

110TH CONGRESS
1ST SESSION

H. R. 1012

To reform laws and procedures affecting small business.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 13, 2007

Mr. BUCHANAN (for himself, Ms. FALLIN, Mr. GILCHREST, Mr. DAVIS of Illinois, and Ms. GINNY BROWN-WAITE of Florida) introduced the following bill; which was referred to the Committee on Education and Labor, and in addition to the Committees on Small Business, Judiciary, Oversight and Government Reform, and Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To reform laws and procedures affecting small business.

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 AND TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Small Business Growth Act of 2007”.

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

Sec. 1. Short title and table of contents.

TITLE I—ASSOCIATION HEALTH PLANS

Sec. 101. Rules governing association health plans.

“PART 8—RULES GOVERNING ASSOCIATION HEALTH PLANS

- “Sec. 801. Association health plans.
- “Sec. 802. Certification of association health plans.
- “Sec. 803. Requirements relating to sponsors and boards of trustees.
- “Sec. 804. Participation and coverage requirements.
- “Sec. 805. Other requirements relating to plan documents, contribution rates, and benefit options.
- “Sec. 806. Maintenance of reserves and provisions for solvency for plans providing health benefits in addition to health insurance coverage.
- “Sec. 807. Requirements for application and related requirements.
- “Sec. 808. Notice requirements for voluntary termination.
- “Sec. 809. Corrective actions and mandatory termination.
- “Sec. 810. Trusteeship by the Secretary of insolvent association health plans providing health benefits in addition to health insurance coverage.
- “Sec. 811. State assessment authority.
- “Sec. 812. Definitions and rules of construction.
- Sec. 102. Clarification of treatment of single employer arrangements.
- Sec. 103. Enforcement provisions relating to association health plans.
- Sec. 104. Cooperation between Federal and State authorities.
- Sec. 105. Effective date and transitional and other rules.

TITLE II—EXTENSION OF INCREASED EXPENSING

- Sec. 201. Extension of increased expensing for small businesses.

TITLE III—PAPERWORK REQUIREMENTS

- Sec. 301. Suspension of fines for first-time paperwork violations by small business concerns.

TITLE IV—FEDERAL RULES OF CIVIL PROCEDURE
IMPROVEMENTS

- Sec. 401. Attorney accountability.
- Sec. 402. Applicability of Rule 11 to State cases affecting interstate commerce.
- Sec. 403. Prevention of forum-shopping.
- Sec. 404. Rule of construction.
- Sec. 405. Three-strikes rule for suspending attorneys who commit multiple Rule 11 violations.
- Sec. 406. Presumption of rule 11 violation for repeatedly relitigating same issue.
- Sec. 407. Enhanced sanctions for document destruction in pending Federal court proceedings.
- Sec. 408. Ban on concealment of unlawful conduct.

TITLE V—AWARDING OF PROCUREMENT CONTRACTS

- Sec. 501. Increase in government-wide goal for procurement contracts awarded to small business concerns.

1 **TITLE I—ASSOCIATION HEALTH**
2 **PLANS**

3 **SEC. 101. RULES GOVERNING ASSOCIATION HEALTH**
4 **PLANS.**

5 (a) IN GENERAL.—Subtitle B of title I of the Em-
6 ployee Retirement Income Security Act of 1974 is amend-
7 ed by adding after part 7 the following new part:

8 **“PART 8—RULES GOVERNING ASSOCIATION**
9 **HEALTH PLANS**

10 **“SEC. 801. ASSOCIATION HEALTH PLANS.**

11 “(a) IN GENERAL.—For purposes of this part, the
12 term ‘association health plan’ means a group health plan
13 whose sponsor is (or is deemed under this part to be) de-
14 scribed in subsection (b).

15 “(b) SPONSORSHIP.—The sponsor of a group health
16 plan is described in this subsection if such sponsor—

17 “(1) is organized and maintained in good faith,
18 with a constitution and bylaws specifically stating its
19 purpose and providing for periodic meetings on at
20 least an annual basis, as a bona fide trade associa-
21 tion, a bona fide industry association (including a
22 rural electric cooperative association or a rural tele-
23 phone cooperative association), a bona fide profes-
24 sional association, or a bona fide chamber of com-
25 merce (or similar bona fide business association, in-

1 including a corporation or similar organization that
2 operates on a cooperative basis (within the meaning
3 of section 1381 of the Internal Revenue Code of
4 1986)), for substantial purposes other than that of
5 obtaining or providing medical care;

6 “(2) is established as a permanent entity which
7 receives the active support of its members and re-
8 quires for membership payment on a periodic basis
9 of dues or payments necessary to maintain eligibility
10 for membership in the sponsor; and

11 “(3) does not condition membership, such dues
12 or payments, or coverage under the plan on the
13 basis of health status-related factors with respect to
14 the employees of its members (or affiliated mem-
15 bers), or the dependents of such employees, and does
16 not condition such dues or payments on the basis of
17 group health plan participation.

18 Any sponsor consisting of an association of entities which
19 meet the requirements of paragraphs (1), (2), and (3)
20 shall be deemed to be a sponsor described in this sub-
21 section.

22 **“SEC. 802. CERTIFICATION OF ASSOCIATION HEALTH**
23 **PLANS.**

24 “(a) IN GENERAL.—The applicable authority shall
25 prescribe by regulation a procedure under which, subject

1 to subsection (b), the applicable authority shall certify as-
2 sociation health plans which apply for certification as
3 meeting the requirements of this part.

4 “(b) STANDARDS.—Under the procedure prescribed
5 pursuant to subsection (a), in the case of an association
6 health plan that provides at least one benefit option which
7 does not consist of health insurance coverage, the applica-
8 ble authority shall certify such plan as meeting the re-
9 quirements of this part only if the applicable authority is
10 satisfied that the applicable requirements of this part are
11 met (or, upon the date on which the plan is to commence
12 operations, will be met) with respect to the plan.

13 “(c) REQUIREMENTS APPLICABLE TO CERTIFIED
14 PLANS.—An association health plan with respect to which
15 certification under this part is in effect shall meet the ap-
16 plicable requirements of this part, effective on the date
17 of certification (or, if later, on the date on which the plan
18 is to commence operations).

19 “(d) REQUIREMENTS FOR CONTINUED CERTIFI-
20 CATION.—The applicable authority may provide by regula-
21 tion for continued certification of association health plans
22 under this part.

23 “(e) CLASS CERTIFICATION FOR FULLY INSURED
24 PLANS.—The applicable authority shall establish a class
25 certification procedure for association health plans under

1 which all benefits consist of health insurance coverage.
2 Under such procedure, the applicable authority shall pro-
3 vide for the granting of certification under this part to
4 the plans in each class of such association health plans
5 upon appropriate filing under such procedure in connec-
6 tion with plans in such class and payment of the pre-
7 scribed fee under section 807(a).

8 “(f) CERTIFICATION OF SELF-INSURED ASSOCIATION
9 HEALTH PLANS.—An association health plan which offers
10 one or more benefit options which do not consist of health
11 insurance coverage may be certified under this part only
12 if such plan consists of any of the following:

13 “(1) a plan which offered such coverage on the
14 date of the enactment of the Small Business Growth
15 Act of 2007,

16 “(2) a plan under which the sponsor does not
17 restrict membership to one or more trades and busi-
18 nesses or industries and whose eligible participating
19 employers represent a broad cross-section of trades
20 and businesses or industries, or

21 “(3) a plan whose eligible participating employ-
22 ers represent one or more trades or businesses, or
23 one or more industries, consisting of any of the fol-
24 lowing: agriculture; equipment and automobile deal-
25 erships; barbering and cosmetology; certified public

1 accounting practices; child care; construction; dance,
2 theatrical and orchestra productions; disinfecting
3 and pest control; financial services; fishing; food
4 service establishments; hospitals; labor organiza-
5 tions; logging; manufacturing (metals); mining; med-
6 ical and dental practices; medical laboratories; pro-
7 fessional consulting services; sanitary services; trans-
8 portation (local and freight); warehousing; whole-
9 saling/distributing; or any other trade or business or
10 industry which has been indicated as having average
11 or above-average risk or health claims experience by
12 reason of State rate filings, denials of coverage, pro-
13 posed premium rate levels, or other means dem-
14 onstrated by such plan in accordance with regula-
15 tions.

