 shall be substituted for July 1, 1997; and

10 “(C) in paragraph (4), January 1, 2002,
 11 shall be substituted for March 31, 1997.

12 “(5) TARGETED LOW-INCOME PREGNANT
 13 WOMAN.—The term ‘targeted low-income pregnant
 14 woman’ has the meaning given the term targeted
 15 low-income child in section 2110(b) as if any ref-
 16 erence to a child were a reference to a woman dur-
 17 ing pregnancy and through the end of the month in
 18 which the 60-day period beginning on the last day
 19 of her pregnancy ends; except that in applying such
 20 section—

21 “(A) there shall be substituted for the in-
 22 come level described in paragraph (1)(B)(ii)(I)
 23 the applicable income level in effect for a tar-
 24 geted low-income child;

1 “(B) in paragraph (3), January 1, 2002,
2 shall be substituted for July 1, 1997; and

3 “(C) in paragraph (4), January 1, 2002,
4 shall be substituted for March 31, 1997.

5 “(c) REFERENCES TO TERMS AND SPECIAL
6 RULES.—In the case of, and with respect to, a State pro-
7 viding for coverage of parent health assistance to targeted
8 low-income parents or pregnancy-related assistance to tar-
9 geted low-income pregnant women under subsection (a),
10 the following special rules apply:

11 “(1) Any reference in this title (other than in
12 subsection (b)) to a targeted low-income child is
13 deemed to include a reference to a targeted low-in-
14 come parent or a targeted low-income pregnant
15 woman (as applicable).

16 “(2) Any such reference to child health
17 assistance—

18 “(A) with respect to such parents is
19 deemed a reference to parent health assistance;
20 and

21 “(B) with respect to such pregnant women,
22 is deemed a reference to pregnancy-related as-
23 sistance.

24 “(3) In applying section 2103(e)(3)(B) in the
25 case of a family or pregnant woman provided cov-

1 erage under this section, the limitation on total an-
 2 nual aggregate cost-sharing shall be applied to the
 3 entire family or such pregnant woman.

4 “(4) In applying section 2110(b)(4), any ref-
 5 erence to ‘section 1902(l)(2) or 1905(n)(2) (as se-
 6 lected by a State)’ is deemed a reference to the ef-
 7 fective income level applicable to parents under sec-
 8 tion 1931 or a waiver approved under section 1115,
 9 or, in the case of a pregnant woman, the income
 10 level established under section 1902(l)(2)(A).

11 “(5) In applying section 2102(b)(3)(B), any
 12 reference to children found through screening to be
 13 eligible for medical assistance under the State med-
 14 icaid plan under title XIX is deemed a reference to
 15 parents and pregnant women.”.

16 (B) ADDITIONAL ALLOTMENTS FOR PRO-
 17 VIDING COVERAGE OF PARENTS OR PREGNANT
 18 WOMEN.—

19 (i) IN GENERAL.—Section 2104 of the
 20 Social Security Act (42 U.S.C. 1397dd) is
 21 amended by inserting after subsection (c)
 22 the following:

23 “(d) ADDITIONAL ALLOTMENTS FOR PROVIDING
 24 COVERAGE OF PARENTS OR PREGNANT WOMEN.—

1 “(1) APPROPRIATION; TOTAL ALLOTMENT.—

2 For the purpose of providing additional allotments
3 to States under this title, there is appropriated, out
4 of any money in the Treasury not otherwise appro-
5 priated, for each of fiscal years 2003 through 2007,
6 \$4,000,000,000.

7 “(2) STATE AND TERRITORIAL ALLOTMENTS.—

8 In addition to the allotments provided under sub-
9 sections (b) and (c), subject to paragraph (3), of the
10 amount available for the additional allotments under
11 paragraph (1) for a fiscal year, the Secretary shall
12 allot to each State with a State child health plan ap-
13 proved under this title—

14 “(A) in the case of such a State other than
15 a commonwealth or territory described in sub-
16 paragraph (B), the same proportion as the pro-
17 portion of the State’s allotment under sub-
18 section (b) (determined without regard to sub-
19 section (f)) to 98.95 percent of the total
20 amount of the allotments under such section for
21 such States eligible for an allotment under this
22 paragraph for such fiscal year; and

23 “(B) in the case of a commonwealth or ter-
24 ritory described in subsection (c)(3), the same
25 proportion as the proportion of the common-

wealth's or territory's allotment under subsection (c) (determined without regard to subsection (f)) to 1.05 percent of the total amount of the allotments under such section for commonwealths and territories eligible for an allotment under this paragraph for such fiscal year.

