

108TH CONGRESS
1ST SESSION

S. 1935

To amend the Public Health Service Act to require employers to offer health care coverage for all employees, to amend the Social Security Act to guarantee comprehensive health care coverage for all children born after 2001, and for other purposes.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 23, 2003

Mr. CORZINE introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Public Health Service Act to require employers to offer health care coverage for all employees, to amend the Social Security Act to guarantee comprehensive health care coverage for all children born after 2001, 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; FINDINGS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Universal Secure Access to Health Care Act of 2003”.

6 (b) FINDINGS.—

1 (1) In 2002, 43,600,000 Americans, nearly
2 17.2 percent of the total nonelderly population, were
3 uninsured.

4 (2) The number of uninsured has grown by
5 nearly 10,000,000 over the past decade.

6 (3) While 61 percent of Americans receive
7 health insurance coverage through their employers,
8 millions of Americans lack access to such coverage
9 either because their employer does not offer such
10 coverage or the employer cannot afford to pay for
11 such coverage.

12 (4) Today, fewer Americans have health insur-
13 ance through their employment to cover themselves
14 and their dependents than 10 years ago.

15 (5) Eighty-two percent of the individuals that
16 are uninsured in the United States are in working
17 families.

18 (6) Low-wage workers have more difficulty ob-
19 taining affordable health care coverage since such
20 workers are less likely than high-wage workers to
21 have such coverage offered as a benefit by an em-
22 ployer, and prohibitive premiums for individually
23 purchased coverage often prevents such workers
24 from purchasing such coverage independently.

1 (7) The consequences of our nation’s significant
2 uninsured population are devastating.

3 (8) The uninsured are significantly more likely
4 to delay or forego needed health care.

5 (9) The uninsured are less likely to receive pre-
6 ventive health care.

7 (10) Delaying or foregoing health care treat-
8 ment when such treatment is needed can produce
9 unnecessarily dire and expensive results. More severe
10 health care conditions may arise and more expensive
11 health care treatments, such as costly hospitaliza-
12 tions, may be necessary even though such conditions
13 or treatments could have been avoided by the initial
14 provision of adequate and timely health care. The
15 uninsured, for example, are more likely to be hos-
16 pitalized for conditions that could have been avoided,
17 such as pneumonia and uncontrolled diabetes, than
18 the insured. The uninsured with various forms of
19 cancer are also more likely to be diagnosed with late
20 stage cancer than the insured.

21 **SEC. 2. AMENDMENT TO THE PUBLIC HEALTH SERVICE**
22 **ACT.**

23 The Public Health Service Act (42 U.S.C. 201 et
24 seq.) is amended by adding at the end the following:

1 **“TITLE XXVIII—UNIVERSAL**
 2 **HEALTH INSURANCE COVERAGE**
 3 **“Subtitle A—Employer Mandated**
 4 **Health Insurance Coverage**

5 **“SEC. 2801. EMPLOYER MANDATED HEALTH INSURANCE**
 6 **COVERAGE.**

7 “(a) IN GENERAL.—Each employer shall offer to en-
 8 roll each of its employees and their families in a standard
 9 health benefit plan.

10 “(b) STANDARD HEALTH BENEFIT PLAN.—For pur-
 11 poses of this title, the term ‘standard health benefit plan’
 12 means a plan that provides benefits for health care items
 13 and services that are actuarially equivalent or greater in
 14 value than the benefits offered as of January 1, 2000,
 15 under the Blue Cross/Blue Shield Standard Option Plan
 16 provided under the Federal Employees Health Benefit
 17 Program under chapter 89 of title 5, United States Code.

18 “(c) PART-TIME EMPLOYEES.—Subsection (a) shall
 19 apply to part-time employees.

20 **“SEC. 2802. TYPE OF COVERAGE.**

21 “(a) IN GENERAL.—Each standard health benefit
 22 plan offered by an employer under section 2801(a) shall
 23 conform to the requirements of this section.

24 “(b) PROHIBITION AGAINST DISCRIMINATION.—A
 25 standard health benefit plan offered by an employer under

1 section 2801(a) shall not establish rules for eligibility of
2 any individual to enroll under the plan or exclude or other-
3 wise limit any individual from coverage under the plan
4 based on—

5 “(1) medical history;

6 “(2) health status;

7 “(3) a preexisting medical condition, disease, or
8 disorder; or

9 “(4) genetic information.

10 “(c) OPEN ENROLLMENT.—A standard health ben-
11 efit plan offered by an employer under section 2801(a)
12 shall offer an annual open enrollment period during which
13 an individual may change enrollment from such plan to
14 another standard health benefit plan offered by such em-
15 ployer.

16 “(d) MEDICALLY NECESSARY SERVICES.—A stand-
17 ard health benefit plan offered by an employer under sec-
18 tion 2801(a) shall, if such plan provides coverage for a
19 certain health care item or service, provide coverage for
20 such item or service if a doctor determines that such item
21 or service is medically necessary.

22 “(e) DATE OF INITIAL COVERAGE.—In the case of
23 an employee enrolled in a standard health benefit plan
24 provided by an employer under section 2801(a), the cov-
25 erage under such plan shall commence not later than 5

1 days after the day on which the employee first performs
2 an hour of service as an employee of that employer. No
3 waiting period beyond this initial 5-day period may be im-
4 posed regarding such coverage.

5 **“SEC. 2803. PREMIUMS.**

6 “(a) IN GENERAL.—Each employer shall—

7 “(1) contribute to the cost of any standard
8 health benefit plan that an employee has enrolled in
9 in accordance with this section; and

10 “(2) withhold from wages of an employee, the
11 employee share of the premium assessed for cov-
12 erage under the standard health benefit plan.

13 “(b) CONTRIBUTION.—

14 “(1) EMPLOYER SHARE.—

15 “(A) FULL-TIME EMPLOYEES.—Each em-
16 ployer who has enrolled an employee in a stand-
17 ard health benefit plan shall contribute not less
18 than 72 percent of the monthly premium for
19 such employee.

20 “(B) PART-TIME EMPLOYEES.—

21 “(i) PRO-RATED PORTION PAID.—

22 Each employer who has enrolled a part-
23 time employee in a standard health benefit
24 plan shall pay a portion of the monthly
25 premium for such employee that is pro-

1 rated to correspond with the number of
2 hours of work that such employee has pro-
3 vided during the past month.

4 “(ii) EXCEPTION.—No employer con-
5 tribution is required under this section
6 with respect to an employee who works less
7 than 10 hours per week.

8 “(2) EMPLOYEE SHARE.—

9 “(A) IN GENERAL.—Each employee en-
10 rolled in a standard health benefit plan under
11 section 2801(a) shall pay the remaining portion
12 of the monthly premium after payment by the
13 employer as required under subsection (a).

14 “(B) PART-TIME EMPLOYEES.—An em-
15 ployee who is enrolled in a standard health ben-
16 efit plan under section 2801(a) and works for
17 such employer for not more than 30 hours and
18 not less than 10 hours per week shall be eligible
19 for a subsidy to aid such employee in paying his
20 or her portion of the monthly premium.

21 “(3) LOW-INCOME EMPLOYEES.—An employee
22 who is enrolled in a standard health benefit plan
23 under section 2801(a) whose family income does not
24 exceed 250 percent of the poverty line (as defined by
25 the Office of Management and Budget, and revised

1 annually in accordance with section 673(2) of the
2 Community Services Block Grant Act (42 U.S.C.
3 9902(2)) as applicable to a family of the size in-
4 volved, shall be eligible to receive a subsidy from the
5 State as described in subtitle B to aid in payment
6 of premiums.

7 **“SEC. 2804. ENFORCEMENT.**

8 “(a) STATE INELIGIBILITY FOR PUBLIC HEALTH
9 SERVICE ACT FUNDS.—An employer that is a State or
10 political subdivision of a State or an agency or instrumen-
11 tality of a State or political subdivision that does not com-
12 ply with the requirements of this title shall not be eligible
13 to receive a grant, contract, cooperative agreement, loan,
14 or loan guarantee under this Act.

15 “(b) CIVIL PENALTY FOR PRIVATE EMPLOYERS.—

16 “(1) IN GENERAL.—Any nongovernmental em-
17 ployer that does not comply with this title shall be
18 subject to a civil penalty of not more than 10 per-
19 cent of the total amount of the employer’s expendi-
20 tures for wages for employees in that year.

21 “(2) ASSESSMENT PROCEDURE.—A civil money
22 penalty under this section shall be assessed by the
23 Secretary and collected in a civil action brought by
24 the United States in a United States district court.

25 The Secretary shall not assess such a penalty on an

1 employer until the employer has been given notice
2 and an opportunity to present its views on such
3 charge.

4 “(3) AMOUNT OF PENALTY.—In determining
5 the amount of the penalty, or the amount agreed to
6 in compromise, the Secretary shall consider the
7 gravity of the noncompliance and the demonstrated
8 good faith of the employer charged in attempting to
9 achieve rapid compliance after notification of a viola-
10 tion of this title.

11 **“SEC. 2805. DEFINITIONS.**

12 “In this title:

13 “(1) EMPLOYER.—The term ‘employer’ means,
14 with respect to a calendar year and plan year, an
15 employer that employed an average of at least 50
16 full-time employees on business days during the pre-
17 ceding calendar year and employs not less than 50
18 employees on the first day of the plan year.

19 “(2) PART-TIME EMPLOYEE.—The term ‘part-
20 time employee’ means any individual employed by an
21 employer who works less than 40 hours a week.

22 “(3) WAITING PERIOD.—The term ‘waiting pe-
23 riod’ means, with respect to a plan and an individual
24 who is a potential beneficiary or participant in the
25 plan, the period that must pass with respect to the

1 individual before the individual is eligible to be cov-
 2 ered for benefits under the terms of the
 3 plan.noncompliance by the Secretary.

4 **“SEC. 2806. EFFECTIVE DATE.**

5 “This title shall take effect 2 years after the date of
 6 enactment of the Universal Secure Access to Health Care
 7 Act of 2003.

8 **“Subtitle B—Individual and**
 9 **Employer Subsidies**

10 **“SEC. 2811. SUBSIDY PROGRAM.**

11 “(a) IN GENERAL.—The Secretary shall establish a
 12 Federal program to award grants to States for State pre-
 13 mium assistance programs.

14 “(b) FEDERAL PROGRAM.—

15 “(1) IN GENERAL.—The Secretary shall estab-
 16 lish a Federal program that shall set all standards
 17 for administration of State programs, receive appli-
 18 cations from States for the establishment of such
 19 programs, and receive reports from States regarding
 20 the developments of such programs.

21 “(2) REGULATIONS.—The Secretary shall pro-
 22 mulgate regulations specifying requirements for
 23 State programs under this subtitle, including—

24 “(A) standards for determining eligibility
 25 for premium assistance;

1 “(B) standards for States operating pro-
2 grams under this subtitle which ensure that
3 such programs are operated in a uniform man-
4 ner with respect to application procedures, data
5 processing systems, and such other administra-
6 tive activities as the Secretary determines to be
7 necessary; and

8 “(C) standards for accepting reports re-
9 garding developments of such programs.