16 **“SEC. 803. REQUIREMENTS RELATING TO SPONSORS AND**
17 **BOARDS OF TRUSTEES.**

18 “(a) SPONSOR.—The requirements of this subsection
19 are met with respect to an association health plan if the
20 sponsor has met (or is deemed under this part to have
21 met) the requirements of section 801(b) for a continuous
22 period of not less than 3 years ending with the date of
23 the application for certification under this part.

1 “(b) BOARD OF TRUSTEES.—The requirements of
2 this subsection are met with respect to an association
3 health plan if the following requirements are met:

4 “(1) FISCAL CONTROL.—The plan is operated,
5 pursuant to a trust agreement, by a board of trust-
6 ees which has complete fiscal control over the plan
7 and which is responsible for all operations of the
8 plan.

9 “(2) RULES OF OPERATION AND FINANCIAL
10 CONTROLS.—The board of trustees has in effect
11 rules of operation and financial controls, based on a
12 3-year plan of operation, adequate to carry out the
13 terms of the plan and to meet all requirements of
14 this title applicable to the plan.

15 “(3) RULES GOVERNING RELATIONSHIP TO
16 PARTICIPATING EMPLOYERS AND TO CONTRAC-
17 TORS.—

18 “(A) BOARD MEMBERSHIP.—

19 “(i) IN GENERAL.—Except as pro-
20 vided in clauses (ii) and (iii), the members
21 of the board of trustees are individuals se-
22 lected from individuals who are the owners,
23 officers, directors, or employees of the par-
24 ticipating employers or who are partners in

1 the participating employers and actively
2 participate in the business.

3 “(ii) LIMITATION.—

4 “(I) GENERAL RULE.—Except as
5 provided in subclauses (II) and (III),
6 no such member is an owner, officer,
7 director, or employee of, or partner in,
8 a contract administrator or other
9 service provider to the plan.

10 “(II) LIMITED EXCEPTION FOR
11 PROVIDERS OF SERVICES SOLELY ON
12 BEHALF OF THE SPONSOR.—Officers
13 or employees of a sponsor which is a
14 service provider (other than a contract
15 administrator) to the plan may be
16 members of the board if they con-
17 stitute not more than 25 percent of
18 the membership of the board and they
19 do not provide services to the plan
20 other than on behalf of the sponsor.

21 “(III) TREATMENT OF PRO-
22 VIDERS OF MEDICAL CARE.—In the
23 case of a sponsor which is an associa-
24 tion whose membership consists pri-
25 marily of providers of medical care,

1 subclause (I) shall not apply in the
2 case of any service provider described
3 in subclause (I) who is a provider of
4 medical care under the plan.

5 “(iii) CERTAIN PLANS EXCLUDED.—
6 Clause (i) shall not apply to an association
7 health plan which is in existence on the
8 date of the enactment of the Small Busi-
9 ness Growth Act of 2007.

10 “(B) SOLE AUTHORITY.—The board has
11 sole authority under the plan to approve appli-
12 cations for participation in the plan and to con-
13 tract with a service provider to administer the
14 day-to-day affairs of the plan.

15 “(c) TREATMENT OF FRANCHISE NETWORKS.—In
16 the case of a group health plan which is established and
17 maintained by a franchiser for a franchise network con-
18 sisting of its franchisees—

19 “(1) the requirements of subsection (a) and sec-
20 tion 801(a) shall be deemed met if such require-
21 ments would otherwise be met if the franchiser were
22 deemed to be the sponsor referred to in section
23 801(b), such network were deemed to be an associa-
24 tion described in section 801(b), and each franchisee

1 were deemed to be a member (of the association and
2 the sponsor) referred to in section 801(b); and

3 “(2) the requirements of section 804(a)(1) shall
4 be deemed met.

5 The Secretary may by regulation define for purposes of
6 this subsection the terms ‘franchiser’, ‘franchise network’,
7 and ‘franchisee’.

8 **“SEC. 804. PARTICIPATION AND COVERAGE REQUIRE-**
9 **MENTS.**

10 “(a) COVERED EMPLOYERS AND INDIVIDUALS.—The
11 requirements of this subsection are met with respect to
12 an association health plan if, under the terms of the
13 plan—

14 “(1) each participating employer must be—

15 “(A) a member of the sponsor,

16 “(B) the sponsor, or

17 “(C) an affiliated member of the sponsor

18 with respect to which the requirements of sub-

19 section (b) are met,

20 except that, in the case of a sponsor which is a pro-

21 fessional association or other individual-based asso-

22 ciation, if at least one of the officers, directors, or

23 employees of an employer, or at least one of the in-

24 dividuals who are partners in an employer and who

25 actively participates in the business, is a member or

1 such an affiliated member of the sponsor, partici-
2 pating employers may also include such employer;
3 and

4 “(2) all individuals commencing coverage under
5 the plan after certification under this part must
6 be—

7 “(A) active or retired owners (including
8 self-employed individuals), officers, directors, or
9 employees of, or partners in, participating em-
10 ployers; or

11 “(B) the beneficiaries of individuals de-
12 scribed in subparagraph (A).

13 “(b) COVERAGE OF PREVIOUSLY UNINSURED EM-
14 PLOYEES.—In the case of an association health plan in
15 existence on the date of the enactment of the Small Busi-
16 ness Growth Act of 2007, an affiliated member of the
17 sponsor of the plan may be offered coverage under the
18 plan as a participating employer only if—

19 “(1) the affiliated member was an affiliated
20 member on the date of certification under this part;
21 or

22 “(2) during the 12-month period preceding the
23 date of the offering of such coverage, the affiliated
24 member has not maintained or contributed to a
25 group health plan with respect to any of its employ-

1 ees who would otherwise be eligible to participate in
2 such association health plan.

3 “(c) INDIVIDUAL MARKET UNAFFECTED.—The re-
4 quirements of this subsection are met with respect to an
5 association health plan if, under the terms of the plan,
6 no participating employer may provide health insurance
7 coverage in the individual market for any employee not
8 covered under the plan which is similar to the coverage
9 contemporaneously provided to employees of the employer
10 under the plan, if such exclusion of the employee from cov-
11 erage under the plan is based on a health status-related
12 factor with respect to the employee and such employee
13 would, but for such exclusion on such basis, be eligible
14 for coverage under the plan.

15 “(d) PROHIBITION OF DISCRIMINATION AGAINST
16 EMPLOYERS AND EMPLOYEES ELIGIBLE TO PARTICI-
17 PATE.—The requirements of this subsection are met with
18 respect to an association health plan if—

19 “(1) under the terms of the plan, all employers
20 meeting the preceding requirements of this section
21 are eligible to qualify as participating employers for
22 all geographically available coverage options, unless,
23 in the case of any such employer, participation or
24 contribution requirements of the type referred to in

1 section 2711 of the Public Health Service Act are
2 not met;

3 “(2) upon request, any employer eligible to par-
4 ticipate is furnished information regarding all cov-
5 erage options available under the plan; and

6 “(3) the applicable requirements of sections
7 701, 702, and 703 are met with respect to the plan.

8 **“SEC. 805. OTHER REQUIREMENTS RELATING TO PLAN**
9 **DOCUMENTS, CONTRIBUTION RATES, AND**
10 **BENEFIT OPTIONS.**

11 “(a) IN GENERAL.—The requirements of this section
12 are met with respect to an association health plan if the
13 following requirements are met:

14 “(1) CONTENTS OF GOVERNING INSTRU-
15 MENTS.—The instruments governing the plan in-
16 clude a written instrument, meeting the require-
17 ments of an instrument required under section
18 402(a)(1), which—

19 “(A) provides that the board of trustees
20 serves as the named fiduciary required for plans
21 under section 402(a)(1) and serves in the ca-
22 pacity of a plan administrator (referred to in
23 section 3(16)(A));

1 “(B) provides that the sponsor of the plan
2 is to serve as plan sponsor (referred to in sec-
3 tion 3(16)(B)); and

4 “(C) incorporates the requirements of sec-
5 tion 806.

6 “(2) CONTRIBUTION RATES MUST BE NON-
7 DISCRIMINATORY.—

8 “(A) The contribution rates for any par-
9 ticipating small employer do not vary on the
10 basis of any health status-related factor in rela-
11 tion to employees of such employer or their
12 beneficiaries and do not vary on the basis of the
13 type of business or industry in which such em-
14 ployer is engaged.