“(3) USE OF ADDITIONAL ALLOTMENT.—Additional allotments provided under this subsection are not available for amounts expended before October 1, 2002. Such amounts are available for amounts expended on or after such date for child health assistance for targeted low-income children, as well as for parent health assistance for targeted low-income parents, and pregnancy-related assistance for targeted low-income pregnant women.”.

(ii) CONFORMING AMENDMENTS.—Section 2104 of the Social Security Act (42 U.S.C. 1397dd) is amended—

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

(II) in subsection (b)(1), by inserting “and subsection (d)” after “Subject to paragraph (4)”; and

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

4 (C) NO COST-SHARING FOR PREGNANCY-
 5 RELATED BENEFITS.—Section 2103(e)(2) of
 6 the Social Security Act (42 U.S.C.
 7 1397cc(e)(2)) is amended—

8 (i) in the heading, by inserting “AND
 9 PREGNANCY-RELATED SERVICES” after
 10 “PREVENTIVE SERVICES”; and

11 (ii) by inserting before the period at
 12 the end the following: “and for pregnancy-
 13 related services”.

14 (b) CONFORMING AMENDMENTS.—

15 (1) ELIGIBILITY CATEGORIES.—Section
 16 1905(a) of the Social Security Act (42 U.S.C.
 17 1396d(a)) is amended, in the matter before para-
 18 graph (1)—

19 (A) by striking “or” at the end of clause
 20 (xii);

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

23 (C) by inserting after clause (xiii) the fol-
 24 lowing:

1 “(xiv) who are parents described in section
2 1902(k)(1),”.

3 (2) INCOME LIMITATIONS.—Section 1903(f)(4)
4 of the Social Security Act (42 U.S.C. 1396b(f)(4))
5 is amended by inserting “1902(a)(10)(A)(ii)(XIX),”
6 after “1902(a)(10)(A)(ii)(XVIII),”.

7 (3) CONFORMING AMENDMENT RELATING TO
8 NO WAITING PERIOD FOR CERTAIN WOMEN.—Section
9 2102(b)(1)(B) of the Social Security Act (42 U.S.C.
10 1397bb(b)(1)(B)) is amended—

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

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

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

16 “(iii) may not apply a waiting period
17 (including a waiting period to carry out
18 paragraph (3)(C)) in the case of a targeted
19 low-income pregnant woman.”.

20 (c) EFFECTIVE DATE.—The amendments made by
21 this section apply to items and services furnished on or
22 after October 1, 2002, whether or not regulations imple-
23 menting such amendments have been issued.

1 **SEC. 402. AUTOMATIC ENROLLMENT OF CHILDREN BORN**
 2 **TO PREGNANT WOMEN.**

3 (a) TITLE XXI.—Section 2102(b)(1) of the Social
 4 Security Act (42 U.S.C. 1397bb(b)(1)) is amended by
 5 adding at the end the following:

6 “(C) AUTOMATIC ELIGIBILITY OF CHIL-
 7 DREN BORN TO PREGNANT WOMEN.—Such eli-
 8 gibility standards shall provide for automatic
 9 coverage of a child born to an individual who is
 10 provided assistance under this title in the same
 11 manner as medical assistance would be provided
 12 under section 1902(e)(4) to a child described in
 13 such section.”.

14 (b) CONFORMING AMENDMENT TO MEDICAID.—Sec-
 15 tion 1902(e)(4) of the Social Security Act (42 U.S.C.
 16 1396a(e)(4)) is amended in the first sentence by striking
 17 “so long as the child is a member of the woman’s house-
 18 hold and the woman remains (or would remain if preg-
 19 nant) eligible for such assistance”.

20 **TITLE V—ACCESS TO MEDICARE**
 21 **BENEFITS FOR INDIVIDUALS**
 22 **62-TO-65 YEARS OF AGE**

23 **SEC. 501. ACCESS TO MEDICARE BENEFITS FOR INDIVID-**
 24 **UALS 62-TO-65 YEARS OF AGE.**

25 (a) IN GENERAL.—Title XVIII of the Social Security
 26 Act is amended—

1 (1) by redesignating section 1859 and part D
2 as section 1858 and part E, respectively; and

3 (2) by inserting after such section the following
4 new part:

5 “PART D—PURCHASE OF MEDICARE BENEFITS BY
6 CERTAIN INDIVIDUALS AGE 62-TO-65 YEARS OF AGE
7 **“SEC. 1859. PROGRAM BENEFITS; ELIGIBILITY.**

8 “(a) ENTITLEMENT TO MEDICARE BENEFITS FOR
9 ENROLLED INDIVIDUALS.—

10 “(1) IN GENERAL.—An individual enrolled
11 under this part is entitled to the same benefits
12 under this title as an individual entitled to benefits
13 under part A and enrolled under part B.