10 “(3) CONTENT.—The regulations described in
11 paragraph (2) shall require that a State program—

12 “(A) enable an individual to file an appli-
13 cation for assistance with an agency designated
14 by the State at any time, in person, by mail, or
15 online;

16 “(B) provide for the use of an application
17 form developed by the Secretary;

18 “(C) make applications accessible at loca-
19 tions where individuals are most likely to obtain
20 the applications;

21 “(D) require individuals to submit revised
22 applications to reflect changes in estimated
23 family incomes, including changes in employ-
24 ment status of family members, during the
25 year, and the State shall revise the amount of

1 any premium assistance based on such a revised
2 application; and

3 “(E) provide for verification of the infor-
4 mation supplied in applications under this sub-
5 title, including examining return information
6 disclosed to the State.

7 “(4) APPLICATION.—The Secretary shall de-
8 velop an application form for assistance to be used
9 by a State which shall—

10 “(A) be simple in form and understandable
11 to the average individual;

12 “(B) require the provision of information
13 necessary to make a determination as to wheth-
14 er an individual is eligible for assistance, includ-
15 ing a declaration of estimated income by the in-
16 dividual based, at the election of the indi-
17 vidual—

18 “(I) on multiplying by a factor of 4
19 the individual’s family income for the 3-
20 month period immediately preceding the
21 month in which the application is made; or

22 “(II) on estimated income for the en-
23 tire year for which the application is sub-
24 mitted; and

1 “(C) require attachment of such docu-
2 mentation as deemed necessary by the Sec-
3 retary in order to ensure eligibility for assist-
4 ance.

5 “(c) STATE ADMINISTRATION.—

6 “(1) IN GENERAL.—A State shall have in effect
7 a program for furnishing premium assistance in ac-
8 cordance with this subtitle.

9 “(2) DESIGNATION OF STATE AGENCY.—A
10 State may designate any appropriate State agency to
11 administer the program under this subtitle.

12 “(3) EFFECTIVENESS OF ELIGIBILITY.—A de-
13 termination by a State that an individual is eligible
14 for premium assistance shall be effective for the cal-
15 endar year for which such determination is made un-
16 less a revised application indicates that an individual
17 is no longer eligible for assistance.

18 **“SEC. 2812. SUBSIDIES FOR LOW-INCOME WORKERS.**

19 “(a) IN GENERAL.—A low-income worker shall be eli-
20 gible for premium assistance if such worker is eligible
21 under subsection (b).

22 “(b) ELIGIBILITY.—A low-income worker is eligible
23 for premium assistance under subsection (a) if the State
24 determines that such worker has a family income which
25 does not exceed 250 percent of the poverty line (as defined

1 by the Office of Management and Budget, and revised an-
2 nually in accordance with section 673(2) of the Commu-
3 nity Services Block Grant Act (42 U.S.C. 9902(2)) as ap-
4 plicable to a family of the size involved.

5 “(c) AMOUNT OF ASSISTANCE.—The amount of pre-
6 mium assistance for a month for a low-income worker de-
7 termined to be eligible under subsection (b) shall be deter-
8 mined by the Secretary.

9 “(d) PAYMENTS.—The amount of the premium as-
10 sistance available to a low-income worker shall be paid by
11 the State in which the individual resides directly to the
12 standard health plan in which the individual is enrolled.
13 Payments under the preceding sentence shall commence
14 in the first month during which the individual is enrolled
15 in a standard health benefit plan and determined to be
16 eligible for premium assistance under this subtitle.

17 **“SEC. 2813. SUBSIDIES FOR SMALL BUSINESS EMPLOYERS.**

18 “(a) IN GENERAL.—A small business employer that
19 offers to enroll its employees and their families in a stand-
20 ard health benefit plan shall be eligible for premium assist-
21 ance if the State determines that such employer qualifies
22 for such assistance under subsection (b).

23 “(b) ELIGIBILITY.—A small business employer is eli-
24 gible for premium assistance if such employer employs an
25 average of not more than 75 full-time employees on busi-

1 ness days during the preceding calendar year and employs
 2 not more than 75 employees on the first day of the plan
 3 year.

4 “(c) AMOUNT OF ASSISTANCE.—The amount of pre-
 5 mium assistance for a small business employer for a
 6 month shall be determined by the Secretary.

7 “(d) PAYMENTS.—The amount of the premium as-
 8 sistance available to a small business employer shall be
 9 paid by the State in which the business is located directly
 10 to the standard health benefit plan in which the employee
 11 of such business is enrolled. Payments under the preceding
 12 sentence shall commence in the first month during which
 13 the employee is enrolled in a standard health benefit plan
 14 and the employer is determined to be eligible for premium
 15 assistance under this subtitle.

16 **“Subtitle C—Election of Coverage**

17 **“SEC. 2815. ELECTION OF COVERAGE.**

18 “(a) IN GENERAL.—A small business employer as de-
 19 scribed in subsection (b) may elect to enroll its employees
 20 in—

21 “(1) a plan provided under the Federal Em-
 22 ployees Health Benefit Program under chapter 89 of
 23 title 5, United States Code; or

1 “(2) the medicare program under title XVIII of
2 the Social Security Act (42 U.S.C. 1395 et seq.), if
3 such employees are not less than 50 years of age.

4 “(b) SMALL BUSINESS EMPLOYER.—In this section,
5 the term ‘small business employer’ means an employer
6 that employs an average of not more than 75 full-time
7 employees on business days during the preceding calendar
8 year and employs not more than 75 employees on the first
9 day of the plan year.

10 **“Subtitle D—Community Rating**

11 **“SEC. 2821. COMMUNITY RATING.**

12 “(a) IN GENERAL.—Each State shall establish com-
13 munity rating areas in which standard health benefit plans
14 shall offer a standard premium in accordance with this
15 subtitle for enrollment for all eligible individuals.

16 “(b) COMMUNITY RATING AREAS.—

17 “(1) IN GENERAL.—In accordance with this
18 subtitle, each State shall, subject to approval of the
19 Secretary, provide for the division of the State into
20 1 or more community rating areas.

21 “(2) REVISION OF AREAS.—Each State may,
22 subject to approval of the Secretary, redraw the
23 boundaries of such community rating areas as de-
24 scribed in paragraph (1) if such revision is reason-
25 able or necessary.

1 “(3) MULTIPLE AREAS.—With respect to a
2 community rating area—

3 “(A) no metropolitan statistical area in a
4 State may be incorporated into more than 1
5 such area in the State;

6 “(B) the number of individuals residing
7 within such an area may not be less than
8 250,000; and

9 “(C) no area incorporated in a community
10 rating area may be incorporated into another
11 such area.

12 “(4) NONDISCRIMINATION.—In establishing
13 boundaries for community rating areas, a State shall
14 not directly or through contractual arrangements—

15 “(A) deny or limit access to or the avail-
16 ability of health care services, or otherwise dis-
17 criminate in connection with the provision of
18 health care services; or

19 “(B) limit, segregate, or classify an indi-
20 vidual in any way which would deprive or tend
21 to deprive such individual of health care serv-
22 ices, or otherwise adversely affect his or her ac-
23 cess to health care services;

1 on the basis of race, national origin, sex, religion,
2 language, income, age, sexual orientation, disability,
3 health status, or anticipated need for health services.

4 “(5) COORDINATING MULTIPLE COMMUNITY
5 RATING AREAS.—Nothing in this section shall be
6 construed as preventing a State from coordinating
7 the activities of 1 or more community rating areas
8 in the State.

9 “(6) INTERSTATE COMMUNITY RATING
10 AREAS.—Community rating areas with respect to
11 interstate areas shall be established in accordance
12 with rules established by the Secretary.

13 “(7) COORDINATION IN MULTI-STATE AREAS.—
14 One or more States may coordinate their operations
15 in contiguous community rating areas. Such coordi-
16 nation may include, the adoption of joint operating
17 rules, contracting with standard health benefit plans,
18 enforcement activities, and establishment of fee
19 schedules for health providers.

20 “(c) OPEN ENROLLMENT.—Each State, based on
21 rules and procedures established by the Secretary, shall
22 specify a uniform annual open enrollment period for each
23 community rating area during which all eligible individuals
24 are permitted the opportunity to change enrollment among
25 the standard health benefit plans offered to such individ-

1 uals in such area under this Act. The initial annual open
2 enrollment period shall be for a period of 90 days.

3 “(d) STANDARD PREMIUM.—Each standard health
4 benefit plan shall establish within each community rating
5 area in which the plan is to be offered a standard premium
6 for enrollment of eligible individuals who seek enrollment
7 in such plan.

8 “(e) UNIFORM PREMIUMS WITHIN COMMUNITY RAT-
9 ING AREAS.—

10 “(1) IN GENERAL.—Subject to paragraphs (2)
11 and (3), the standard premium for each group
12 health plan to which this section applies shall be the
13 same, but shall not include the costs of premium
14 processing and enrollment.

15 “(2) APPLICATION TO ENROLLEES.—

16 “(A) IN GENERAL.—The premium charged
17 for coverage in a group health plan which cov-
18 ers eligible employees and eligible individuals
19 shall be the product of—

20 “(i) the standard premium (estab-
21 lished under paragraph (1));

22 “(ii) in the case of enrollment other
23 than individual enrollment, the family ad-
24 justment factor specified under subpara-
25 graph (B); and

1 “(iii) the age adjustment factor (spec-
2 fied under subparagraph (C)).

3 “(B) FAMILY ADJUSTMENT FACTOR.—

4 “(i) IN GENERAL.—The Secretary
5 shall specify family adjustment factors that
6 reflect the relative actuarial costs of ben-
7 efit packages based on family classes of en-
8 rollment (as compared with such costs for
9 individual enrollment).

10 “(ii) CLASSES OF ENROLLMENT.—For
11 purposes of this subtitle, there are 4 class-
12 es of enrollment:

13 “(I) Coverage only of an indi-
14 vidual (referred to in this subtitle as
15 the ‘individual’ enrollment or class of
16 enrollment).

17 “(II) Coverage of a married cou-
18 ple without children (referred to in
19 this subtitle as the ‘couple-only’ en-
20 rollment or class of enrollment).

21 “(III) Coverage of an individual
22 and one or more children (referred to
23 in this subtitle as the ‘single parent’
24 enrollment or class of enrollment).

1 “(IV) Coverage of a married cou-
2 ple and one or more children (referred
3 to in this subtitle as the ‘dual parent’
4 enrollment or class of enrollment).

5 “(iii) REFERENCES TO FAMILY AND
6 COUPLE CLASSES OF ENROLLMENT.—In
7 this subtitle:

8 “(I) FAMILY.—The terms ‘family
9 enrollment’ and ‘family class of enroll-
10 ment’ refer to enrollment in a class of
11 enrollment described in any subclause
12 of clause (ii) (other than subclause
13 (I)).

14 “(II) COUPLE.—The term ‘couple
15 class of enrollment’ refers to enroll-
16 ment in a class of enrollment de-
17 scribed in subclause (II) or (IV) of
18 clause (ii).

19 “(iv) SPOUSE; MARRIED; COUPLE.—

20 “(I) IN GENERAL.—In this sub-
21 title, the terms ‘spouse’ and ‘married’
22 mean, with respect to an individual,
23 another individual who is the spouse
24 of, or is married to, the individual, as

1 determined under applicable State
2 law.

3 “(II) COUPLE.—The term ‘cou-
4 ple’ means an individual and the indi-
5 vidual’s spouse.