15 “(B) Nothing in this title or any other pro-
16 vision of law shall be construed to preclude an
17 association health plan, or a health insurance
18 issuer offering health insurance coverage in
19 connection with an association health plan,
20 from—

21 “(i) setting contribution rates based
22 on the claims experience of the plan; or

23 “(ii) varying contribution rates for
24 small employers in a State to the extent
25 that such rates could vary using the same

1 methodology employed in such State for
2 regulating premium rates in the small
3 group market with respect to health insur-
4 ance coverage offered in connection with
5 bona fide associations (within the meaning
6 of section 2791(d)(3) of the Public Health
7 Service Act),

8 subject to the requirements of section 702(b)
9 relating to contribution rates.

10 “(3) FLOOR FOR NUMBER OF COVERED INDI-
11 VIDUALS WITH RESPECT TO CERTAIN PLANS.—If
12 any benefit option under the plan does not consist
13 of health insurance coverage, the plan has as of the
14 beginning of the plan year not fewer than 1,000 par-
15 ticipants and beneficiaries.

16 “(4) MARKETING REQUIREMENTS.—

17 “(A) IN GENERAL.—If a benefit option
18 which consists of health insurance coverage is
19 offered under the plan, State-licensed insurance
20 agents shall be used to distribute to small em-
21 ployers coverage which does not consist of
22 health insurance coverage in a manner com-
23 parable to the manner in which such agents are
24 used to distribute health insurance coverage.

1 “(B) STATE-LICENSED INSURANCE
2 AGENTS.—For purposes of subparagraph (A),
3 the term ‘State-licensed insurance agents’
4 means one or more agents who are licensed in
5 a State and are subject to the laws of such
6 State relating to licensure, qualification, test-
7 ing, examination, and continuing education of
8 persons authorized to offer, sell, or solicit
9 health insurance coverage in such State.

10 “(5) REGULATORY REQUIREMENTS.—Such
11 other requirements as the applicable authority deter-
12 mines are necessary to carry out the purposes of this
13 part, which shall be prescribed by the applicable au-
14 thority by regulation.

15 “(b) ABILITY OF ASSOCIATION HEALTH PLANS TO
16 DESIGN BENEFIT OPTIONS.—Subject to section 514(d),
17 nothing in this part or any provision of State law (as de-
18 fined in section 514(c)(1)) shall be construed to preclude
19 an association health plan, or a health insurance issuer
20 offering health insurance coverage in connection with an
21 association health plan, from exercising its sole discretion
22 in selecting the specific items and services consisting of
23 medical care to be included as benefits under such plan
24 or coverage, except (subject to section 514) in the case
25 of (1) any law to the extent that it is not preempted under

1 section 731(a)(1) with respect to matters governed by sec-
 2 tion 711, 712, or 713, or (2) any law of the State with
 3 which filing and approval of a policy type offered by the
 4 plan was initially obtained to the extent that such law pro-
 5 hibits an exclusion of a specific disease from such cov-
 6 erage.

7 **“SEC. 806. MAINTENANCE OF RESERVES AND PROVISIONS**
 8 **FOR SOLVENCY FOR PLANS PROVIDING**
 9 **HEALTH BENEFITS IN ADDITION TO HEALTH**
 10 **INSURANCE COVERAGE.**

11 “(a) IN GENERAL.—The requirements of this section
 12 are met with respect to an association health plan if—

13 “(1) the benefits under the plan consist solely
 14 of health insurance coverage; or

15 “(2) if the plan provides any additional benefit
 16 options which do not consist of health insurance cov-
 17 erage, the plan—

18 “(A) establishes and maintains reserves
 19 with respect to such additional benefit options,
 20 in amounts recommended by the qualified actu-
 21 ary, consisting of—

22 “(i) a reserve sufficient for unearned
 23 contributions;

24 “(ii) a reserve sufficient for benefit li-
 25 abilities which have been incurred, which

1 have not been satisfied, and for which risk
2 of loss has not yet been transferred, and
3 for expected administrative costs with re-
4 spect to such benefit liabilities;

5 “(iii) a reserve sufficient for any other
6 obligations of the plan; and

7 “(iv) a reserve sufficient for a margin
8 of error and other fluctuations, taking into
9 account the specific circumstances of the
10 plan; and

11 “(B) establishes and maintains aggregate
12 and specific excess/stop loss insurance and sol-
13 vency indemnification, with respect to such ad-
14 ditional benefit options for which risk of loss
15 has not yet been transferred, as follows:

16 “(i) The plan shall secure aggregate
17 excess/stop loss insurance for the plan with
18 an attachment point which is not greater
19 than 125 percent of expected gross annual
20 claims. The applicable authority may by
21 regulation provide for upward adjustments
22 in the amount of such percentage in speci-
23 fied circumstances in which the plan spe-
24 cifically provides for and maintains re-

1 serves in excess of the amounts required
2 under subparagraph (A).

3 “(ii) The plan shall secure specific ex-
4 cess/stop loss insurance for the plan with
5 an attachment point which is at least equal
6 to an amount recommended by the plan’s
7 qualified actuary. The applicable authority
8 may by regulation provide for adjustments
9 in the amount of such insurance in speci-
10 fied circumstances in which the plan spe-
11 cifically provides for and maintains re-
12 serves in excess of the amounts required
13 under subparagraph (A).

14 “(iii) The plan shall secure indem-
15 nification insurance for any claims which
16 the plan is unable to satisfy by reason of
17 a plan termination.

18 Any person issuing to a plan insurance described in clause
19 (i), (ii), or (iii) of subparagraph (B) shall notify the Sec-
20 retary of any failure of premium payment meriting can-
21 cellation of the policy prior to undertaking such a cancella-
22 tion. Any regulations prescribed by the applicable author-
23 ity pursuant to clause (i) or (ii) of subparagraph (B) may
24 allow for such adjustments in the required levels of excess/
25 stop loss insurance as the qualified actuary may rec-

1 commend, taking into account the specific circumstances
2 of the plan.

3 “(b) MINIMUM SURPLUS IN ADDITION TO CLAIMS
4 RESERVES.—In the case of any association health plan de-
5 scribed in subsection (a)(2), the requirements of this sub-
6 section are met if the plan establishes and maintains sur-
7 plus in an amount at least equal to—

8 “(1) \$500,000, or

9 “(2) such greater amount (but not greater than
10 \$2,000,000) as may be set forth in regulations pre-
11 scribed by the applicable authority, considering the
12 level of aggregate and specific excess/stop loss insur-
13 ance provided with respect to such plan and other
14 factors related to solvency risk, such as the plan’s
15 projected levels of participation or claims, the nature
16 of the plan’s liabilities, and the types of assets avail-
17 able to assure that such liabilities are met.

18 “(c) ADDITIONAL REQUIREMENTS.—In the case of
19 any association health plan described in subsection (a)(2),
20 the applicable authority may provide such additional re-
21 quirements relating to reserves, excess/stop loss insurance,
22 and indemnification insurance as the applicable authority
23 considers appropriate. Such requirements may be provided
24 by regulation with respect to any such plan or any class
25 of such plans.

1 “(d) ADJUSTMENTS FOR EXCESS/STOP LOSS INSUR-
2 ANCE.—The applicable authority may provide for adjust-
3 ments to the levels of reserves otherwise required under
4 subsections (a) and (b) with respect to any plan or class
5 of plans to take into account excess/stop loss insurance
6 provided with respect to such plan or plans.

7 “(e) ALTERNATIVE MEANS OF COMPLIANCE.—The
8 applicable authority may permit an association health plan
9 described in subsection (a)(2) to substitute, for all or part
10 of the requirements of this section (except subsection
11 (a)(2)(B)(iii)), such security, guarantee, hold-harmless ar-
12 rangement, or other financial arrangement as the applica-
13 ble authority determines to be adequate to enable the plan
14 to fully meet all its financial obligations on a timely basis
15 and is otherwise no less protective of the interests of par-
16 ticipants and beneficiaries than the requirements for
17 which it is substituted. The applicable authority may take
18 into account, for purposes of this subsection, evidence pro-
19 vided by the plan or sponsor which demonstrates an as-
20 sumption of liability with respect to the plan. Such evi-
21 dence may be in the form of a contract of indemnification,
22 lien, bonding, insurance, letter of credit, recourse under
23 applicable terms of the plan in the form of assessments
24 of participating employers, security, or other financial ar-
25 rangement.