14 “(2) DEFINITIONS.—For purposes of this part:

15 “(A) FEDERAL OR STATE COBRA CONTINU-
16 ATION PROVISION.—The term ‘Federal or State
17 COBRA continuation provision’ has the mean-
18 ing given the term ‘COBRA continuation provi-
19 sion’ in section 2791(d)(4) of the Public Health
20 Service Act and includes a comparable State
21 program, as determined by the Secretary.

22 “(B) FEDERAL HEALTH INSURANCE PRO-
23 GRAM DEFINED.—The term ‘Federal health in-
24 surance program’ means any of the following:

1 “(i) MEDICARE.—Part A or part B of
 2 this title (other than by reason of this
 3 part).

4 “(ii) MEDICAID.—A State plan under
 5 title XIX.

6 “(iii) SCHIP.—A State plan under
 7 title XXI.

8 “(iv) FEHBP.—The Federal employ-
 9 ees health benefit program under chapter
 10 89 of title 5, United States Code.

11 “(v) TRICARE.—The TRICARE
 12 program (as defined in section 1072(7) of
 13 title 10, United States Code).

14 “(vi) ACTIVE DUTY MILITARY.—
 15 Health benefits under title 10, United
 16 States Code, to an individual as a member
 17 of the uniformed services of the United
 18 States.

19 “(C) GROUP HEALTH PLAN.—The term
 20 ‘group health plan’ has the meaning given such
 21 term in section 2791(a)(1) of the Public Health
 22 Service Act.

23 “(b) ELIGIBILITY OF INDIVIDUALS AGE 62-TO-65
 24 YEARS OF AGE.—

1 “(1) IN GENERAL.—Subject to paragraph (2),
 2 an individual who meets the following requirements
 3 with respect to a month is eligible to enroll under
 4 this part with respect to such month:

5 “(A) AGE.—As of the last day of the
 6 month, the individual has attained 62 years of
 7 age, but has not attained 65 years of age.

8 “(B) MEDICARE ELIGIBILITY (BUT FOR
 9 AGE).—The individual would be eligible for ben-
 10 efits under part A or part B for the month if
 11 the individual were 65 years of age.

12 “(C) NOT ELIGIBLE FOR COVERAGE
 13 UNDER GROUP HEALTH PLANS OR FEDERAL
 14 HEALTH INSURANCE PROGRAMS.—The indi-
 15 vidual is not, as of the last day of the month
 16 involved, eligible for benefits or coverage
 17 under—

18 “(i) a group health plan (other than
 19 such eligibility merely through a Federal or
 20 State COBRA continuation provision);

21 “(ii) a health plan of the employee’s
 22 spouse;

23 “(iii) title XVIII, XIX, or XXI;

24 “(iv) chapter 17 of title 38, United
 25 States Code;

1 “(v) chapter 55 of title 10, United
2 States Code;

3 “(vi) chapter 89 of title 5, United
4 States Code; or

5 “(vii) any other provision of law.

6 “(2) LIMITATION ON ELIGIBILITY IF TERMI-
7 NATED ENROLLMENT.—If an individual described in
8 paragraph (1) enrolls under this part and coverage
9 of the individual is terminated under section
10 1859A(d) (other than because of age), the individual
11 is not again eligible to enroll under this subsection
12 unless the following requirements are met:

13 “(A) NEW COVERAGE UNDER GROUP
14 HEALTH PLAN OR FEDERAL HEALTH INSUR-
15 ANCE PROGRAM.—After the date of termination
16 of coverage under such section, the individual
17 obtains coverage under a group health plan or
18 under a Federal health insurance program.

19 “(B) SUBSEQUENT LOSS OF NEW COV-
20 ERAGE.—The individual subsequently loses eli-
21 gibility for the coverage described in subpara-
22 graph (A) and exhausts any eligibility the indi-
23 vidual may subsequently have for coverage
24 under a Federal or State COBRA continuation
25 provision.