6 “(C) AGE ADJUSTMENT FACTOR.—The
7 Secretary shall specify uniform age categories
8 and maximum rating increments for age adjust-
9 ment factors that reflect the relative actuarial
10 costs of benefit packages among enrollees. For
11 individuals who have attained age 18 but not
12 age 65, the highest age adjustment factor may
13 not exceed 3 times the lowest age adjustment
14 factor.”.

15 **SEC. 3. TAX DEDUCTION FOR SELF-EMPLOYED.**

16 (a) IN GENERAL.—Paragraph (1) of section 162(l)
17 of the Internal Revenue Code of 1986 is amended to read
18 as follows:

19 “(l) ALLOWANCE OF DEDUCTION.—In the case
20 of an individual who is an employee within the
21 meaning of section 401(c)(1), there shall be allowed
22 as a deduction under this section an amount equal
23 to 100 percent of the amount paid during the tax-
24 able year for insurance which constitutes medical

1 care for the taxpayer, the taxpayer’s spouse, and
2 taxpayer’s dependents.”.

3 (b) EFFECTIVE DATE.—The amendment made by
4 this section shall apply to taxable years beginning after
5 December 31, 2004.

6 **SEC. 4. ACCESS TO MEDICARE BENEFITS FOR INDIVIDUALS**

7 **62-TO-65 YEARS OF AGE.**

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

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

12 (2) by inserting after such section the following
13 new part:

14 “PART D—PURCHASE OF MEDICARE BENEFITS BY
15 CERTAIN INDIVIDUALS AGE 62-TO-65 YEARS OF AGE

16 **“SEC. 1859. PROGRAM BENEFITS; ELIGIBILITY.**

17 “(a) ENTITLEMENT TO MEDICARE BENEFITS FOR
18 ENROLLED INDIVIDUALS.—

19 “(1) IN GENERAL.—An individual enrolled
20 under this part is entitled to the same benefits
21 under this title as an individual entitled to benefits
22 under part A and enrolled under part B.

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

24 “(A) FEDERAL OR STATE COBRA CONTINU-
25 ATION PROVISION.—The term ‘Federal or State

1 COBRA continuation provision’ has the mean-
2 ing given the term ‘COBRA continuation provi-
3 sion’ in section 2791(d)(4) of the Public Health
4 Service Act and includes a comparable State
5 program, as determined by the Secretary.

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

9 “(i) MEDICARE.—Part A or part B of
10 this title (other than by reason of this
11 part).

12 “(ii) MEDICAID.—A State plan under
13 title XIX.

14 “(iii) FEHBP.—The Federal employ-
15 ees health benefit program under chapter
16 89 of title 5, United States Code.

17 “(iv) TRICARE.—The TRICARE
18 program (as defined in section 1072(7) of
19 title 10, United States Code).

20 “(v) ACTIVE DUTY MILITARY.—Health
21 benefits under title 10, United States
22 Code, to an individual as a member of the
23 uniformed services of the United States.

24 “(C) GROUP HEALTH PLAN.—The term
25 ‘group health plan’ has the meaning given such

1 term in section 2791(a)(1) of the Public Health
2 Service Act.

3 “(b) ELIGIBILITY OF INDIVIDUALS AGE 62-TO-65
4 YEARS OF AGE.—

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

9 “(A) AGE.—As of the last day of the
10 month, the individual has attained 62 years of
11 age, but has not attained 65 years of age.

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

16 “(C) NOT ELIGIBLE FOR COVERAGE
17 UNDER GROUP HEALTH PLANS OR FEDERAL
18 HEALTH INSURANCE PROGRAMS.—The indi-
19 vidual is not eligible for benefits or coverage
20 under a Federal health insurance program (as
21 defined in subsection (a)(2)(B)) or under a
22 group health plan (other than such eligibility
23 merely through a Federal or State COBRA con-
24 tinuation provision) as of the last day of the
25 month involved.

1 “(2) LIMITATION ON ELIGIBILITY IF TERMI-
2 NATED ENROLLMENT.—If an individual described in
3 paragraph (1) enrolls under this part and coverage
4 of the individual is terminated under section
5 1859A(d) (other than because of age), the individual
6 is not again eligible to enroll under this subsection
7 unless the following requirements are met:

8 “(A) NEW COVERAGE UNDER GROUP
9 HEALTH PLAN OR FEDERAL HEALTH INSUR-
10 ANCE PROGRAM.—After the date of termination
11 of coverage under such section, the individual
12 obtains coverage under a group health plan or
13 under a Federal health insurance program.

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

21 “(3) CHANGE IN HEALTH PLAN ELIGIBILITY
22 DOES NOT AFFECT COVERAGE.—In the case of an
23 individual who is eligible for and enrolls under this
24 part under this subsection, the individual’s continued
25 entitlement to benefits under this part shall not be

1 affected by the individual's subsequent eligibility for
2 benefits or coverage described in paragraph (1)(C),
3 or entitlement to such benefits or coverage.

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

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

11 “(1) individuals eligible to enroll as of a month
12 are permitted to pre-enroll during a prior month
13 within an enrollment period described in subsection
14 (b); and

15 “(2) each individual seeking to enroll under sec-
16 tion 1859(b) is notified, before enrolling, of the de-
17 ferred monthly premium amount the individual will
18 be liable for under section 1859C(b) upon attaining
19 65 years of age as determined under section
20 1859B(c)(3).

21 “(b) ENROLLMENT PERIODS.—

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

1 “(A) INITIAL ENROLLMENT PERIOD.—If
2 the individual is eligible to enroll under such
3 section for July 2002, the enrollment period
4 shall begin on May 1, 2002, and shall end on
5 August 31, 2002. Any such enrollment before
6 July 1, 2002, is conditioned upon compliance
7 with the conditions of eligibility for July 2002.

8 “(B) SUBSEQUENT PERIODS.—If the indi-
9 vidual is eligible to enroll under such section for
10 a month after July 2002, the enrollment period
11 shall begin on the first day of the second month
12 before the month in which the individual first is
13 eligible to so enroll and shall end 4 months
14 later. Any such enrollment before the first day
15 of the third month of such enrollment period is
16 conditioned upon compliance with the condi-
17 tions of eligibility for such third month.

18 “(2) AUTHORITY TO CORRECT FOR GOVERN-
19 MENT ERRORS.—The provisions of section 1837(h)
20 apply with respect to enrollment under this part in
21 the same manner as they apply to enrollment under
22 part B.

23 “(c) DATE COVERAGE BEGINS.—

24 “(1) IN GENERAL.—The period during which
25 an individual is entitled to benefits under this part

1 shall begin as follows, but in no case earlier than
2 July 1, 2002:

3 “(A) In the case of an individual who en-
4 rolls (including pre-enrolls) before the month in
5 which the individual satisfies eligibility for en-
6 rollment under section 1859, the first day of
7 such month of eligibility.

8 “(B) In the case of an individual who en-
9 rolls during or after the month in which the in-
10 dividual first satisfies eligibility for enrollment
11 under such section, the first day of the fol-
12 lowing month.

13 “(2) AUTHORITY TO PROVIDE FOR PARTIAL
14 MONTHS OF COVERAGE.—Under regulations, the
15 Secretary may, in the Secretary’s discretion, provide
16 for coverage periods that include portions of a
17 month in order to avoid lapses of coverage.

18 “(3) LIMITATION ON PAYMENTS.—No payments
19 may be made under this title with respect to the ex-
20 penses of an individual enrolled under this part un-
21 less such expenses were incurred by such individual
22 during a period which, with respect to the individual,
23 is a coverage period under this section.

24 “(d) TERMINATION OF COVERAGE.—

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

5 “(A) GENERAL PROVISIONS.—

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

11 “(ii) NONPAYMENT OF PREMIUMS.—

12 The individual fails to make payment of
13 premiums required for enrollment under
14 this part.

15 “(iii) MEDICARE ELIGIBILITY.—The

16 individual becomes entitled to benefits
17 under part A or enrolled under part B
18 (other than by reason of this part).

19 “(B) TERMINATION BASED ON AGE.—The

20 individual attains 65 years of age.

21 “(2) EFFECTIVE DATE OF TERMINATION.—

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

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

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

22 **“SEC. 1859B. PREMIUMS.**

23 “(a) AMOUNT OF MONTHLY PREMIUMS.—

24 “(1) BASE MONTHLY PREMIUMS.—The Sec-
25 retary shall, during September of each year (begin-

1 ning with 2001), determine the following premium
2 rates which shall apply with respect to coverage pro-
3 vided under this title for any month in the suc-
4 ceeding year:

5 “(A) BASE MONTHLY PREMIUM FOR INDI-
6 VIDUALS 62 YEARS OF AGE OR OLDER.—A base
7 monthly premium for individuals 62 years of
8 age or older is equal to $\frac{1}{12}$ of the base annual
9 premium rate computed under subsection (b)
10 for each premium area.

11 “(B) DEFERRED MONTHLY PREMIUMS FOR
12 INDIVIDUALS 62 YEARS OF AGE OR OLDER.—
13 The Secretary shall, during September of each
14 year (beginning with 2001), determine under
15 subsection (c) the amount of deferred monthly
16 premiums that shall apply with respect to indi-
17 viduals who first obtain coverage under this
18 part under section 1859(b) in the succeeding
19 year.

20 “(2) ESTABLISHMENT OF PREMIUM AREAS.—
21 For purposes of this part, the term ‘premium area’
22 means such an area as the Secretary shall specify to
23 carry out this part. The Secretary from time to time
24 may change the boundaries of such premium areas.

1 The Secretary shall seek to minimize the number of
2 such areas specified under this paragraph.

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

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

14 “(2) GEOGRAPHIC ADJUSTMENT.—The Sec-
15 retary shall reduce, as determined appropriate, the
16 amount determined under paragraph (1) for a pre-
17 mium area (specified under subsection (a)(3)) that
18 has costs below the national average, in order to as-
19 sure participation in all areas throughout the United
20 States.

21 “(3) BASE ANNUAL PREMIUM.—The base an-
22 nual premium under this subsection for months in a
23 year for individuals 62 years of age or older residing
24 in a premium area is equal to the average, annual
25 per capita amount estimated under paragraph (1)

1 for the year, adjusted for such area under paragraph
2 (2).

3 “(c) DEFERRED PREMIUM RATE FOR INDIVIDUALS
4 62 YEARS OF AGE OR OLDER.—The deferred premium
5 rate for individuals with a group of individuals who obtain
6 coverage under section 1859(b) in a year shall be com-
7 puted by the Secretary as follows:

8 “(1) ESTIMATION OF NATIONAL, PER CAPITA
9 ANNUAL AVERAGE EXPENDITURES FOR ENROLL-
10 MENT GROUP.—The Secretary shall estimate the av-
11 erage, per capita annual amount that will be paid
12 under this part for individuals in such group during
13 the period of enrollment under section 1859(b). In
14 making such estimate for coverage beginning in a
15 year before 2006, the Secretary may base such esti-
16 mate on the average, per capita amount that would
17 be payable if the program had been in operation over
18 a previous period of at least 4 years.

19 “(2) DIFFERENCE BETWEEN ESTIMATED EX-
20 PENDITURES AND ESTIMATED PREMIUMS.—Based
21 on the characteristics of individuals in such group,
22 the Secretary shall estimate during the period of
23 coverage of the group under this part under section
24 1859(b) the amount by which—

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

3 “(B) the average, annual per capita
4 amount of premiums that will be payable for
5 months during the year under section 1859C(a)
6 for individuals in such group (including pre-
7 miums that would be payable if there were no
8 terminations in enrollment under clause (i) or
9 (ii) of section 1859A(d)(1)(A)).