1 “(f) MEASURES TO ENSURE CONTINUED PAYMENT
2 OF BENEFITS BY CERTAIN PLANS IN DISTRESS.—

3 “(1) PAYMENTS BY CERTAIN PLANS TO ASSO-
4 CIATION HEALTH PLAN FUND.—

5 “(A) IN GENERAL.—In the case of an as-
6 sociation health plan described in subsection
7 (a)(2), the requirements of this subsection are
8 met if the plan makes payments into the Asso-
9 ciation Health Plan Fund under this subpara-
10 graph when they are due. Such payments shall
11 consist of annual payments in the amount of
12 \$5,000, and, in addition to such annual pay-
13 ments, such supplemental payments as the Sec-
14 retary may determine to be necessary under
15 paragraph (2). Payments under this paragraph
16 are payable to the Fund at the time determined
17 by the Secretary. Initial payments are due in
18 advance of certification under this part. Pay-
19 ments shall continue to accrue until a plan’s as-
20 sets are distributed pursuant to a termination
21 procedure.

22 “(B) PENALTIES FOR FAILURE TO MAKE
23 PAYMENTS.—If any payment is not made by a
24 plan when it is due, a late payment charge of
25 not more than 100 percent of the payment

1 which was not timely paid shall be payable by
2 the plan to the Fund.

3 “(C) CONTINUED DUTY OF THE SEC-
4 RETARY.—The Secretary shall not cease to
5 carry out the provisions of paragraph (2) on ac-
6 count of the failure of a plan to pay any pay-
7 ment when due.

8 “(2) PAYMENTS BY SECRETARY TO CONTINUE
9 EXCESS/STOP LOSS INSURANCE COVERAGE AND IN-
10 DEMNIFICATION INSURANCE COVERAGE FOR CER-
11 TAIN PLANS.—In any case in which the applicable
12 authority determines that there is, or that there is
13 reason to believe that there will be: (A) a failure to
14 take necessary corrective actions under section
15 809(a) with respect to an association health plan de-
16 scribed in subsection (a)(2); or (B) a termination of
17 such a plan under section 809(b) or 810(b)(8) (and,
18 if the applicable authority is not the Secretary, cer-
19 tifies such determination to the Secretary), the Sec-
20 retary shall determine the amounts necessary to
21 make payments to an insurer (designated by the
22 Secretary) to maintain in force excess/stop loss in-
23 surance coverage or indemnification insurance cov-
24 erage for such plan, if the Secretary determines that
25 there is a reasonable expectation that, without such

1 payments, claims would not be satisfied by reason of
2 termination of such coverage. The Secretary shall, to
3 the extent provided in advance in appropriation
4 Acts, pay such amounts so determined to the insurer
5 designated by the Secretary.

6 “(3) ASSOCIATION HEALTH PLAN FUND.—

7 “(A) IN GENERAL.—There is established
8 on the books of the Treasury a fund to be
9 known as the ‘Association Health Plan Fund’.
10 The Fund shall be available for making pay-
11 ments pursuant to paragraph (2). The Fund
12 shall be credited with payments received pursu-
13 ant to paragraph (1)(A), penalties received pur-
14 suant to paragraph (1)(B); and earnings on in-
15 vestments of amounts of the Fund under sub-
16 paragraph (B).

17 “(B) INVESTMENT.—Whenever the Sec-
18 retary determines that the moneys of the fund
19 are in excess of current needs, the Secretary
20 may request the investment of such amounts as
21 the Secretary determines advisable by the Sec-
22 retary of the Treasury in obligations issued or
23 guaranteed by the United States.

24 “(g) EXCESS/STOP LOSS INSURANCE.—For purposes
25 of this section—

1 “(1) AGGREGATE EXCESS/STOP LOSS INSUR-
2 ANCE.—The term ‘aggregate excess/stop loss insur-
3 ance’ means, in connection with an association
4 health plan, a contract—

5 “(A) under which an insurer (meeting such
6 minimum standards as the applicable authority
7 may prescribe by regulation) provides for pay-
8 ment to the plan with respect to aggregate
9 claims under the plan in excess of an amount
10 or amounts specified in such contract;

11 “(B) which is guaranteed renewable; and

12 “(C) which allows for payment of pre-
13 miums by any third party on behalf of the in-
14 sured plan.

15 “(2) SPECIFIC EXCESS/STOP LOSS INSUR-
16 ANCE.—The term ‘specific excess/stop loss insur-
17 ance’ means, in connection with an association
18 health plan, a contract—

19 “(A) under which an insurer (meeting such
20 minimum standards as the applicable authority
21 may prescribe by regulation) provides for pay-
22 ment to the plan with respect to claims under
23 the plan in connection with a covered individual
24 in excess of an amount or amounts specified in

1 such contract in connection with such covered
2 individual;

3 “(B) which is guaranteed renewable; and

4 “(C) which allows for payment of pre-
5 miums by any third party on behalf of the in-
6 sured plan.

7 “(h) INDEMNIFICATION INSURANCE.—For purposes
8 of this section, the term ‘indemnification insurance’
9 means, in connection with an association health plan, a
10 contract—

11 “(1) under which an insurer (meeting such min-
12 imum standards as the applicable authority may pre-
13 scribe by regulation) provides for payment to the
14 plan with respect to claims under the plan which the
15 plan is unable to satisfy by reason of a termination
16 pursuant to section 809(b) (relating to mandatory
17 termination);

18 “(2) which is guaranteed renewable and
19 noncancellable for any reason (except as the applica-
20 ble authority may prescribe by regulation); and

21 “(3) which allows for payment of premiums by
22 any third party on behalf of the insured plan.

23 “(i) RESERVES.—For purposes of this section, the
24 term ‘reserves’ means, in connection with an association
25 health plan, plan assets which meet the fiduciary stand-

1 ards under part 4 and such additional requirements re-
2 garding liquidity as the applicable authority may prescribe
3 by regulation.

4 “(j) SOLVENCY STANDARDS WORKING GROUP.—

5 “(1) IN GENERAL.—Within 90 days after the
6 date of the enactment of the Small Business Growth
7 Act of 2007, the applicable authority shall establish
8 a Solvency Standards Working Group. In prescribing
9 the initial regulations under this section, the applica-
10 ble authority shall take into account the rec-
11 ommendations of such Working Group.

12 “(2) MEMBERSHIP.—The Working Group shall
13 consist of not more than 15 members appointed by
14 the applicable authority. The applicable authority
15 shall include among persons invited to membership
16 on the Working Group at least one of each of the
17 following:

18 “(A) a representative of the National Asso-
19 ciation of Insurance Commissioners;

20 “(B) a representative of the American
21 Academy of Actuaries;

22 “(C) a representative of the State govern-
23 ments, or their interests;

24 “(D) a representative of existing self-in-
25 sured arrangements, or their interests;

1 “(E) a representative of associations of the
 2 type referred to in section 801(b)(1), or their
 3 interests; and

4 “(F) a representative of multiemployer
 5 plans that are group health plans, or their in-
 6 terests.

7 **“SEC. 807. REQUIREMENTS FOR APPLICATION AND RE-**
 8 **LATED REQUIREMENTS.**

9 “(a) FILING FEE.—Under the procedure prescribed
 10 pursuant to section 802(a), an association health plan
 11 shall pay to the applicable authority at the time of filing
 12 an application for certification under this part a filing fee
 13 in the amount of \$5,000, which shall be available in the
 14 case of the Secretary, to the extent provided in appropria-
 15 tion Acts, for the sole purpose of administering the certifi-
 16 cation procedures applicable with respect to association
 17 health plans.

18 “(b) INFORMATION TO BE INCLUDED IN APPLICA-
 19 TION FOR CERTIFICATION.—An application for certifi-
 20 cation under this part meets the requirements of this sec-
 21 tion only if it includes, in a manner and form which shall
 22 be prescribed by the applicable authority by regulation, at
 23 least the following information:

24 “(1) IDENTIFYING INFORMATION.—The names
 25 and addresses of—

1 “(A) the sponsor; and

2 “(B) the members of the board of trustees
3 of the plan.

4 “(2) STATES IN WHICH PLAN INTENDS TO DO
5 BUSINESS.—The States in which participants and
6 beneficiaries under the plan are to be located and
7 the number of them expected to be located in each
8 such State.