1 “(3) CHANGE IN HEALTH PLAN ELIGIBILITY
 2 DOES NOT AFFECT COVERAGE.—In the case of an
 3 individual who is eligible for and enrolls under this
 4 part under this subsection, the individual’s continued
 5 entitlement to benefits under this part shall not be
 6 affected by the individual’s subsequent eligibility for
 7 benefits or coverage described in paragraph (1)(C),
 8 or entitlement to such benefits or coverage.

9 **“SEC. 1859A. ENROLLMENT PROCESS; COVERAGE.**

10 “(a) IN GENERAL.—An individual may enroll in the
 11 program established under this part only in such manner
 12 and form as may be prescribed by regulations, and only
 13 during an enrollment period prescribed by the Secretary
 14 consistent with the provisions of this section. Such regula-
 15 tions shall provide a process under which—

16 “(1) individuals eligible to enroll as of a month
 17 are permitted to pre-enroll during a prior month
 18 within an enrollment period described in subsection
 19 (b); and

20 “(2) each individual seeking to enroll under sec-
 21 tion 1859(b) is notified, before enrolling, of the de-
 22 ferred monthly premium amount the individual will
 23 be liable for under section 1859C(b) upon attaining
 24 65 years of age as determined under section
 25 1859B(c)(3).

1 “(b) ENROLLMENT PERIODS.—

2 “(1) INDIVIDUALS 62-TO-65 YEARS OF AGE.—In
3 the case of individuals eligible to enroll under this
4 part under section 1859(b)—

5 “(A) INITIAL ENROLLMENT PERIOD.—If
6 the individual is eligible to enroll under such
7 section for July 2003, the enrollment period
8 shall begin on May 1, 2003, and shall end on
9 August 31, 2003. Any such enrollment before
10 July 1, 2003, is conditioned upon compliance
11 with the conditions of eligibility for July 2003.

12 “(B) SUBSEQUENT PERIODS.—If the indi-
13 vidual is eligible to enroll under such section for
14 a month after July 2003, the enrollment period
15 shall begin on the first day of the second month
16 before the month in which the individual first is
17 eligible to so enroll and shall end four months
18 later. Any such enrollment before the first day
19 of the third month of such enrollment period is
20 conditioned upon compliance with the condi-
21 tions of eligibility for such third month.

22 “(2) AUTHORITY TO CORRECT FOR GOVERN-
23 MENT ERRORS.—The provisions of section 1837(h)
24 apply with respect to enrollment under this part in

1 the same manner as they apply to enrollment under
2 part B.

3 “(c) DATE COVERAGE BEGINS.—

4 “(1) IN GENERAL.—The period during which
5 an individual is entitled to benefits under this part
6 shall begin as follows, but in no case earlier than
7 July 1, 2003:

8 “(A) In the case of an individual who en-
9 rolls (including pre-enrolls) before the month in
10 which the individual satisfies eligibility for en-
11 rollment under section 1859, the first day of
12 such month of eligibility.

13 “(B) In the case of an individual who en-
14 rolls during or after the month in which the in-
15 dividual first satisfies eligibility for enrollment
16 under such section, the first day of the fol-
17 lowing month.

18 “(2) AUTHORITY TO PROVIDE FOR PARTIAL
19 MONTHS OF COVERAGE.—Under regulations, the
20 Secretary may, in the Secretary’s discretion, provide
21 for coverage periods that include portions of a
22 month in order to avoid lapses of coverage.

23 “(3) LIMITATION ON PAYMENTS.—No payments
24 may be made under this title with respect to the ex-
25 penses of an individual enrolled under this part un-

1 less such expenses were incurred by such individual
 2 during a period which, with respect to the individual,
 3 is a coverage period under this section.

4 “(d) TERMINATION OF COVERAGE.—

5 “(1) IN GENERAL.—An individual’s coverage
 6 period under this part shall continue until the indi-
 7 vidual’s enrollment has been terminated at the ear-
 8 liest of the following:

9 “(A) GENERAL PROVISIONS.—

10 “(i) NOTICE.—The individual files no-
 11 tice (in a form and manner prescribed by
 12 the Secretary) that the individual no
 13 longer wishes to participate in the insur-
 14 ance program under this part.

15 “(ii) NONPAYMENT OF PREMIUMS.—
 16 The individual fails to make payment of
 17 premiums required for enrollment under
 18 this part.