10 “(3) ACTUARIAL COMPUTATION OF DEFERRED
11 MONTHLY PREMIUM RATES.—The Secretary shall
12 determine deferred monthly premium rates for indi-
13 viduals in such group in a manner so that—

14 “(A) the estimated actuarial value of such
15 premiums payable under section 1859C(b), is
16 equal to

17 “(B) the estimated actuarial present value
18 of the differences described in paragraph (2).

19 Such rate shall be computed for each individual in
20 the group in a manner so that the rate is based on
21 the number of months between the first month of
22 coverage based on enrollment under section 1859(b)
23 and the month in which the individual attains 65
24 years of age.

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

4 “(A) the estimated probabilities of survival
5 at ages 62 through 84 for individuals enrolled
6 during the year; and

7 “(B) the estimated effective average inter-
8 est rates that would be earned on investments
9 held in the trust funds under this title during
10 the period in question.

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

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

13 “(1) IN GENERAL.—The Secretary shall provide
14 for payment and collection of the base monthly pre-
15 mium, determined under section 1859B(a)(1) for the
16 age (and age cohort, if applicable) of the individual
17 involved and the premium area in which the indi-
18 vidual principally resides, in the same manner as for
19 payment of monthly premiums under section 1840,
20 except that, for purposes of applying this section,
21 any reference in such section to the Federal Supple-
22 mentary Medical Insurance Trust Fund is deemed a
23 reference to the Trust Fund established under sec-
24 tion 1859D.

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

8 “(b) PAYMENT OF DEFERRED PREMIUM FOR INDI-
9 VIDUALS COVERED AFTER ATTAINING AGE 62.—

10 “(1) RATE OF PAYMENT.—

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

21 “(B) SPECIAL RULES FOR THOSE WHO
22 DISENROLL EARLY.—

23 “(i) IN GENERAL.—If such an individ-
24 ual’s enrollment under such section is ter-
25 minated under clause (i) or (ii) of section

1 1859A(d)(1)(A), subject to clause (ii), the
2 amount of the deferred premium otherwise
3 established under this paragraph shall be
4 pro-rated to reflect the number of months
5 of coverage under this part under such en-
6 rollment compared to the maximum num-
7 ber of months of coverage that the indi-
8 vidual would have had if the enrollment
9 were not so terminated.

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

21 “(2) PERIOD OF PAYMENT.—The period de-
22 scribed in this paragraph for an individual is the pe-
23 riod beginning with the first month in which the in-
24 dividual has attained 65 years of age and ending

1 with the month before the month in which the indi-
2 vidual attains 85 years of age.

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

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

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

21 “(a) ESTABLISHMENT OF TRUST FUND.—

22 “(1) IN GENERAL.—There is hereby created on
23 the books of the Treasury of the United States a
24 trust fund to be known as the ‘Medicare Early Ac-
25 cess Trust Fund’ (in this section referred to as the

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

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

9 “(b) INCORPORATION OF PROVISIONS.—

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

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

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

21 “(B) any reference in section 1841(h) to
22 section 1840(d) and in section 1841(i) to sec-
23 tions 1840(b)(1) and 1842(g) are deemed ref-
24 erences to comparable authority exercised under
25 this part; and

1 “(C) payments may be made under section
2 1841(g) to the trust funds under sections 1817
3 and 1841 as reimbursement to such funds for
4 payments they made for benefits provided
5 under this part.

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

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

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

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

23 “(a) TREATMENT FOR PURPOSES OF THIS TITLE.—
24 Except as otherwise provided in this part—

1 “(1) an individual enrolled under this part shall
2 be treated for purposes of this title as though the in-
3 dividual was entitled to benefits under part A and
4 enrolled under part B; and

5 “(2) benefits described in section 1859 shall be
6 payable under this title to such an individual in the
7 same manner as if such individual was so entitled
8 and enrolled.

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

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

22 (b) CONFORMING AMENDMENTS TO SOCIAL SECUR-
23 ITY ACT PROVISIONS.—

24 (1) Section 201(i)(1) of the Social Security Act
25 (42 U.S.C. 401(i)(1)) is amended by striking “or the

1 Federal Supplementary Medical Insurance Trust
2 Fund” and inserting “the Federal Supplementary
3 Medical Insurance Trust Fund, and the Medicare
4 Early Access Trust Fund”.

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

12 (3) Section 1820(i) of such Act (42 U.S.C.
13 1395i-4(i)) is amended by striking “part D” and in-
14 serting “part E”.

15 (4) Part C of title XVIII of such Act is amend-
16 ed—

17 (A) in section 1851(a)(2)(B) (42 U.S.C.
18 1395w-21(a)(2)(B)), by striking “1859(b)(3)”
19 and inserting “1858(b)(3)”;

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

23 (C) in section 1852(a)(1) (42 U.S.C.
24 1395w-22(a)(1)), by striking “1859(b)(3)” and
25 inserting “1858(b)(3)”;

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

5 (E) in section 1853(a)(1)(A) (42 U.S.C.
6 1395w-23(a)(1)(A)), by striking “1859(e)(4)”
7 and inserting “1858(e)(4)”; and

8 (F) in section 1853(a)(3)(D) (42 U.S.C.
9 1395w-23(a)(3)(D)), by striking “1859(e)(4)”
10 and inserting “1858(e)(4)”.

11 (5) Section 1853(c) of such Act (42 U.S.C.
12 1395w-23(c)) is amended—

13 (A) in paragraph (1), by striking “and
14 (7)” and inserting “, (7), and (8)”, and

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

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

24 (c) OTHER CONFORMING AMENDMENTS.—

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

4 (2)(A) Section 602(2)(D)(ii) of the Employee
5 Retirement Income Security Act of 1974 (29 U.S.C.
6 1162(2)) is amended by inserting “(not including an
7 individual who is so entitled pursuant to enrollment
8 under section 1859A)” after “Social Security Act”.

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

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

19 **SEC. 5. ACCESS TO MEDICARE BENEFITS FOR DISPLACED**
20 **WORKERS 55-TO-62 YEARS OF AGE.**

21 (a) ELIGIBILITY.—Section 1859 of the Social Secu-
22 rity Act, as inserted by section 4(a)(2), is amended by
23 adding at the end the following new subsection:

24 “(c) DISPLACED WORKERS AND SPOUSES.—

1 “(1) DISPLACED WORKERS.—Subject to para-
2 graph (3), an individual who meets the following re-
3 quirements with respect to a month is eligible to en-
4 roll under this part with respect to such month:

5 “(A) AGE.—As of the last day of the
6 month, the individual has attained 55 years of
7 age, but has not attained 62 years of age.

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

12 “(C) LOSS OF EMPLOYMENT-BASED COV-
13 ERAGE.—

14 “(i) ELIGIBLE FOR UNEMPLOYMENT
15 COMPENSATION.—The individual meets the
16 requirements relating to period of covered
17 employment and conditions of separation
18 from employment to be eligible for unem-
19 ployment compensation (as defined in sec-
20 tion 85(b) of the Internal Revenue Code of
21 1986), based on a separation from employ-
22 ment occurring on or after January 1,
23 2001. The previous sentence shall not be
24 construed as requiring the individual to be

1 receiving such unemployment compensa-
2 tion.

3 “(ii) LOSS OF EMPLOYMENT-BASED
4 COVERAGE.—Immediately before the time
5 of such separation of employment, the indi-
6 vidual was covered under a group health
7 plan on the basis of such employment, and,
8 because of such loss, is no longer eligible
9 for coverage under such plan (including
10 such eligibility based on the application of
11 a Federal or State COBRA continuation
12 provision) as of the last day of the month
13 involved.

14 “(iii) PREVIOUS CREDITABLE COV-
15 ERAGE FOR AT LEAST 1 YEAR.—As of the
16 date on which the individual loses coverage
17 described in clause (ii), the aggregate of
18 the periods of creditable coverage (as de-
19 termined under section 2701(c) of the
20 Public Health Service Act) is 12 months or
21 longer.

22 “(D) EXHAUSTION OF AVAILABLE COBRA
23 CONTINUATION BENEFITS.—

1 “(i) IN GENERAL.—In the case of an
2 individual described in clause (ii) for a
3 month described in clause (iii)—

4 “(I) the individual (or spouse)
5 elected coverage described in clause
6 (ii); and

7 “(II) the individual (or spouse)
8 has continued such coverage for all
9 months described in clause (iii) in
10 which the individual (or spouse) is eli-
11 gible for such coverage.

12 “(ii) INDIVIDUALS TO WHOM COBRA
13 CONTINUATION COVERAGE MADE AVAIL-
14 ABLE.—An individual described in this
15 clause is an individual—

16 “(I) who was offered coverage
17 under a Federal or State COBRA
18 continuation provision at the time of
19 loss of coverage eligibility described in
20 subparagraph (C)(ii); or

21 “(II) whose spouse was offered
22 such coverage in a manner that per-
23 mitted coverage of the individual at
24 such time.

1 “(iii) MONTHS OF POSSIBLE COBRA
2 CONTINUATION COVERAGE.—A month de-
3 scribed in this clause is a month for which
4 an individual described in clause (ii) could
5 have had coverage described in such clause
6 as of the last day of the month if the indi-
7 vidual (or the spouse of the individual, as
8 the case may be) had elected such coverage
9 on a timely basis.

10 “(E) NOT ELIGIBLE FOR COVERAGE
11 UNDER FEDERAL HEALTH INSURANCE PRO-
12 GRAM OR GROUP HEALTH PLANS.—The indi-
13 vidual is not eligible for benefits or coverage
14 under a Federal health insurance program or
15 under a group health plan (whether on the
16 basis of the individual’s employment or employ-
17 ment of the individual’s spouse) as of the last
18 day of the month involved.

19 “(2) SPOUSE OF DISPLACED WORKER.—Subject
20 to paragraph (3), an individual who meets the fol-
21 lowing requirements with respect to a month is eligi-
22 ble to enroll under this part with respect to such
23 month:

1 “(A) AGE.—As of the last day of the
2 month, the individual has not attained 62 years
3 of age.

4 “(B) MARRIED TO DISPLACED WORKER.—
5 The individual is the spouse of an individual at
6 the time the individual enrolls under this part
7 under paragraph (1) and loses coverage de-
8 scribed in paragraph (1)(C)(ii) because the in-
9 dividual’s spouse lost such coverage.

10 “(C) MEDICARE ELIGIBILITY (BUT FOR
11 AGE); EXHAUSTION OF ANY COBRA CONTINU-
12 ATION COVERAGE; AND NOT ELIGIBLE FOR COV-
13 ERAGE UNDER FEDERAL HEALTH INSURANCE
14 PROGRAM OR GROUP HEALTH PLAN.—The indi-
15 vidual meets the requirements of subparagraphs
16 (B), (D), and (E) of paragraph (1).

17 “(3) CHANGE IN HEALTH PLAN ELIGIBILITY
18 AFFECTS CONTINUED ELIGIBILITY.—For provision
19 that terminates enrollment under this section in the
20 case of an individual who becomes eligible for cov-
21 erage under a group health plan or under a Federal
22 health insurance program, see section
23 1859A(d)(1)(C).