9 “(3) BONDING REQUIREMENTS.—Evidence pro-
10 vided by the board of trustees that the bonding re-
11 quirements of section 412 will be met as of the date
12 of the application or (if later) commencement of op-
13 erations.

14 “(4) PLAN DOCUMENTS.—A copy of the docu-
15 ments governing the plan (including any bylaws and
16 trust agreements), the summary plan description,
17 and other material describing the benefits that will
18 be provided to participants and beneficiaries under
19 the plan.

20 “(5) AGREEMENTS WITH SERVICE PRO-
21 VIDERS.—A copy of any agreements between the
22 plan and contract administrators and other service
23 providers.

24 “(6) FUNDING REPORT.—In the case of asso-
25 ciation health plans providing benefits options in ad-

1 dition to health insurance coverage, a report setting
2 forth information with respect to such additional
3 benefit options determined as of a date within the
4 120-day period ending with the date of the applica-
5 tion, including the following:

6 “(A) RESERVES.—A statement, certified
7 by the board of trustees of the plan, and a
8 statement of actuarial opinion, signed by a
9 qualified actuary, that all applicable require-
10 ments of section 806 are or will be met in ac-
11 cordance with regulations which the applicable
12 authority shall prescribe.

13 “(B) ADEQUACY OF CONTRIBUTION
14 RATES.—A statement of actuarial opinion,
15 signed by a qualified actuary, which sets forth
16 a description of the extent to which contribution
17 rates are adequate to provide for the payment
18 of all obligations and the maintenance of re-
19 quired reserves under the plan for the 12-
20 month period beginning with such date within
21 such 120-day period, taking into account the
22 expected coverage and experience of the plan. If
23 the contribution rates are not fully adequate,
24 the statement of actuarial opinion shall indicate

1 the extent to which the rates are inadequate
2 and the changes needed to ensure adequacy.

3 “(C) CURRENT AND PROJECTED VALUE OF
4 ASSETS AND LIABILITIES.—A statement of ac-
5 tuarial opinion signed by a qualified actuary,
6 which sets forth the current value of the assets
7 and liabilities accumulated under the plan and
8 a projection of the assets, liabilities, income,
9 and expenses of the plan for the 12-month pe-
10 riod referred to in subparagraph (B). The in-
11 come statement shall identify separately the
12 plan’s administrative expenses and claims.

13 “(D) COSTS OF COVERAGE TO BE
14 CHARGED AND OTHER EXPENSES.—A state-
15 ment of the costs of coverage to be charged, in-
16 cluding an itemization of amounts for adminis-
17 tration, reserves, and other expenses associated
18 with the operation of the plan.

19 “(E) OTHER INFORMATION.—Any other
20 information as may be determined by the appli-
21 cable authority, by regulation, as necessary to
22 carry out the purposes of this part.

23 “(c) FILING NOTICE OF CERTIFICATION WITH
24 STATES.—A certification granted under this part to an
25 association health plan shall not be effective unless written

1 notice of such certification is filed with the applicable
2 State authority of each State in which at least 25 percent
3 of the participants and beneficiaries under the plan are
4 located. For purposes of this subsection, an individual
5 shall be considered to be located in the State in which a
6 known address of such individual is located or in which
7 such individual is employed.

8 “(d) NOTICE OF MATERIAL CHANGES.—In the case
9 of any association health plan certified under this part,
10 descriptions of material changes in any information which
11 was required to be submitted with the application for the
12 certification under this part shall be filed in such form
13 and manner as shall be prescribed by the applicable au-
14 thority by regulation. The applicable authority may re-
15 quire by regulation prior notice of material changes with
16 respect to specified matters which might serve as the basis
17 for suspension or revocation of the certification.

18 “(e) REPORTING REQUIREMENTS FOR CERTAIN AS-
19 SOCIATION HEALTH PLANS.—An association health plan
20 certified under this part which provides benefit options in
21 addition to health insurance coverage for such plan year
22 shall meet the requirements of section 103 by filing an
23 annual report under such section which shall include infor-
24 mation described in subsection (b)(6) with respect to the
25 plan year and, notwithstanding section 104(a)(1)(A), shall

1 be filed with the applicable authority not later than 90
2 days after the close of the plan year (or on such later date
3 as may be prescribed by the applicable authority). The ap-
4 plicable authority may require by regulation such interim
5 reports as it considers appropriate.

6 “(f) ENGAGEMENT OF QUALIFIED ACTUARY.—The
7 board of trustees of each association health plan which
8 provides benefits options in addition to health insurance
9 coverage and which is applying for certification under this
10 part or is certified under this part shall engage, on behalf
11 of all participants and beneficiaries, a qualified actuary
12 who shall be responsible for the preparation of the mate-
13 rials comprising information necessary to be submitted by
14 a qualified actuary under this part. The qualified actuary
15 shall utilize such assumptions and techniques as are nec-
16 essary to enable such actuary to form an opinion as to
17 whether the contents of the matters reported under this
18 part—

19 “(1) are in the aggregate reasonably related to
20 the experience of the plan and to reasonable expecta-
21 tions; and

22 “(2) represent such actuary’s best estimate of
23 anticipated experience under the plan.

24 The opinion by the qualified actuary shall be made with
25 respect to, and shall be made a part of, the annual report.

1 **“SEC. 808. NOTICE REQUIREMENTS FOR VOLUNTARY TER-**
2 **MINATION.**

3 “Except as provided in section 809(b), an association
4 health plan which is or has been certified under this part
5 may terminate (upon or at any time after cessation of ac-
6 cruals in benefit liabilities) only if the board of trustees,
7 not less than 60 days before the proposed termination
8 date—

9 “(1) provides to the participants and bene-
10 ficiaries a written notice of intent to terminate stat-
11 ing that such termination is intended and the pro-
12 posed termination date;

13 “(2) develops a plan for winding up the affairs
14 of the plan in connection with such termination in
15 a manner which will result in timely payment of all
16 benefits for which the plan is obligated; and

17 “(3) submits such plan in writing to the appli-
18 cable authority.

19 Actions required under this section shall be taken in such
20 form and manner as may be prescribed by the applicable
21 authority by regulation.

22 **“SEC. 809. CORRECTIVE ACTIONS AND MANDATORY TERMI-**
23 **NATION.**

24 “(a) ACTIONS TO AVOID DEPLETION OF RE-
25 SERVES.—An association health plan which is certified
26 under this part and which provides benefits other than

1 health insurance coverage shall continue to meet the re-
2 quirements of section 806, irrespective of whether such
3 certification continues in effect. The board of trustees of
4 such plan shall determine quarterly whether the require-
5 ments of section 806 are met. In any case in which the
6 board determines that there is reason to believe that there
7 is or will be a failure to meet such requirements, or the
8 applicable authority makes such a determination and so
9 notifies the board, the board shall immediately notify the
10 qualified actuary engaged by the plan, and such actuary
11 shall, not later than the end of the next following month,
12 make such recommendations to the board for corrective
13 action as the actuary determines necessary to ensure com-
14 pliance with section 806. Not later than 30 days after re-
15 ceiving from the actuary recommendations for corrective
16 actions, the board shall notify the applicable authority (in
17 such form and manner as the applicable authority may
18 prescribe by regulation) of such recommendations of the
19 actuary for corrective action, together with a description
20 of the actions (if any) that the board has taken or plans
21 to take in response to such recommendations. The board
22 shall thereafter report to the applicable authority, in such
23 form and frequency as the applicable authority may speci-
24 fy to the board, regarding corrective action taken by the
25 board until the requirements of section 806 are met.

1 “(b) MANDATORY TERMINATION.—In any case in
2 which—

3 “(1) the applicable authority has been notified
4 under subsection (a) (or by an issuer of excess/stop
5 loss insurance or indemnity insurance pursuant to
6 section 806(a)) of a failure of an association health
7 plan which is or has been certified under this part
8 and is described in section 806(a)(2) to meet the re-
9 quirements of section 806 and has not been notified
10 by the board of trustees of the plan that corrective
11 action has restored compliance with such require-
12 ments; and

13 “(2) the applicable authority determines that
14 there is a reasonable expectation that the plan will
15 continue to fail to meet the requirements of section
16 806,

17 the board of trustees of the plan shall, at the direction
18 of the applicable authority, terminate the plan and, in the
19 course of the termination, take such actions as the appli-
20 cable authority may require, including satisfying any
21 claims referred to in section 806(a)(2)(B)(iii) and recov-
22 ering for the plan any liability under subsection
23 (a)(2)(B)(iii) or (e) of section 806, as necessary to ensure
24 that the affairs of the plan will be, to the maximum extent

1 possible, wound up in a manner which will result in timely
2 provision of all benefits for which the plan is obligated.