19 “(iii) MEDICARE ELIGIBILITY.—The
 20 individual becomes entitled to benefits
 21 under part A or enrolled under part B
 22 (other than by reason of this part).

23 “(B) TERMINATION BASED ON AGE.—The
 24 individual attains 65 years of age.

25 “(2) EFFECTIVE DATE OF TERMINATION.—

1 “(A) NOTICE.—The termination of a cov-
2 erage period under paragraph (1)(A)(i) shall
3 take effect at the close of the month following
4 for which the notice is filed.

5 “(B) NONPAYMENT OF PREMIUM.—The
6 termination of a coverage period under para-
7 graph (1)(A)(ii) shall take effect on a date de-
8 termined under regulations, which may be de-
9 termined so as to provide a grace period in
10 which overdue premiums may be paid and cov-
11 erage continued. The grace period determined
12 under the preceding sentence shall not exceed
13 60 days; except that it may be extended for an
14 additional 30 days in any case where the Sec-
15 retary determines that there was good cause for
16 failure to pay the overdue premiums within
17 such 60-day period.

18 “(C) AGE OR MEDICARE ELIGIBILITY.—
19 The termination of a coverage period under
20 paragraph (1)(A)(iii) or (1)(B) shall take effect
21 as of the first day of the month in which the
22 individual attains 65 years of age or becomes
23 entitled to benefits under part A or enrolled for
24 benefits under part B (other than by reason of
25 this part).

1 **“SEC. 1859B. PREMIUMS.**

2 “(a) AMOUNT OF MONTHLY PREMIUMS.—

3 “(1) BASE MONTHLY PREMIUMS.—The Sec-
4 retary shall, during September of each year (begin-
5 ning with 2002), determine the following premium
6 rates which shall apply with respect to coverage pro-
7 vided under this title for any month in the suc-
8 ceeding year:

9 “(A) BASE MONTHLY PREMIUM FOR INDIVIDUALS 62 YEARS OF AGE OR OLDER.—A base
10 monthly premium for individuals 62 years of
11 age or older, equal to $\frac{1}{12}$ of the base annual
12 premium rate computed under subsection (b).
13

14 “(2) DEFERRED MONTHLY PREMIUMS FOR INDIVIDUALS 62 YEARS OF AGE OR OLDER.—The Sec-
15 retary shall, during September of each year (begin-
16 ning with 2002), determine under subsection (c) the
17 amount of deferred monthly premiums that shall
18 apply with respect to individuals who first obtain
19 coverage under this part under section 1859(b) in
20 the succeeding year.
21

22 “(b) BASE ANNUAL PREMIUM FOR INDIVIDUALS 62
23 YEARS OF AGE OR OLDER.—

24 “(1) IN GENERAL.—The base annual premium
25 under this subsection for months in a year for indi-
26 viduals 62 years of age or older residing is equal to

1 the average, annual per capita amount estimated for
2 the year by the Secretary in accordance with para-
3 graph (2).

4 “(2) NATIONAL, PER CAPITA AVERAGE.—The
5 Secretary shall estimate the average, annual per
6 capita amount that would be payable under this title
7 with respect to individuals residing in the United
8 States who meet the requirements of section
9 1859(b)(1) as if all such individuals were eligible for
10 (and enrolled) under this title during the entire year
11 (and assuming that section 1862(b)(2)(A)(i) did not
12 apply).

13 “(c) DEFERRED PREMIUM RATE FOR INDIVIDUALS
14 62 YEARS OF AGE OR OLDER.—The deferred premium
15 rate for individuals within a cohort of enrollees who obtain
16 coverage under section 1859(b) in a year shall be com-
17 puted by the Secretary as follows:

18 “(1) ESTIMATION OF NATIONAL, PER CAPITA
19 ANNUAL AVERAGE EXPENDITURES FOR ENROLL-
20 MENT COHORT.—The Secretary shall estimate the
21 average, per capita annual amount that will be paid
22 under this part for individuals in such cohort during
23 the period of enrollment under section 1859(b). In
24 making such estimate for coverage beginning in a
25 year before 2004, the Secretary may base such esti-

1 mate on the average, per capita amount that would
 2 be payable if the program had been in operation over
 3 a previous period of at least 4 years.