24 “(4) REENROLLMENT PERMITTED.—Nothing in
25 this subsection shall be construed as preventing an

1 individual who, after enrolling under this subsection,
2 terminates such enrollment from subsequently re-
3 enrolling under this subsection if the individual is
4 eligible to enroll under this subsection at that
5 time.”.

6 (b) ENROLLMENT.—Section 1859A of such Act, as
7 so inserted, is amended—

8 (1) in subsection (a), by striking “and” at the
9 end of paragraph (1), by striking the period at the
10 end of paragraph (2) and inserting “; and”, and by
11 adding at the end the following new paragraph:

12 “(3) individuals whose coverage under this part
13 would terminate because of subsection (d)(1)(B)(ii)
14 are provided notice and an opportunity to continue
15 enrollment in accordance with section
16 1859E(c)(1).”;

17 (2) in subsection (b), by inserting after Not-
18 withstanding any other provision of law, (1) the fol-
19 lowing:

20 “(2) DISPLACED WORKERS AND SPOUSES.—In
21 the case of individuals eligible to enroll under this
22 part under section 1859(c), the following rules
23 apply:

24 “(A) INITIAL ENROLLMENT PERIOD.—If
25 the individual is first eligible to enroll under

1 such section for July 2005, the enrollment pe-
2 riod shall begin on May 1, 2002, and shall end
3 on August 31, 2002. Any such enrollment be-
4 fore July 1, 2002, is conditioned upon compli-
5 ance with the conditions of eligibility for July
6 2002.

7 “(B) SUBSEQUENT PERIODS.—If the indi-
8 vidual is eligible to enroll under such section for
9 a month after July 2002, the enrollment period
10 based on such eligibility shall begin on the first
11 day of the second month before the month in
12 which the individual first is eligible to so enroll
13 (or reenroll) and shall end 4 months later.”;

14 (3) in subsection (d)(1), by amending subpara-
15 graph (B) to read as follows:

16 “(B) TERMINATION BASED ON AGE.—

17 “(i) AT AGE 65.—Subject to clause
18 (ii), the individual attains 65 years of age.

19 “(ii) AT AGE 62 FOR DISPLACED
20 WORKERS AND SPOUSES.—In the case of
21 an individual enrolled under this part pur-
22 suant to section 1859(c), subject to sub-
23 section (a)(1), the individual attains 62
24 years of age.”;

1 (4) in subsection (d)(1), by adding at the end
2 the following new subparagraph:

3 “(C) OBTAINING ACCESS TO EMPLOYMENT-
4 BASED COVERAGE OR FEDERAL HEALTH INSUR-
5 ANCE PROGRAM FOR INDIVIDUALS UNDER 62
6 YEARS OF AGE.—In the case of an individual
7 who has not attained 62 years of age, the indi-
8 vidual is covered (or eligible for coverage) as a
9 participant or beneficiary under a group health
10 plan or under a Federal health insurance pro-
11 gram.”;

12 (5) in subsection (d)(2), by amending subpara-
13 graph (C) to read as follows:

14 “(C) AGE OR MEDICARE ELIGIBILITY.—

15 “(i) IN GENERAL.—The termination
16 of a coverage period under paragraph
17 (1)(A)(iii) or (1)(B)(i) shall take effect as
18 of the first day of the month in which the
19 individual attains 65 years of age or be-
20 comes entitled to benefits under part A or
21 enrolled for benefits under part B.

22 “(ii) DISPLACED WORKERS.—The ter-
23 mination of a coverage period under para-
24 graph (1)(B)(ii) shall take effect as of the
25 first day of the month in which the indi-

1 vidual attains 62 years of age, unless the
 2 individual has enrolled under this part pur-
 3 suant to section 1859(b) and section
 4 1859E(c)(1).”; and

5 (6) in subsection (d)(2), by adding at the end
 6 the following new subparagraph:

7 “(D) ACCESS TO COVERAGE.—The termi-
 8 nation of a coverage period under paragraph
 9 (1)(C) shall take effect on the date on which
 10 the individual is eligible to begin a period of
 11 creditable coverage (as defined in section
 12 2701(c) of the Public Health Service Act)
 13 under a group health plan or under a Federal
 14 health insurance program.”.

15 (c) PREMIUMS.—Section 1859B of such Act, as so
 16 inserted, is amended—

17 (1) in subsection (a)(1), by adding at the end
 18 the following:

19 “(B) BASE MONTHLY PREMIUM FOR INDI-
 20 VIDUALS UNDER 62 YEARS OF AGE.—A base
 21 monthly premium for individuals under 62
 22 years of age, equal to $\frac{1}{12}$ of the base annual
 23 premium rate computed under subsection (d)(3)
 24 for each premium area and age cohort.”; and

1 (2) by adding at the end the following new sub-
2 section:

3 “(d) BASE MONTHLY PREMIUM FOR INDIVIDUALS
4 UNDER 62 YEARS OF AGE.—

5 “(1) NATIONAL, PER CAPITA AVERAGE FOR AGE
6 GROUPS.—

7 “(A) ESTIMATE OF AMOUNT.—The Sec-
8 retary shall estimate the average, annual per
9 capita amount that would be payable under this
10 title with respect to individuals residing in the
11 United States who meet the requirement of sec-
12 tion 1859(c)(1)(A) within each of the age co-
13 horts established under subparagraph (B) as if
14 all such individuals within such cohort were eli-
15 gible for (and enrolled) under this title during
16 the entire year (and assuming that section
17 1862(b)(2)(A)(i) did not apply).

18 “(B) AGE COHORTS.—For purposes of
19 subparagraph (A), the Secretary shall establish
20 separate age cohorts in 5-year age increments
21 for individuals who have not attained 60 years
22 of age and a separate cohort for individuals who
23 have attained 60 years of age.

24 “(2) GEOGRAPHIC ADJUSTMENT.—The Sec-
25 retary shall adjust the amount determined under

1 paragraph (1)(A) for each premium area (specified
2 under subsection (a)(3)) in the same manner and to
3 the same extent as the Secretary provides for adjust-
4 ments under subsection (b)(2).

5 “(3) BASE ANNUAL PREMIUM.—The base an-
6 nual premium under this subsection for months in a
7 year for individuals in an age cohort under para-
8 graph (1)(B) in a premium area is equal to 165 per-
9 cent of the average, annual per capita amount esti-
10 mated under paragraph (1) for the age cohort and
11 year, adjusted for such area under paragraph (2).

12 “(4) PRO-RATION OF PREMIUMS TO REFLECT
13 COVERAGE DURING A PART OF A MONTH.—If the
14 Secretary provides for coverage of portions of a
15 month under section 1859A(c)(2), the Secretary
16 shall pro-rate the premiums attributable to such cov-
17 erage under this section to reflect the portion of the
18 month so covered.”.

19 (d) ADMINISTRATIVE PROVISIONS.—Section 1859F
20 of such Act, as so inserted, is amended by adding at the
21 end the following:

22 “(d) ADDITIONAL ADMINISTRATIVE PROVISIONS.—

23 “(1) PROCESS FOR CONTINUED ENROLLMENT
24 OF DISPLACED WORKERS WHO ATTAIN 62 YEARS OF
25 AGE.—The Secretary shall provide a process for the

1 continuation of enrollment of individuals whose en-
2 rollment under section 1859(c) would be terminated
3 upon attaining 62 years of age. Under such process
4 such individuals shall be provided appropriate and
5 timely notice before the date of such termination
6 and of the requirement to enroll under this part pur-
7 suant to section 1859(b) in order to continue entitle-
8 ment to benefits under this title after attaining 62
9 years of age.

10 “(2) ARRANGEMENTS WITH STATES FOR DE-
11 TERMINATIONS RELATING TO UNEMPLOYMENT COM-
12 PENSATION ELIGIBILITY.—The Secretary may pro-
13 vide for appropriate arrangements with States for
14 the determination of whether individuals in the State
15 meet or would meet the requirements of section
16 1859(e)(1)(C)(i).”.

17 (e) CONFORMING AMENDMENT TO HEADING TO
18 PART.—The heading of part D of title XVIII of the Social
19 Security Act, as so inserted, is amended by striking “62”
20 and inserting “55”.

21 **SEC. 6. PROVISIONS TO MAKE FEHBP COVERAGE AVAIL-**
22 **ABLE FOR THE SELF-EMPLOYED.**

23 Chapter 89 of title 5, United States Code, is amended
24 by adding at the end the following:

1 **“§ 8915. Expanded access to coverage for the self-em-**
2 **ployed**

3 “(a) The Office of Personnel Management (referred
4 to in this section as the ‘Office’) shall administer a health
5 insurance program for eligible individuals who are non-
6 Federal employees in accordance with this section.

7 “(b) The term ‘eligible individual’ means a self-em-
8 ployed individual as defined in section 401(c)(1) of the In-
9 ternal Revenue Code of 1986.

10 “(c) The Office shall prescribe regulations to apply
11 the provisions of this chapter to the greatest extent prac-
12 ticable to eligible individuals covered under this section.

13 “(d) In no event shall the enactment of this section
14 result in—

15 “(1) any increase in the level of individual or
16 Government contributions required under this chap-
17 ter, including copayments or deductibles;

18 “(2) any decrease in the types of benefits of-
19 fered under this chapter; or

20 “(3) any other change that would adversely af-
21 fect the coverage afforded under this chapter to em-
22 ployees and annuitants and members of family
23 under this chapter.

24 “(e) The Office shall develop methods to facilitate en-
25 rollment under this section, including the use of the Inter-
26 net.

1 “(f) The Office may enter into contracts for the per-
2 formance of appropriate administrative functions under
3 this chapter.

4 “(g) Each contract entered into under section 8902
5 shall require a carrier to offer to eligible individuals under
6 this chapter, throughout each term for which the contract
7 remains effective, the same benefits (subject to the same
8 maximums, limitations, exclusions, and other similar
9 terms or conditions) as would be offered under such con-
10 tract or applicable health benefits plan to employees, an-
11 nuitants, and members of family.

12 “(h)(1) The Office may waive the requirements of
13 this section, if the Office determines, based on a petition
14 submitted by a carrier that—

15 “(A) the carrier is unable to offer the applicable
16 health benefits plan because of a limitation in the
17 capacity of the plan to deliver services or assure fi-
18 nancial solvency;

19 “(B) the applicable health benefits plan is not
20 sponsored by a carrier licensed under applicable
21 State law; or

22 “(C) bona fide enrollment restrictions make the
23 application of this chapter inappropriate, including
24 restrictions common to plans which are limited to in-
25 dividuals having a past or current employment rela-

1 tionship with a particular agency or other authority
2 of the Government.

3 “(2) The Office may require a petition under this
4 subsection to include—

5 “(A) a description of the efforts the carrier
6 proposes to take in order to offer the applicable
7 health benefits plan under this chapter; and

8 “(B) the proposed date for offering such a
9 health benefits plan.

10 “(3) A waiver under this section may be for any pe-
11 riod determined by the Office. The Office may grant sub-
12 sequent waivers under this section.

13 “(i) The Office shall provide for the implementation
14 of procedures to provide for an annual open enrollment
15 period during which eligible individuals may enroll with
16 a plan or contract for coverage under this section.

17 “(j) Except as the Office may by regulation prescribe,
18 any reference to this chapter (or any requirement of this
19 chapter), made in any provision of law, shall not be consid-
20 ered to include this section (or any requirement of this
21 section).