3 **“SEC. 810. TRUSTEESHIP BY THE SECRETARY OF INSOL-**
4 **VENT ASSOCIATION HEALTH PLANS PRO-**
5 **VIDING HEALTH BENEFITS IN ADDITION TO**
6 **HEALTH INSURANCE COVERAGE.**

7 “(a) APPOINTMENT OF SECRETARY AS TRUSTEE FOR
8 INSOLVENT PLANS.—Whenever the Secretary determines
9 that an association health plan which is or has been cer-
10 tified under this part and which is described in section
11 806(a)(2) will be unable to provide benefits when due or
12 is otherwise in a financially hazardous condition, as shall
13 be defined by the Secretary by regulation, the Secretary
14 shall, upon notice to the plan, apply to the appropriate
15 United States district court for appointment of the Sec-
16 retary as trustee to administer the plan for the duration
17 of the insolvency. The plan may appear as a party and
18 other interested persons may intervene in the proceedings
19 at the discretion of the court. The court shall appoint such
20 Secretary trustee if the court determines that the trustee-
21 ship is necessary to protect the interests of the partici-
22 pants and beneficiaries or providers of medical care or to
23 avoid any unreasonable deterioration of the financial con-
24 dition of the plan. The trusteeship of such Secretary shall
25 continue until the conditions described in the first sen-

1 tence of this subsection are remedied or the plan is termi-
2 nated.

3 “(b) POWERS AS TRUSTEE.—The Secretary, upon
4 appointment as trustee under subsection (a), shall have
5 the power—

6 “(1) to do any act authorized by the plan, this
7 title, or other applicable provisions of law to be done
8 by the plan administrator or any trustee of the plan;

9 “(2) to require the transfer of all (or any part)
10 of the assets and records of the plan to the Sec-
11 retary as trustee;

12 “(3) to invest any assets of the plan which the
13 Secretary holds in accordance with the provisions of
14 the plan, regulations prescribed by the Secretary,
15 and applicable provisions of law;

16 “(4) to require the sponsor, the plan adminis-
17 trator, any participating employer, and any employee
18 organization representing plan participants to fur-
19 nish any information with respect to the plan which
20 the Secretary as trustee may reasonably need in
21 order to administer the plan;

22 “(5) to collect for the plan any amounts due the
23 plan and to recover reasonable expenses of the trust-
24 eeship;

1 “(6) to commence, prosecute, or defend on be-
2 half of the plan any suit or proceeding involving the
3 plan;

4 “(7) to issue, publish, or file such notices, state-
5 ments, and reports as may be required by the Sec-
6 retary by regulation or required by any order of the
7 court;

8 “(8) to terminate the plan (or provide for its
9 termination in accordance with section 809(b)) and
10 liquidate the plan assets, to restore the plan to the
11 responsibility of the sponsor, or to continue the
12 trusteeship;

13 “(9) to provide for the enrollment of plan par-
14 ticipants and beneficiaries under appropriate cov-
15 erage options; and

16 “(10) to do such other acts as may be nec-
17 essary to comply with this title or any order of the
18 court and to protect the interests of plan partici-
19 pants and beneficiaries and providers of medical
20 care.

21 “(c) NOTICE OF APPOINTMENT.—As soon as prac-
22 ticable after the Secretary’s appointment as trustee, the
23 Secretary shall give notice of such appointment to—

24 “(1) the sponsor and plan administrator;

25 “(2) each participant;

1 “(3) each participating employer; and

2 “(4) if applicable, each employee organization
3 which, for purposes of collective bargaining, rep-
4 resents plan participants.

5 “(d) ADDITIONAL DUTIES.—Except to the extent in-
6 consistent with the provisions of this title, or as may be
7 otherwise ordered by the court, the Secretary, upon ap-
8 pointment as trustee under this section, shall be subject
9 to the same duties as those of a trustee under section 704
10 of title 11, United States Code, and shall have the duties
11 of a fiduciary for purposes of this title.

12 “(e) OTHER PROCEEDINGS.—An application by the
13 Secretary under this subsection may be filed notwith-
14 standing the pendency in the same or any other court of
15 any bankruptcy, mortgage foreclosure, or equity receiver-
16 ship proceeding, or any proceeding to reorganize, conserve,
17 or liquidate such plan or its property, or any proceeding
18 to enforce a lien against property of the plan.

19 “(f) JURISDICTION OF COURT.—

20 “(1) IN GENERAL.—Upon the filing of an appli-
21 cation for the appointment as trustee or the issuance
22 of a decree under this section, the court to which the
23 application is made shall have exclusive jurisdiction
24 of the plan involved and its property wherever lo-
25 cated with the powers, to the extent consistent with

1 the purposes of this section, of a court of the United
2 States having jurisdiction over cases under chapter
3 11 of title 11, United States Code. Pending an adjudication under this section such court shall stay, and
4 upon appointment by it of the Secretary as trustee,
5 such court shall continue the stay of, any pending
6 mortgage foreclosure, equity receivership, or other
7 proceeding to reorganize, conserve, or liquidate the
8 plan, the sponsor, or property of such plan or sponsor,
9 and any other suit against any receiver, conservator,
10 or trustee of the plan, the sponsor, or property of the plan or sponsor. Pending such adjudication and upon the appointment by it of the Secretary as trustee, the court may stay any proceeding
11 to enforce a lien against property of the plan or the
12 sponsor or any other suit against the plan or the
13 sponsor.

14 “(2) VENUE.—An action under this section
15 may be brought in the judicial district where the
16 sponsor or the plan administrator resides or does
17 business or where any asset of the plan is situated.
18 A district court in which such action is brought may
19 issue process with respect to such action in any
20 other judicial district.
21
22
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24

1 “(g) PERSONNEL.—In accordance with regulations
 2 which shall be prescribed by the Secretary, the Secretary
 3 shall appoint, retain, and compensate accountants, actu-
 4 aries, and other professional service personnel as may be
 5 necessary in connection with the Secretary’s service as
 6 trustee under this section.

7 **“SEC. 811. STATE ASSESSMENT AUTHORITY.**

8 “(a) IN GENERAL.—Notwithstanding section 514, a
 9 State may impose by law a contribution tax on an associa-
 10 tion health plan described in section 806(a)(2), if the plan
 11 commenced operations in such State after the date of the
 12 enactment of the Small Business Growth Act of 2007.

13 “(b) CONTRIBUTION TAX.—For purposes of this sec-
 14 tion, the term ‘contribution tax’ imposed by a State on
 15 an association health plan means any tax imposed by such
 16 State if—

17 “(1) such tax is computed by applying a rate to
 18 the amount of premiums or contributions, with re-
 19 spect to individuals covered under the plan who are
 20 residents of such State, which are received by the
 21 plan from participating employers located in such
 22 State or from such individuals;

23 “(2) the rate of such tax does not exceed the
 24 rate of any tax imposed by such State on premiums
 25 or contributions received by insurers or health main-

1 tenance organizations for health insurance coverage
2 offered in such State in connection with a group
3 health plan;

4 “(3) such tax is otherwise nondiscriminatory;
5 and

6 “(4) the amount of any such tax assessed on
7 the plan is reduced by the amount of any tax or as-
8 sessment otherwise imposed by the State on pre-
9 miums, contributions, or both received by insurers or
10 health maintenance organizations for health insur-
11 ance coverage, aggregate excess/stop loss insurance
12 (as defined in section 806(g)(1)), specific excess/stop
13 loss insurance (as defined in section 806(g)(2)),
14 other insurance related to the provision of medical
15 care under the plan, or any combination thereof pro-
16 vided by such insurers or health maintenance organi-
17 zations in such State in connection with such plan.

18 **“SEC. 812. DEFINITIONS AND RULES OF CONSTRUCTION.**

19 “(a) DEFINITIONS.—For purposes of this part—

20 “(1) GROUP HEALTH PLAN.—The term ‘group
21 health plan’ has the meaning provided in section
22 733(a)(1) (after applying subsection (b) of this sec-
23 tion).