4 “(2) DIFFERENCE BETWEEN ESTIMATED EX-
 5 PENDITURES AND ESTIMATED PREMIUMS.—Based
 6 on the characteristics of individuals in such cohort,
 7 the Secretary shall estimate during the period of
 8 coverage of the cohort under this part under section
 9 1859(b) the amount by which—

10 “(A) the amount estimated under para-
 11 graph (1); exceeds

12 “(B) the average, annual per capita
 13 amount of premiums that will be payable for
 14 months during the year under section 1859C(a)
 15 for individuals in such cohort (including pre-
 16 miums that would be payable if there were no
 17 terminations in enrollment under clause (i) or
 18 (ii) of section 1859A(d)(1)(A)).

19 “(3) ACTUARIAL COMPUTATION OF DEFERRED
 20 MONTHLY PREMIUM RATES.—The Secretary shall
 21 determine deferred monthly premium rates for indi-
 22 viduals in such cohort in a manner so that the esti-
 23 mated actuarial value of such premiums payable
 24 under section 1859C(b) is equal to the estimated ac-
 25 tuarial present value of the differences described in

1 paragraph (2). Such rate shall be computed for each
 2 individual in the cohort in a manner so that the rate
 3 is based on the number of months between the first
 4 month of coverage based on enrollment under sec-
 5 tion 1859(b) and the month in which the individual
 6 attains 65 years of age.

7 “(4) DETERMINANTS OF ACTUARIAL PRESENT
 8 VALUES.—The actuarial present values described in
 9 paragraph (3) shall reflect—

10 “(A) the estimated probabilities of survival
 11 at ages 62 through 84 for individuals enrolled
 12 during the year; and

13 “(B) the estimated effective average inter-
 14 est rates that would be earned on investments
 15 held in the trust funds under this title during
 16 the period in question.

17 **“SEC. 1859C. PAYMENT OF PREMIUMS.**

18 “(a) PAYMENT OF BASE MONTHLY PREMIUM.—

19 “(1) IN GENERAL.—The Secretary shall provide
 20 for payment and collection of the base monthly pre-
 21 mium, determined under section 1859B(a)(1) for the
 22 age (and age cohort, if applicable) of the individual
 23 involved, in the same manner as for payment of
 24 monthly premiums under section 1840, except that,
 25 for purposes of applying this section, any reference

1 in such section to the Federal Supplementary Med-
 2 ical Insurance Trust Fund is deemed a reference to
 3 the Trust Fund established under section 1859D.

4 “(2) PERIOD OF PAYMENT.—In the case of an
 5 individual who participates in the program estab-
 6 lished by this title, the base monthly premium shall
 7 be payable for the period commencing with the first
 8 month of the individual’s coverage period and ending
 9 with the month in which the individual’s coverage
 10 under this title terminates.

11 “(b) PAYMENT OF DEFERRED PREMIUM FOR INDIVIDUALS COVERED AFTER ATTAINING AGE 62.—

12 “(1) RATE OF PAYMENT.—

13 “(A) IN GENERAL.—In the case of an indi-
 14 vidual who is covered under this part for a
 15 month pursuant to an enrollment under section
 16 1859(b), subject to subparagraph (B), the indi-
 17 vidual is liable for payment of a deferred pre-
 18 mium in each month during the period de-
 19 scribed in paragraph (2) in an amount equal to
 20 the full deferred monthly premium rate deter-
 21 mined for the individual under section
 22 1859B(c).

23 “(B) SPECIAL RULES FOR THOSE WHO
 24 DISENROLL EARLY.—

1 “(i) IN GENERAL.—If such an individ-
2 ual’s enrollment under such section is ter-
3 minated under clause (i) or (ii) of section
4 1859A(d)(1)(A), subject to clause (ii), the
5 amount of the deferred premium otherwise
6 established under this paragraph shall be
7 pro-rated to reflect the number of months
8 of coverage under this part under such en-
9 rollment compared to the maximum num-
10 ber of months of coverage that the indi-
11 vidual would have had if the enrollment
12 were not so terminated.

13 “(ii) ROUNDING TO 12-MONTH MIN-
14 IMUM COVERAGE PERIODS.—In applying
15 clause (i), the number of months of cov-
16 erage (if not a multiple of 12) shall be
17 rounded to the next highest multiple of 12
18 months, except that in no case shall this
19 clause result in a number of months of
20 coverage exceeding the maximum number
21 of months of coverage that the individual
22 would have had if the enrollment were not
23 so terminated.

24 “(2) PERIOD OF PAYMENT.—The period de-
25 scribed in this paragraph for an individual is the pe-

1 riod beginning with the first month in which the in-
 2 dividual has attained 65 years of age and ending
 3 with the month before the month in which the indi-
 4 vidual attains 85 years of age.