22 “(k) This section shall take effect on the date of en-
23 actment of this section and shall apply to contracts that
24 take effect with respect to calendar year 2002 and each
25 calendar year thereafter.”.

1 **SEC. 7. MEDIKIDS HEALTH INSURANCE.**

2 (a) BENEFITS FOR ALL CHILDREN BORN AFTER
3 2002.—

4 (1) IN GENERAL.—The Social Security Act is
5 amended by adding at the end the following:

6 “TITLE XXII—MEDIKIDS PROGRAM

7 **“SEC. 2201. ELIGIBILITY.**

8 “(a) ELIGIBILITY OF INDIVIDUALS BORN AFTER DE-
9 CEMBER 31, 2002; ALL CHILDREN UNDER 23 YEARS OF
10 AGE IN SIXTH YEAR.—An individual who meets the fol-
11 lowing requirements with respect to a month is eligible to
12 enroll under this title with respect to such month:

13 “(1) AGE.—

14 “(A) FIRST YEAR.—During the first year
15 in which this title is effective, the individual has
16 not attained 6 years of age.

17 “(B) SECOND YEAR.—During the second
18 year in which this title is effective, the indi-
19 vidual has not attained 11 years of age.

20 “(C) THIRD YEAR.—During the third year
21 in which this title is effective, the individual has
22 not attained 16 years of age.

23 “(D) FOURTH YEAR.—During the fourth
24 year in which this title is effective, the indi-
25 vidual has not attained 21 years of age.

1 “(E) FIFTH AND SUBSEQUENT YEARS.—

2 During the fifth year in which this title is effec-
3 tive and each subsequent year, the individual
4 has not attained 23 years of age.

5 “(2) CITIZENSHIP.—The individual is a citizen
6 or national of the United States or is permanently
7 residing in the United States under color of law.

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

14 “(1) individuals who are born in the United
15 States after December 31, 2002, are deemed to be
16 enrolled at the time of birth and a parent or guard-
17 ian of such an individual is permitted to pre-enroll
18 in the month prior to the expected month of birth;

19 “(2) individuals who are born outside the
20 United States after such date and who become eligi-
21 ble to enroll by virtue of immigration into (or an ad-
22 justment of immigration status in) the United
23 States are deemed enrolled at the time of entry or
24 adjustment of status;

1 “(3) eligible individuals may otherwise be en-
2 rolled at such other times and manner as the Sec-
3 retary shall specify, including the use of outstationed
4 eligibility sites as described in section
5 1902(a)(55)(A) and the use of presumptive eligi-
6 bility provisions like those described in section
7 1920A; and

8 “(4) at the time of automatic enrollment of a
9 child, the Secretary provides for issuance to a parent
10 or custodian of the individual a card evidencing cov-
11 erage under this title and for a description of such
12 coverage.

13 The provisions of section 1837(h) apply with respect to
14 enrollment under this title in the same manner as they
15 apply to enrollment under part B of title XVIII.

16 “(c) DATE COVERAGE BEGINS.—

17 “(1) IN GENERAL.—The period during which
18 an individual is entitled to benefits under this title
19 shall begin as follows, but in no case earlier than
20 January 1, 2003:

21 “(A) In the case of an individual who is
22 enrolled under paragraph (1) or (2) of sub-
23 section (b), the date of birth or date of obtain-
24 ing appropriate citizenship or immigration sta-
25 tus, as the case may be.

1 “(B) In the case of an another individual
2 who enrolls (including pre-enrolls) before the
3 month in which the individual satisfies eligi-
4 bility for enrollment under subsection (a), the
5 first day of such month of eligibility.

6 “(C) In the case of an another individual
7 who enrolls during or after the month in which
8 the individual first satisfies eligibility for enroll-
9 ment under such subsection, the first day of the
10 following month.

11 “(2) AUTHORITY TO PROVIDE FOR PARTIAL
12 MONTHS OF COVERAGE.—Under regulations, the
13 Secretary may, in the Secretary’s discretion, provide
14 for coverage periods that include portions of a
15 month in order to avoid lapses of coverage.

16 “(3) LIMITATION ON PAYMENTS.—No payments
17 may be made under this title with respect to the ex-
18 penses of an individual enrolled under this title un-
19 less such expenses were incurred by such individual
20 during a period which, with respect to the individual,
21 is a coverage period under this section.

22 “(d) EXPIRATION OF ELIGIBILITY.—An individual’s
23 coverage period under this part shall continue until the
24 individual’s enrollment has been terminated because the
25 individual no longer meets the requirements of subsection

1 (a) (whether because of age or change in immigration sta-
2 tus).

3 “(e) ENTITLEMENT TO MEDIKIDS BENEFITS FOR
4 ENROLLED INDIVIDUALS.—An individual enrolled under
5 this section is entitled to the benefits described in section
6 2202.

7 “(f) LOW-INCOME INFORMATION.—At the time of en-
8 rollment of a child under this title, the Secretary shall
9 make an inquiry as to whether or not the family income
10 of the family that includes the child is less than 150 per-
11 cent of the poverty line for a family of the size involved.
12 If the family income is below such level, the Secretary shall
13 encode in the identification card issued in connection with
14 eligibility under this title a code indicating such fact. The
15 Secretary also shall provide for a toll-free telephone line
16 at which providers can verify whether or not such a child
17 is in a family the income of which is below such level.

18 “(g) CONSTRUCTION.—Nothing in this title shall be
19 construed as requiring (or preventing) an individual who
20 is enrolled under this section from seeking medical assist-
21 ance under a State medicaid plan under title XIX or child
22 health assistance under a State child health plan under
23 title XXI.

1 **“SEC. 2202. BENEFITS.**

2 “(a) SECRETARIAL SPECIFICATION OF BENEFIT
3 PACKAGE.—

4 “(1) IN GENERAL.—The Secretary shall specify
5 the benefits to be made available under this title
6 consistent with the provisions of this section and in
7 a manner designed to meet the health needs of en-
8 rollees.

9 “(2) UPDATING.—The Secretary shall update
10 the specification of benefits over time to ensure the
11 inclusion of age-appropriate benefits to reflect the
12 enrollee population.

13 “(3) ANNUAL UPDATING.—The Secretary shall
14 establish procedures for the annual review and up-
15 dating of such benefits to account for changes in
16 medical practice, new information from medical re-
17 search, and other relevant developments in health
18 science.

19 “(4) INPUT.—The Secretary shall seek the
20 input of the pediatric community in specifying and
21 updating such benefits.

22 “(5) LIMITATION ON UPDATING.—In no case
23 shall updating of benefits under this subsection re-
24 sult in a failure to provide benefits required under
25 subsection (b).

26 “(b) INCLUSION OF CERTAIN BENEFITS.—

1 “(1) MEDICARE CORE BENEFITS.—Such bene-
2 fits shall include (to the extent consistent with other
3 provisions of this section) at least the same benefits
4 (including coverage, access, availability, duration,
5 and beneficiary rights) that are available under
6 parts A and B of title XVIII.

7 “(2) ALL REQUIRED MEDICAID BENEFITS.—
8 Such benefits shall also include all items and serv-
9 ices for which medical assistance is required to be
10 provided under section 1902(a)(10)(A) to individuals
11 described in such section, including early and peri-
12 odic screening, diagnostic services, and treatment
13 services.

14 “(3) INCLUSION OF PRESCRIPTION DRUGS.—
15 Such benefits also shall include (as specified by the
16 Secretary) prescription drugs and biologicals.

17 “(4) COST-SHARING.—

18 “(A) IN GENERAL.—Subject to subpara-
19 graph (B), such benefits also shall include the
20 cost-sharing (in the form of deductibles, coin-
21 surance, and copayments) applicable under title
22 XVIII with respect to comparable items and
23 services, except that no cost-sharing shall be
24 imposed with respect to early and periodic

1 screening and diagnostic services included
2 under paragraph (2).

3 “(B) NO COST-SHARING FOR LOWEST IN-
4 COME CHILDREN.—Such benefits shall not in-
5 clude any cost-sharing for children in families
6 the income of which (as determined for pur-
7 poses of section 1905(p)) does not exceed 150
8 percent of the official income poverty line (re-
9 ferred to in such section) applicable to a family
10 of the size involved.

11 “(C) REFUNDABLE CREDIT FOR COST-
12 SHARING FOR OTHER LOW-INCOME CHIL-
13 DREN.—For a refundable credit for cost-shar-
14 ing in the case of children in certain families,
15 see section 35 of the Internal Revenue Code of
16 1986.

17 “(c) PAYMENT SCHEDULE.—The Secretary, with the
18 assistance of the Medicare Payment Advisory Commission,
19 shall develop and implement a payment schedule for bene-
20 fits covered under this title. To the extent feasible, such
21 payment schedule shall be consistent with comparable pay-
22 ment schedules and reimbursement methodologies applied
23 under parts A and B of title XVIII.

1 “(d) INPUT.—The Secretary shall specify such bene-
2 fits and payment schedules only after obtaining input from
3 appropriate child health providers and experts.

4 “(e) ENROLLMENT IN HEALTH PLANS.—The Sec-
5 retary shall provide for the offering of benefits under this
6 title through enrollment in a health benefit plan that
7 meets the same (or similar) requirements as the require-
8 ments that apply to Medicare+Choice plans under part
9 C of title XVIII. In the case of individuals enrolled under
10 this title in such a plan, the Medicare+Choice capitation
11 rate described in section 1853(c) shall be adjusted in an
12 appropriate manner to reflect differences between the pop-
13 ulation served under this title and the population under
14 title XVIII.

15 **“SEC. 2203. PREMIUMS.**

16 “(a) AMOUNT OF MONTHLY PREMIUMS.—

17 “(1) IN GENERAL.—The Secretary shall, during
18 September of each year (beginning with 2002), es-
19 tablish a monthly MediKids premium. Subject to
20 paragraph (2), the monthly MediKids premium for
21 a year is equal to $\frac{1}{12}$ of the annual premium rate
22 computed under subsection (b).

23 “(2) ELIMINATION OF MONTHLY PREMIUM FOR
24 DEMONSTRATION OF EQUIVALENT COVERAGE (IN-
25 CLUDING COVERAGE UNDER LOW-INCOME PRO-

1 GRAMS).—The amount of the monthly premium im-
2 posed under this section for an individual for a
3 month shall be zero in the case of an individual who
4 demonstrates to the satisfaction of the Secretary
5 that the individual has basic health insurance cov-
6 erage for that month. For purposes of the previous
7 sentence enrollment in a medicaid plan under title
8 XIX, a State child health insurance plan under title
9 XXI, or under the medicare program under title
10 XVIII is deemed to constitute basic health insurance
11 coverage described in such sentence.

12 “(b) ANNUAL PREMIUM.—

13 “(1) NATIONAL, PER CAPITA AVERAGE.—The
14 Secretary shall estimate the average, annual per
15 capita amount that would be payable under this title
16 with respect to individuals residing in the United
17 States who meet the requirement of section
18 2201(a)(1) as if all such individuals were eligible for
19 (and enrolled) under this title during the entire year
20 (and assuming that section 1862(b)(2)(A)(i) did not
21 apply).

22 “(2) ANNUAL PREMIUM.—Subject to subsection
23 (d), the annual premium under this subsection for
24 months in a year is equal to 25 percent of the aver-

1 age, annual per capita amount estimated under
2 paragraph (1) for the year.