24 “(2) MEDICAL CARE.—The term ‘medical care’
25 has the meaning provided in section 733(a)(2).

1 “(3) HEALTH INSURANCE COVERAGE.—The
2 term ‘health insurance coverage’ has the meaning
3 provided in section 733(b)(1).

4 “(4) HEALTH INSURANCE ISSUER.—The term
5 ‘health insurance issuer’ has the meaning provided
6 in section 733(b)(2).

7 “(5) APPLICABLE AUTHORITY.—The term ‘ap-
8 plicable authority’ means the Secretary, except that,
9 in connection with any exercise of the Secretary’s
10 authority regarding which the Secretary is required
11 under section 506(d) to consult with a State, such
12 term means the Secretary, in consultation with such
13 State.

14 “(6) HEALTH STATUS-RELATED FACTOR.—The
15 term ‘health status-related factor’ has the meaning
16 provided in section 733(d)(2).

17 “(7) INDIVIDUAL MARKET.—

18 “(A) IN GENERAL.—The term ‘individual
19 market’ means the market for health insurance
20 coverage offered to individuals other than in
21 connection with a group health plan.

22 “(B) TREATMENT OF VERY SMALL
23 GROUPS.—

24 “(i) IN GENERAL.—Subject to clause
25 (ii), such term includes coverage offered in

1 connection with a group health plan that
2 has fewer than 2 participants as current
3 employees or participants described in sec-
4 tion 732(d)(3) on the first day of the plan
5 year.

6 “(ii) STATE EXCEPTION.—Clause (i)
7 shall not apply in the case of health insur-
8 ance coverage offered in a State if such
9 State regulates the coverage described in
10 such clause in the same manner and to the
11 same extent as coverage in the small group
12 market (as defined in section 2791(e)(5) of
13 the Public Health Service Act) is regulated
14 by such State.

15 “(8) PARTICIPATING EMPLOYER.—The term
16 ‘participating employer’ means, in connection with
17 an association health plan, any employer, if any indi-
18 vidual who is an employee of such employer, a part-
19 ner in such employer, or a self-employed individual
20 who is such employer (or any dependent, as defined
21 under the terms of the plan, of such individual) is
22 or was covered under such plan in connection with
23 the status of such individual as such an employee,
24 partner, or self-employed individual in relation to the
25 plan.

1 “(9) APPLICABLE STATE AUTHORITY.—The
2 term ‘applicable State authority’ means, with respect
3 to a health insurance issuer in a State, the State in-
4 surance commissioner or official or officials des-
5 ignated by the State to enforce the requirements of
6 title XXVII of the Public Health Service Act for the
7 State involved with respect to such issuer.

8 “(10) QUALIFIED ACTUARY.—The term ‘quali-
9 fied actuary’ means an individual who is a member
10 of the American Academy of Actuaries.

11 “(11) AFFILIATED MEMBER.—The term ‘affili-
12 ated member’ means, in connection with a sponsor—

13 “(A) a person who is otherwise eligible to
14 be a member of the sponsor but who elects an
15 affiliated status with the sponsor,

16 “(B) in the case of a sponsor with mem-
17 bers which consist of associations, a person who
18 is a member of any such association and elects
19 an affiliated status with the sponsor, or

20 “(C) in the case of an association health
21 plan in existence on the date of the enactment
22 of the Small Business Growth Act of 2007, a
23 person eligible to be a member of the sponsor
24 or one of its member associations.

1 “(12) LARGE EMPLOYER.—The term ‘large em-
2 ployer’ means, in connection with a group health
3 plan with respect to a plan year, an employer who
4 employed an average of at least 51 employees on
5 business days during the preceding calendar year
6 and who employs at least 2 employees on the first
7 day of the plan year.

8 “(13) SMALL EMPLOYER.—The term ‘small em-
9 ployer’ means, in connection with a group health
10 plan with respect to a plan year, an employer who
11 is not a large employer.

12 “(b) RULES OF CONSTRUCTION.—

13 “(1) EMPLOYERS AND EMPLOYEES.—For pur-
14 poses of determining whether a plan, fund, or pro-
15 gram is an employee welfare benefit plan which is an
16 association health plan, and for purposes of applying
17 this title in connection with such plan, fund, or pro-
18 gram so determined to be such an employee welfare
19 benefit plan—

20 “(A) in the case of a partnership, the term
21 ‘employer’ (as defined in section 3(5)) includes
22 the partnership in relation to the partners, and
23 the term ‘employee’ (as defined in section 3(6))
24 includes any partner in relation to the partner-
25 ship; and

1 “(B) in the case of a self-employed indi-
2 vidual, the term ‘employer’ (as defined in sec-
3 tion 3(5)) and the term ‘employee’ (as defined
4 in section 3(6)) shall include such individual.

5 “(2) PLANS, FUNDS, AND PROGRAMS TREATED
6 AS EMPLOYEE WELFARE BENEFIT PLANS.—In the
7 case of any plan, fund, or program which was estab-
8 lished or is maintained for the purpose of providing
9 medical care (through the purchase of insurance or
10 otherwise) for employees (or their dependents) cov-
11 ered thereunder and which demonstrates to the Sec-
12 retary that all requirements for certification under
13 this part would be met with respect to such plan,
14 fund, or program if such plan, fund, or program
15 were a group health plan, such plan, fund, or pro-
16 gram shall be treated for purposes of this title as an
17 employee welfare benefit plan on and after the date
18 of such demonstration.”.

19 (b) CONFORMING AMENDMENTS TO PREEMPTION
20 RULES.—

21 (1) Section 514(b)(6) of such Act (29 U.S.C.
22 1144(b)(6)) is amended by adding at the end the
23 following new subparagraph:

24 “(E) The preceding subparagraphs of this paragraph
25 do not apply with respect to any State law in the case

1 of an association health plan which is certified under part
2 8.”.

3 (2) Section 514 of such Act (29 U.S.C. 1144)
4 is amended—

5 (A) in subsection (b)(4), by striking “Sub-
6 section (a)” and inserting “Subsections (a) and
7 (d)”;

8 (B) in subsection (b)(5), by striking “sub-
9 section (a)” in subparagraph (A) and inserting
10 “subsection (a) of this section and subsections
11 (a)(2)(B) and (b) of section 805”, and by strik-
12 ing “subsection (a)” in subparagraph (B) and
13 inserting “subsection (a) of this section or sub-
14 section (a)(2)(B) or (b) of section 805”;

15 (C) by redesignating subsections (d) and
16 (e) as subsections (e) and (f), respectively; and

17 (D) by inserting after subsection (c) the
18 following new subsection:

19 “(d)(1) Except as provided in subsection (b)(4), the
20 provisions of this title shall supersede any and all State
21 laws insofar as they may now or hereafter preclude, or
22 have the effect of precluding, a health insurance issuer
23 from offering health insurance coverage in connection with
24 an association health plan which is certified under part
25 8.

1 “(2) Except as provided in paragraphs (4) and (5)
2 of subsection (b) of this section—

3 “(A) In any case in which health insurance cov-
4 erage of any policy type is offered under an associa-
5 tion health plan certified under part 8 to a partici-
6 pating employer operating in such State, the provi-
7 sions of this title shall supersede any and all laws
8 of such State insofar as they may preclude a health
9 insurance issuer from offering health insurance cov-
10 erage of the same policy type to other employers op-
11 erating in the State which are eligible for coverage
12 under such association health plan, whether or not
13 such other employers are participating employers in
14 such plan.

15 “(B) In any case in which health insurance cov-
16 erage of any policy type is offered in a State under
17 an association health plan certified under part 8 and
18 the filing, with the applicable State authority (as de-
19 fined in section 812(a)(9)), of the policy form in
20 connection with such policy type is approved by such
21 State authority, the provisions of this title shall su-
22 persede any and all laws of any other State in which
23 health insurance coverage of such type is offered, in-
24 sofar as they may preclude, upon the filing in the
25 same form and manner of such policy form with the

1 applicable State authority in such other State, the
 2 approval of the filing in such other State.

3 “(3) Nothing in subsection (b)(6)(E) or the preceding
 4 provisions of this subsection shall be construed, with re-
 5 spect to health insurance issuers or health insurance cov-
 6 erage, to supersede or impair the law of any State—

7 “(A) providing solvency standards or similar
 8 standards regarding the adequacy of insurer capital,
 9 surplus, reserves, or contributions, or

10 “(B) relating to prompt payment of claims.