5 “(3) COLLECTION.—In the case of an individual
 6 who is liable for a premium under this subsection,
 7 the amount of the premium shall be collected in the
 8 same manner as the premium for enrollment under
 9 such part is collected under section 1840, except
 10 that any reference in such section to the Federal
 11 Supplementary Medical Insurance Trust Fund is
 12 deemed to be a reference to the Medicare Early Ac-
 13 cess Trust Fund established under section 1859D.

14 “(c) APPLICATION OF CERTAIN PROVISIONS.—The
 15 provisions of section 1840 (other than subsection (h))
 16 shall apply to premiums collected under this section in the
 17 same manner as they apply to premiums collected under
 18 part B, except that any reference in such section to the
 19 Federal Supplementary Medical Insurance Trust Fund is
 20 deemed a reference to the Trust Fund established under
 21 section 1859D.

22 **“SEC. 1859D. MEDICARE EARLY ACCESS TRUST FUND.**

23 “(a) ESTABLISHMENT OF TRUST FUND.—

24 “(1) IN GENERAL.—There is hereby created on
 25 the books of the Treasury of the United States a

1 trust fund to be known as the ‘Medicare Early Ac-
 2 cess Trust Fund’ (in this section referred to as the
 3 ‘Trust Fund’). The Trust Fund shall consist of such
 4 gifts and bequests as may be made as provided in
 5 section 201(i)(1) and such amounts as may be de-
 6 posited in, or appropriated to, such fund as provided
 7 in this title.

8 “(2) PREMIUMS.—Premiums collected under
 9 section 1859B shall be transferred to the Trust
 10 Fund.

11 “(b) INCORPORATION OF PROVISIONS.—

12 “(1) IN GENERAL.—Subject to paragraph (2),
 13 subsections (b) through (i) of section 1841 shall
 14 apply with respect to the Trust Fund and this title
 15 in the same manner as they apply with respect to
 16 the Federal Supplementary Medical Insurance Trust
 17 Fund and part B, respectively.

18 “(2) MISCELLANEOUS REFERENCES.—In apply-
 19 ing provisions of section 1841 under paragraph
 20 (1)—

21 “(A) any reference in such section to ‘this
 22 part’ is construed to refer to this part D;

23 “(B) any reference in section 1841(h) to
 24 section 1840(d) and in section 1841(i) to sec-
 25 tions 1840(b)(1) and 1842(g) are deemed ref-

1 erences to comparable authority exercised under
2 this part; and

3 “(C) payments may be made under section
4 1841(g) to the Trust Funds under sections
5 1817 and 1841 as reimbursement to such funds
6 for payments they made for benefits provided
7 under this part.

8 **“SEC. 1859E. OVERSIGHT AND ACCOUNTABILITY.**

9 “(a) THROUGH ANNUAL REPORTS OF TRUSTEES.—
10 The Board of Trustees of the Medicare Early Access
11 Trust Fund under section 1859D(b)(1) shall report on an
12 annual basis to Congress concerning the status of the
13 Trust Fund and the need for adjustments in the program
14 under this part to maintain financial solvency of the pro-
15 gram under this part.

16 “(b) PERIODIC GAO REPORTS.—The Comptroller
17 General of the United States shall periodically submit to
18 Congress reports on the adequacy of the financing of cov-
19 erage provided under this part. The Comptroller General
20 shall include in such report such recommendations for ad-
21 justments in such financing and coverage as the Comp-
22 troller General deems appropriate in order to maintain fi-
23 nancial solvency of the program under this part.

1 **“SEC. 1859F. ADMINISTRATION AND MISCELLANEOUS.**

2 “(a) TREATMENT FOR PURPOSES OF TITLE.—Ex-
3 cept as otherwise provided in this part—

4 “(1) individuals enrolled under this part shall
5 be treated for purposes of this title as though the in-
6 dividual were entitled to benefits under part A and
7 enrolled under part B; and

8 “(2) benefits described in section 1859 shall be
9 payable under this title to such individuals in the
10 same manner as if such individuals were so entitled
11 and enrolled.

12 “(b) NOT TREATED AS MEDICARE PROGRAM FOR
13 PURPOSES OF MEDICAID PROGRAM.—For purposes of ap-
14 plying title XIX (including the provision of medicare cost-
15 sharing assistance under such title), an individual who is
16 enrolled under this part shall not be treated as being enti-
17 tled to benefits under this title.