3 “(c) PAYMENT OF MONTHLY PREMIUM.—

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

11 “(2) COLLECTION THROUGH TAX RETURN.—
12 For provisions providing for the payment of monthly
13 premiums under this subsection, see section 59B of
14 the Internal Revenue Code of 1986.

15 “(3) PROTECTIONS AGAINST FRAUD AND
16 ABUSE.—The Secretary shall develop, in coordina-
17 tion with States and other health insurance issuers,
18 administrative systems to ensure that claims which
19 are submitted to more than one payor are coordi-
20 nated and duplicate payments are not made.

21 “(d) REDUCTION IN PREMIUM FOR CERTAIN LOW-
22 INCOME FAMILIES.—For provisions reducing the premium
23 under this section for certain low-income families, see sec-
24 tion 59B(c) of the Internal Revenue Code of 1986.

1 **“SEC. 2204. MEDIKIDS TRUST FUND.**

2 “(a) ESTABLISHMENT OF TRUST FUND.—

3 “(1) IN GENERAL.—There is hereby created on
4 the books of the Treasury of the United States a
5 trust fund to be known as the ‘MediKids Trust
6 Fund’ (in this section referred to as the ‘Trust
7 Fund’). The Trust Fund shall consist of such gifts
8 and bequests as may be made as provided in section
9 201(i)(1) and such amounts as may be deposited in,
10 or appropriated to, such fund as provided in this
11 title.

12 “(2) PREMIUMS.—Premiums collected under
13 section 2203 shall be transferred to the Trust Fund.

14 “(b) INCORPORATION OF PROVISIONS.—

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

21 “(2) MISCELLANEOUS REFERENCES.—In apply-
22 ing provisions of section 1841 under paragraph
23 (1)—

24 “(A) any reference in such section to ‘this
25 part’ is construed to refer to title XXII;

1 “(B) any reference in section 1841(h) to
2 section 1840(d) and in section 1841(i) to sec-
3 tions 1840(b)(1) and 1842(g) are deemed ref-
4 erences to comparable authority exercised under
5 this title;

6 “(C) payments may be made under section
7 1841(g) to the Trust Funds under sections
8 1817 and 1841 as reimbursement to such funds
9 for payments they made for benefits provided
10 under this title; and

11 “(D) the Board of Trustees of the
12 MediKids Trust Fund shall be the same as the
13 Board of Trustees of the Federal Supple-
14 mentary Medical Insurance Trust Fund.

15 **“SEC. 2205. OVERSIGHT AND ACCOUNTABILITY.**

16 “(a) THROUGH ANNUAL REPORTS OF TRUSTEES.—
17 The Board of Trustees of the MediKids Trust Fund under
18 section 2204(b)(1) shall report on an annual basis to Con-
19 gress concerning the status of the Trust Fund and the
20 need for adjustments in the program under this title to
21 maintain financial solvency of the program under this
22 title.

23 “(b) PERIODIC GAO REPORTS.—The Comptroller
24 General of the United States shall periodically submit to
25 Congress reports on the adequacy of the financing of cov-

1 erage provided under this title. The Comptroller General
2 shall include in such report such recommendations for ad-
3 justments in such financing and coverage as the Comp-
4 troller General deems appropriate in order to maintain fi-
5 nancial solvency of the program under this title.

6 **“SEC. 2206. INCLUSION OF CARE COORDINATION SERVICES.**

7 “(a) IN GENERAL.—

8 “(1) PROGRAM AUTHORITY.—The Secretary,
9 beginning in 2003, may implement a care coordina-
10 tion services program in accordance with the provi-
11 sions of this section under which, in appropriate cir-
12 cumstances, eligible individuals may elect to have
13 health care services covered under this title managed
14 and coordinated by a designated care coordinator.

15 “(2) ADMINISTRATION BY CONTRACT.—The
16 Secretary may administer the program under this
17 section through a contract with an appropriate pro-
18 gram administrator.

19 “(3) COVERAGE.—Care coordination services
20 furnished in accordance with this section shall be
21 treated under this title as if they were included in
22 the definition of medical and other health services
23 under section 1861(s) and benefits shall be available
24 under this title with respect to such services without
25 the application of any deductible or coinsurance.

1 “(b) ELIGIBILITY CRITERIA; IDENTIFICATION AND
2 NOTIFICATION OF ELIGIBLE INDIVIDUALS.—

3 “(1) INDIVIDUAL ELIGIBILITY CRITERIA.—The
4 Secretary shall specify criteria to be used in making
5 a determination as to whether an individual may ap-
6 propriately be enrolled in the care coordination serv-
7 ices program under this section, which shall include
8 at least a finding by the Secretary that for cohorts
9 of individuals with characteristics identified by the
10 Secretary, professional management and coordina-
11 tion of care can reasonably be expected to improve
12 processes or outcomes of health care and to reduce
13 aggregate costs to the programs under this title.

14 “(2) PROCEDURES TO FACILITATE ENROLL-
15 MENT.—The Secretary shall develop and implement
16 procedures designed to facilitate enrollment of eligi-
17 ble individuals in the program under this section.

18 “(c) ENROLLMENT OF INDIVIDUALS.—

19 “(1) SECRETARY’S DETERMINATION OF ELIGI-
20 BILITY.—The Secretary shall determine the eligi-
21 bility for services under this section of individuals
22 who are enrolled in the program under this section
23 and who make application for such services in such
24 form and manner as the Secretary may prescribe.

25 “(2) ENROLLMENT PERIOD.—

1 “(A) EFFECTIVE DATE AND DURATION.—
2 Enrollment of an individual in the program
3 under this section shall be effective as of the
4 first day of the month following the month in
5 which the Secretary approves the individual’s
6 application under paragraph (1), shall remain
7 in effect for one month (or such longer period
8 as the Secretary may specify), and shall be
9 automatically renewed for additional periods,
10 unless terminated in accordance with such pro-
11 cedures as the Secretary shall establish by regu-
12 lation. Such procedures shall permit an indi-
13 vidual to disenroll for cause at any time and
14 without cause at re-enrollment intervals.

15 “(B) LIMITATION ON REENROLLMENT.—
16 The Secretary may establish limits on an indi-
17 vidual’s eligibility to reenroll in the program
18 under this section if the individual has
19 disenrolled from the program more than once
20 during a specified time period.

21 “(d) PROGRAM.—The care coordination services pro-
22 gram under this section shall include the following ele-
23 ments:

24 “(1) BASIC CARE COORDINATION SERVICES.—

1 “(A) IN GENERAL.—Subject to the cost-ef-
2 fectiveness criteria specified in subsection
3 (b)(1), except as otherwise provided in this sec-
4 tion, enrolled individuals shall receive services
5 described in section 1905(t)(1) and may receive
6 additional items and services as described in
7 subparagraph (B).

8 “(B) ADDITIONAL BENEFITS.—The Sec-
9 retary may specify additional benefits for which
10 payment would not otherwise be made under
11 this title that may be available to individuals
12 enrolled in the program under this section (sub-
13 ject to an assessment by the care coordinator of
14 an individual’s circumstance and need for such
15 benefits) in order to encourage enrollment in, or
16 to improve the effectiveness of, such program.

17 “(2) CARE COORDINATION REQUIREMENT.—
18 Notwithstanding any other provision of this title, the
19 Secretary may provide that an individual enrolled in
20 the program under this section may be entitled to
21 payment under this title for any specified health
22 care items or services only if the items or services
23 have been furnished by the care coordinator, or co-
24 ordinated through the care coordination services pro-
25 gram. Under such provision, the Secretary shall pre-

1 scribe exceptions for emergency medical services as
2 described in section 1852(d)(3), and other excep-
3 tions determined by the Secretary for the delivery of
4 timely and needed care.

5 “(e) CARE COORDINATORS.—

6 “(1) CONDITIONS OF PARTICIPATION.—In order
7 to be qualified to furnish care coordination services
8 under this section, an individual or entity shall—

9 “(A) be a health care professional or entity
10 (which may include physicians, physician group
11 practices, or other health care professionals or
12 entities the Secretary may find appropriate)
13 meeting such conditions as the Secretary may
14 specify;

15 “(B) have entered into a care coordination
16 agreement; and

17 “(C) meet such criteria as the Secretary
18 may establish (which may include experience in
19 the provision of care coordination or primary
20 care physician’s services).

21 “(2) AGREEMENT TERM; PAYMENT.—

22 “(A) DURATION AND RENEWAL.—A care
23 coordination agreement under this subsection
24 shall be for one year and may be renewed if the
25 Secretary is satisfied that the care coordinator

1 continues to meet the conditions of participa-
2 tion specified in paragraph (1).

3 “(B) PAYMENT FOR SERVICES.—The Sec-
4 retary may negotiate or otherwise establish pay-
5 ment terms and rates for services described in
6 subsection (d)(1).

7 “(C) LIABILITY.—Case coordinators shall
8 be subject to liability for actual health damages
9 which may be suffered by recipients as a result
10 of the care coordinator’s decisions, failure or
11 delay in making decisions, or other actions as
12 a care coordinator.

13 “(D) TERMS.—In addition to such other
14 terms as the Secretary may require, an agree-
15 ment under this section shall include the terms
16 specified in subparagraphs (A) through (C) of
17 section 1905(t)(3).

18 **“SEC. 2207. ADMINISTRATION AND MISCELLANEOUS.**

19 “(a) IN GENERAL.—Except as otherwise provided in
20 this title—

21 “(1) the Secretary shall enter into appropriate
22 contracts with providers of services, other health
23 care providers, carriers, and fiscal intermediaries,
24 taking into account the types of contracts used

1 under title XVIII with respect to such entities, to
2 administer the program under this title;

3 “(2) individuals enrolled under this title shall
4 be treated for purposes of title XVIII as though the
5 individual were entitled to benefits under part A and
6 enrolled under part B of such title;

7 “(3) benefits described in section 2202 that are
8 payable under this title to such individuals shall be
9 paid in a manner specified by the Secretary (taking
10 into account, and based to the greatest extent prac-
11 ticable upon, the manner in which they are provided
12 under title XVIII);

13 “(4) provider participation agreements under
14 title XVIII shall apply to enrollees and benefits
15 under this title in the same manner as they apply
16 to enrollees and benefits under title XVIII; and

17 “(5) individuals entitled to benefits under this
18 title may elect to receive such benefits under health
19 plans in a manner, specified by the Secretary, simi-
20 lar to the manner provided under part C of title
21 XVIII.

22 “(b) COORDINATION WITH MEDICAID AND
23 SCHIP.—Notwithstanding any other provision of law, in-
24 dividuals entitled to benefits for items and services under
25 this title who also qualify for benefits under title XIX or

1 XXI or any other Federally funded program may continue
2 to qualify and obtain benefits under such other title or
3 program, and in such case such an individual shall elect
4 either—

5 “(1) such other title or program to be primary
6 payor to benefits under this title, in which case no
7 benefits shall be payable under this title and the
8 monthly premium under section 2203 shall be zero;
9 or

10 “(2) benefits under this title shall be primary
11 payor to benefits provided under such program or
12 title, in which case the Secretary shall enter into
13 agreements with States as may be appropriate to
14 provide that, in the case of such individuals, the ben-
15 efits under titles XIX and XXI or such other pro-
16 gram (including reduction of cost-sharing) are pro-
17 vided on a ‘wrap-around’ basis to the benefits under
18 this title.”.