18 “(c) NOT TREATED AS MEDICARE PROGRAM FOR
19 PURPOSES OF COBRA CONTINUATION PROVISIONS.—In
20 applying a COBRA continuation provision (as defined in
21 section 2791(d)(4) of the Public Health Service Act), any
22 reference to an entitlement to benefits under this title
23 shall not be construed to include entitlement to benefits
24 under this title pursuant to the operation of this part.”.

25 (b) CONFORMING AMENDMENTS TO SOCIAL SECU-
26 RITY ACT PROVISIONS.—

1 (1) Section 201(i)(1) of the Social Security Act
2 (42 U.S.C. 401(i)(1)) is amended by striking “or the
3 Federal Supplementary Medical Insurance Trust
4 Fund” and inserting “the Federal Supplementary
5 Medical Insurance Trust Fund, and the Medicare
6 Early Access Trust Fund”.

7 (2) Section 201(g)(1)(A) of such Act (42
8 U.S.C. 401(g)(1)(A)) is amended by striking “and
9 the Federal Supplementary Medical Insurance Trust
10 Fund established by title XVIII” and inserting “,
11 the Federal Supplementary Medical Insurance Trust
12 Fund, and the Medicare Early Access Trust Fund
13 established by title XVIII”.

14 (3) Section 1820(i) of such Act (42 U.S.C.
15 1395i-4(i)) is amended by striking “part D” and in-
16 serting “part E”.

17 (4) Part C of title XVIII of such Act is
18 amended—

19 (A) in section 1851(a)(2)(B) (42 U.S.C.
20 1395w-21(a)(2)(B)), by striking “1859(b)(3)”
21 and inserting “1858(b)(3)”;

22 (B) in section 1851(a)(2)(C) (42 U.S.C.
23 1395w-21(a)(2)(C)), by striking “1859(b)(2)”
24 and inserting “1858(b)(2)”;

1 (C) in section 1852(a)(1) (42 U.S.C.
2 1395w-22(a)(1)), by striking “1859(b)(3)” and
3 inserting “1858(b)(3)”;

4 (D) in section 1852(a)(3)(B)(ii) (42
5 U.S.C. 1395w-22(a)(3)(B)(ii)), by striking
6 “1859(b)(2)(B)” and inserting
7 “1858(b)(2)(B)”;

8 (E) in section 1853(a)(1)(A) (42 U.S.C.
9 1395w-23(a)(1)(A)), by striking “1859(e)(4)”
10 and inserting “1858(e)(4)”;

11 (F) in section 1853(a)(3)(D) (42 U.S.C.
12 1395w-23(a)(3)(D)), by striking “1859(e)(4)”
13 and inserting “1858(e)(4)”.

14 (5) Section 1853(c) of such Act (42 U.S.C.
15 1395w-23(c)) is amended—

16 (A) in paragraph (1), by striking “or (7)”
17 and inserting “, (7), or (8)”, and

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

19 “(8) ADJUSTMENT FOR EARLY ACCESS.—In ap-
20 plying this subsection with respect to individuals en-
21 titled to benefits under part D, the Secretary shall
22 provide for an appropriate adjustment in the
23 Medicare+Choice capitation rate as may be appro-
24 priate to reflect differences between the population

1 served under such part and the population under
2 parts A and B.”.

3 (c) OTHER CONFORMING AMENDMENTS.—

4 (1) Section 138(b)(4) of the Internal Revenue
5 Code of 1986 is amended by striking “1859(b)(3)”
6 and inserting “1858(b)(3)”.

7 (2)(A) Section 602(2)(D)(ii) of the Employee
8 Retirement Income Security Act of 1974 (29 U.S.C.
9 1162(2)) is amended by inserting “(not including an
10 individual who is so entitled pursuant to enrollment
11 under section 1859A)” after “Social Security Act”.

12 (B) Section 2202(2)(D)(ii) of the Public Health
13 Service Act (42 U.S.C. 300bb–2(2)(D)(ii)) is amend-
14 ed by inserting “(not including an individual who is
15 so entitled pursuant to enrollment under section
16 1859A)” after “Social Security Act”.

17 (C) Section 4980B(f)(2)(B)(i)(V) of the Inter-
18 nal Revenue Code of 1986 is amended by inserting
19 “(not including an individual who is so entitled pur-
20 suant to enrollment under section 1859A)” after
21 “Social Security Act”.

○