19 (2) CONFORMING AMENDMENTS TO SOCIAL SE-
20 CURITY ACT PROVISIONS.—

21 (A) Section 201(i)(1) of the Social Secu-
22 rity Act (42 U.S.C. 401(i)(1)) is amended by
23 striking “or the Federal Supplementary Medical
24 Insurance Trust Fund” and inserting “the Fed-

1 eral Supplementary Medical Insurance Trust
2 Fund, and the MediKids Trust Fund”.

3 (B) Section 201(g)(1)(A) of such Act (42
4 U.S.C. 401(g)(1)(A)) is amended by striking
5 “and the Federal Supplementary Medical Insur-
6 ance Trust Fund established by title XVIII”
7 and inserting “, the Federal Supplementary
8 Medical Insurance Trust Fund, and the
9 MediKids Trust Fund established by title
10 XVIII”.

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

13 (i) in paragraph (1), by striking “or
14 (7)” and inserting “, (7), or (8)”, and

15 (ii) by adding at the end the fol-
16 lowing:

17 “(8) ADJUSTMENT FOR MEDIKIDS.—In apply-
18 ing this subsection with respect to individuals enti-
19 tled to benefits under title XXII, the Secretary shall
20 provide for an appropriate adjustment in the
21 Medicare+Choice capitation rate as may be appro-
22 priate to reflect differences between the population
23 served under such title and the population under
24 parts A and B.”.

1 (3) MAINTENANCE OF MEDICAID ELIGIBILITY
2 AND BENEFITS FOR CHILDREN.—

3 (A) IN GENERAL.—In order for a State to
4 continue to be eligible for payments under sec-
5 tion 1903(a) of the Social Security Act (42
6 U.S.C. 1396b(a))—

7 (i) the State may not reduce stand-
8 ards of eligibility, or benefits, provided
9 under its State medicaid plan under title
10 XIX of the Social Security Act or under its
11 State child health plan under title XXI of
12 such Act for individuals under 23 years of
13 age below such standards of eligibility, and
14 benefits, in effect on the date of the enact-
15 ment of this Act; and

16 (ii) the State shall demonstrate to the
17 satisfaction of the Secretary of Health and
18 Human Services that any savings in State
19 expenditures under title XIX or XXI of the
20 Social Security Act that results from chil-
21 dren from enrolling under title XXII of
22 such Act shall be used in a manner that
23 improves services to beneficiaries under
24 title XIX of such Act, such as through in-
25 creases in provider payment rates, expan-

1 sion of eligibility, improved nurse and
2 nurse aide staffing and improved inspec-
3 tions of nursing facilities, and coverage of
4 additional services.

5 (B) **MEDIKIDS AS PRIMARY PAYOR.**—In
6 applying title XIX of the Social Security Act,
7 the MediKids program under title XXII of such
8 Act shall be treated as a primary payor in cases
9 in which the election described in section
10 2207(b)(2) of such Act, as added by subsection
11 (a), has been made.

12 (4) **EXPANSION OF MEDPAC MEMBERSHIP TO**
13 **19.**—

14 (A) **IN GENERAL.**—Section 1805(c) of the
15 Social Security Act (42 U.S.C. 1395b–6(c)) is
16 amended—

17 (i) in paragraph (1), by striking “17”
18 and inserting “19”; and

19 (ii) in paragraph (2)(B), by inserting
20 “experts in children’s health,” after “other
21 health professionals,”.

22 (B) **INITIAL TERMS OF ADDITIONAL MEM-**
23 **BERS.**—

24 (i) **IN GENERAL.**—For purposes of
25 staggering the initial terms of members of

1 the Medicare Payment Advisory Commis-
 2 sion under section 1805(c)(3) of the Social
 3 Security Act (42 U.S.C. 1395b–6(c)(3)),
 4 the initial terms of the 2 additional mem-
 5 bers of the Commission provided for by the
 6 amendment under subsection (a)(1) are as
 7 follows:

8 (I) One member shall be ap-
 9 pointed for 1 year.

10 (II) One member shall be ap-
 11 pointed for 2 years.

12 (ii) COMMENCEMENT OF TERMS.—

13 Such terms shall begin on January 1,
 14 2002.

15 (b) MEDIKIDS PREMIUM.—

16 (1) IN GENERAL.—Subchapter A of chapter 1
 17 of the Internal Revenue Code of 1986 (relating to
 18 determination of tax liability) is amended by adding
 19 at the end the following new part:

20 **“PART VIII—MEDIKIDS PREMIUM**

“Sec. 59B. MediKids premium.

21 **“SEC. 59B. MEDIKIDS PREMIUM.**

22 “(a) IMPOSITION OF TAX.—In the case of an indi-
 23 vidual to whom this section applies, there is hereby im-

1 posed (in addition to any other tax imposed by this sub-
2 title) a MediKids premium for the taxable year.

3 “(b) INDIVIDUALS SUBJECT TO PREMIUM.—

4 “(1) IN GENERAL.—This section shall apply to
5 an individual if the taxpayer has a MediKid at any
6 time during the taxable year.

7 “(2) MEDIKID.—For purposes of this section,
8 the term ‘MediKid’ means, with respect to a tax-
9 payer, any individual with respect to whom the tax-
10 payer is required to pay a premium under section
11 2203(e) of the Social Security Act for any month of
12 the taxable year.

13 “(c) AMOUNT OF PREMIUM.—For purposes of this
14 section, the MediKids premium for a taxable year is the
15 sum of the monthly premiums under section 2203 of the
16 Social Security Act for months in the taxable year.

17 “(d) EXCEPTIONS BASED ON ADJUSTED GROSS IN-
18 COME.—

19 “(1) EXEMPTION FOR VERY LOW-INCOME TAX-
20 PAYERS.—

21 “(A) IN GENERAL.—No premium shall be
22 imposed by this section on any taxpayer having
23 an adjusted gross income not in excess of the
24 exemption amount.

1 “(B) EXEMPTION AMOUNT.—For purposes
2 of this paragraph, the exemption amount is—

3 “(i) \$17,415 in the case of a taxpayer
4 having 1 MediKid,

5 “(ii) \$21,945 in the case of a tax-
6 payer having 2 MediKids,

7 “(iii) \$26,475 in the case of a tax-
8 payer having 3 MediKids, and

9 “(iv) \$31,005 in the case of a tax-
10 payer having 4 or more MediKids.

11 “(C) PHASEOUT OF EXEMPTION.—In the
12 case of a taxpayer having an adjusted gross in-
13 come which exceeds the exemption amount but
14 does not exceed twice the exemption amount,
15 the premium shall be the amount which bears
16 the same ratio to the premium which would
17 (but for this subparagraph) apply to the tax-
18 payer as such excess bears to the exemption
19 amount.

20 “(D) INFLATION ADJUSTMENT OF EXEMP-
21 TION AMOUNTS.—In the case of any taxable
22 year beginning in a calendar year after 2001,
23 each dollar amount contained in subparagraph
24 (C) shall be increased by an amount equal to
25 the product of—

1 “(i) such dollar amount, and

2 “(ii) the cost-of-living adjustment de-
3 termined under section 1(f)(3) for the cal-
4 endar year in which the taxable year be-
5 gins, determined by substituting ‘calendar
6 year 2000’ for ‘calendar year 1992’ in sub-
7 paragraph (B) thereof.

8 If any increase determined under the preceding
9 sentence is not a multiple of \$50, such increase
10 shall be rounded to the nearest multiple of \$50.

11 “(2) PREMIUM LIMITED TO 5 PERCENT OF AD-
12 JUSTED GROSS INCOME.—In no event shall any tax-
13 payer be required to pay a premium under this sec-
14 tion in excess of an amount equal to 5 percent of the
15 taxpayer’s adjusted gross income.

16 “(e) COORDINATION WITH OTHER PROVISIONS.—

17 “(1) NOT TREATED AS MEDICAL EXPENSE.—
18 For purposes of this chapter, any premium paid
19 under this section shall not be treated as expense for
20 medical care.

21 “(2) NOT TREATED AS TAX FOR CERTAIN PUR-
22 POSES.—The premium paid under this section shall
23 not be treated as a tax imposed by this chapter for
24 purposes of determining—

1 “(A) the amount of any credit allowable
2 under this chapter, or

3 “(B) the amount of the minimum tax im-
4 posed by section 55.

5 “(3) TREATMENT UNDER SUBTITLE F.—For
6 purposes of subtitle F, the premium paid under this
7 section shall be treated as if it were a tax imposed
8 by section 1.”.

9 (2) TECHNICAL AMENDMENTS.—

10 (A) Subsection (a) of section 6012 of such
11 Code is amended by inserting after paragraph
12 (9) the following new paragraph:

13 “(10) Every individual liable for a premium
14 under section 59B.”.

15 (B) The table of parts for subchapter A of
16 chapter 1 of such Code is amended by adding
17 at the end the following new item:

 “Part VIII. MediKids premium.”.

18 (3) EFFECTIVE DATE.—The amendments made
19 by this subsection shall apply to months beginning
20 after December 2002, in taxable years ending after
21 such date.

22 (c) REFUNDABLE CREDIT FOR COST-SHARING EX-
23 PENSES UNDER MEDIKIDS PROGRAM.—

24 (1) IN GENERAL.—Subpart C of part IV of sub-
25 chapter A of chapter 1 of the Internal Revenue Code

1 of 1986 (relating to refundable credits) is amended
2 by redesignating section 35 as section 36 and by in-
3 serting after section 34 the following new section:

4 **“SEC. 35. COST-SHARING EXPENSES UNDER MEDIKIDS PRO-**
5 **GRAM.**

6 “(a) ALLOWANCE OF CREDIT.—In the case of an in-
7 dividual who has a MediKid (as defined in section 59B)
8 at any time during the taxable year, there shall be allowed
9 as a credit against the tax imposed by this subtitle an
10 amount equal to 50 percent of the amount paid by the
11 taxpayer during the taxable year as cost-sharing under
12 section 2202(b)(4) of the Social Security Act.

13 “(b) LIMITATION BASED ON ADJUSTED GROSS IN-
14 COME.—The amount of the credit which would (but for
15 this subsection) be allowed under this section for the tax-
16 able year shall be reduced (but not below zero) by an
17 amount which bears the same ratio to such amount of
18 credit as the excess of the taxpayer’s adjusted gross in-
19 come for such taxable year over the exemption amount (as
20 defined in section 59B(d)) bears to such exemption
21 amount.”.

22 (2) TECHNICAL AMENDMENTS.—

23 (A) Paragraph (2) of section 1324(b) of
24 title 31, United States Code, is amended by in-

1 serting before the period “or from section 35 of
2 such Code”.

3 (B) The table of sections for subpart C of
4 part IV of subchapter A of chapter 1 of such
5 Code is amended by striking the last item and
6 inserting the following new items:

 “Sec. 35. Cost-sharing expenses under MediKids program.

 “Sec. 36. Overpayments of tax.”.

7 (3) EFFECTIVE DATE.—The amendments made
8 by this subsection shall apply to taxable years begin-
9 ning after December 31, 2002.

10 (d) REPORT ON LONG-TERM REVENUES.—Within 1
11 year after the date of enactment of this Act, the Secretary
12 of the Treasury shall propose a gradual schedule of pro-
13 gressive tax changes to fund the program under title XXII
14 of the Social Security Act, as the number of enrollees
15 grows in the out-years.

○