11 “(4) For additional provisions relating to association
 12 health plans, see subsections (a)(2)(B) and (b) of section
 13 805.

14 “(5) For purposes of this subsection, the term ‘asso-
 15 ciation health plan’ has the meaning provided in section
 16 801(a), and the terms ‘health insurance coverage’, ‘par-
 17 ticipating employer’, and ‘health insurance issuer’ have
 18 the meanings provided such terms in section 812, respec-
 19 tively.”.

20 (3) Section 514(b)(6)(A) of such Act (29
 21 U.S.C. 1144(b)(6)(A)) is amended—

22 (A) in clause (i)(II), by striking “and” at
 23 the end;

24 (B) in clause (ii), by inserting “and which
 25 does not provide medical care (within the mean-

1 ing of section 733(a)(2)),” after “arrange-
2 ment,”, and by striking “title.” and inserting
3 “title, and”; and

4 (C) by adding at the end the following new
5 clause:

6 “(iii) subject to subparagraph (E), in the case
7 of any other employee welfare benefit plan which is
8 a multiple employer welfare arrangement and which
9 provides medical care (within the meaning of section
10 733(a)(2)), any law of any State which regulates in-
11 surance may apply.”.

12 (4) Section 514(e) of such Act (as redesignated
13 by paragraph (2)(C)) is amended—

14 (A) by striking “Nothing” and inserting
15 “(1) Except as provided in paragraph (2), noth-
16 ing”; and

17 (B) by adding at the end the following new
18 paragraph:

19 “(2) Nothing in any other provision of law enacted
20 on or after the date of the enactment of the Small Busi-
21 ness Growth Act of 2007 shall be construed to alter,
22 amend, modify, invalidate, impair, or supersede any provi-
23 sion of this title, except by specific cross-reference to the
24 affected section.”.

1 (c) PLAN SPONSOR.—Section 3(16)(B) of such Act
2 (29 U.S.C. 102(16)(B)) is amended by adding at the end
3 the following new sentence: “Such term also includes a
4 person serving as the sponsor of an association health plan
5 under part 8.”.

6 (d) DISCLOSURE OF SOLVENCY PROTECTIONS RE-
7 LATED TO SELF-INSURED AND FULLY INSURED OPTIONS
8 UNDER ASSOCIATION HEALTH PLANS.—Section 102(b)
9 of such Act (29 U.S.C. 102(b)) is amended by adding at
10 the end the following: “An association health plan shall
11 include in its summary plan description, in connection
12 with each benefit option, a description of the form of sol-
13 vency or guarantee fund protection secured pursuant to
14 this Act or applicable State law, if any.”.

15 (e) SAVINGS CLAUSE.—Section 731(c) of such Act is
16 amended by inserting “or part 8” after “this part”.

17 (f) REPORT TO THE CONGRESS REGARDING CERTIFI-
18 CATION OF SELF-INSURED ASSOCIATION HEALTH
19 PLANS.—Not later than January 1, 2012, the Secretary
20 of Labor shall report to the Committee on Education and
21 Labor of the House of Representatives and the Committee
22 on Health, Education, Labor, and Pensions of the Senate
23 the effect association health plans have had, if any, on
24 reducing the number of uninsured individuals.

1 (g) CLERICAL AMENDMENT.—The table of contents
 2 in section 1 of the Employee Retirement Income Security
 3 Act of 1974 is amended by inserting after the item relat-
 4 ing to section 734 the following new items:

“PART 8—RULES GOVERNING ASSOCIATION HEALTH PLANS

- “801. Association health plans.
- “802. Certification of association health plans.
- “803. Requirements relating to sponsors and boards of trustees.
- “804. Participation and coverage requirements.
- “805. Other requirements relating to plan documents, contribution rates, and
benefit options.
- “806. Maintenance of reserves and provisions for solvency for plans providing
health benefits in addition to health insurance coverage.
- “807. Requirements for application and related requirements.
- “808. Notice requirements for voluntary termination.
- “809. Corrective actions and mandatory termination.
- “810. Trusteeship by the Secretary of insolvent association health plans pro-
viding health benefits in addition to health insurance coverage.
- “811. State assessment authority.
- “812. Definitions and rules of construction.”.

5 **SEC. 102. CLARIFICATION OF TREATMENT OF SINGLE EM-**
 6 **PLOYER ARRANGEMENTS.**

7 Section 3(40)(B) of the Employee Retirement Income
 8 Security Act of 1974 (29 U.S.C. 1002(40)(B)) is amend-
 9 ed—

10 (1) in clause (i), by inserting after “control
 11 group,” the following: “except that, in any case in
 12 which the benefit referred to in subparagraph (A)
 13 consists of medical care (as defined in section
 14 812(a)(2)), two or more trades or businesses, wheth-
 15 er or not incorporated, shall be deemed a single em-
 16 ployer for any plan year of such plan, or any fiscal
 17 year of such other arrangement, if such trades or

1 businesses are within the same control group during
2 such year or at any time during the preceding 1-year
3 period,”;

4 (2) in clause (iii), by striking “(iii) the deter-
5 mination” and inserting the following:

6 “(iii)(I) in any case in which the benefit re-
7 ferred to in subparagraph (A) consists of medical
8 care (as defined in section 812(a)(2)), the deter-
9 mination of whether a trade or business is under
10 ‘common control’ with another trade or business
11 shall be determined under regulations of the Sec-
12 retary applying principles consistent and coextensive
13 with the principles applied in determining whether
14 employees of two or more trades or businesses are
15 treated as employed by a single employer under sec-
16 tion 4001(b), except that, for purposes of this para-
17 graph, an interest of greater than 25 percent may
18 not be required as the minimum interest necessary
19 for common control, or

20 “(II) in any other case, the determination”;

21 (3) by redesignating clauses (iv) and (v) as
22 clauses (v) and (vi), respectively; and

23 (4) by inserting after clause (iii) the following
24 new clause:

1 “(iv) in any case in which the benefit referred
 2 to in subparagraph (A) consists of medical care (as
 3 defined in section 812(a)(2)), in determining, after
 4 the application of clause (i), whether benefits are
 5 provided to employees of two or more employers, the
 6 arrangement shall be treated as having only one par-
 7 ticipating employer if, after the application of clause
 8 (i), the number of individuals who are employees and
 9 former employees of any one participating employer
 10 and who are covered under the arrangement is
 11 greater than 75 percent of the aggregate number of
 12 all individuals who are employees or former employ-
 13 ees of participating employers and who are covered
 14 under the arrangement,”.

15 **SEC. 103. ENFORCEMENT PROVISIONS RELATING TO ASSO-**
 16 **CIATION HEALTH PLANS.**

17 (a) CRIMINAL PENALTIES FOR CERTAIN WILLFUL
 18 MISREPRESENTATIONS.—Section 501 of the Employee
 19 Retirement Income Security Act of 1974 (29 U.S.C. 1131)
 20 is amended—

21 (1) by inserting “(a)” after “Sec. 501.”; and

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

24 “(b) Any person who willfully falsely represents, to
 25 any employee, any employee’s beneficiary, any employer,

1 the Secretary, or any State, a plan or other arrangement
2 established or maintained for the purpose of offering or
3 providing any benefit described in section 3(1) to employ-
4 ees or their beneficiaries as—

5 “(1) being an association health plan which has
6 been certified under part 8;

7 “(2) having been established or maintained
8 under or pursuant to one or more collective bar-
9 gaining agreements which are reached pursuant to
10 collective bargaining described in section 8(d) of the
11 National Labor Relations Act (29 U.S.C. 158(d)) or
12 paragraph Fourth of section 2 of the Railway Labor
13 Act (45 U.S.C. 152, paragraph Fourth) or which are
14 reached pursuant to labor-management negotiations
15 under similar provisions of State public employee re-
16 lations laws; or

17 “(3) being a plan or arrangement described in
18 section 3(40)(A)(i),

19 shall, upon conviction, be imprisoned not more than 5
20 years, be fined under title 18, United States Code, or
21 both.”.

22 (b) CEASE ACTIVITIES ORDERS.—Section 502 of
23 such Act (29 U.S.C. 1132) is amended by adding at the
24 end the following new subsection:

1 “(n) ASSOCIATION HEALTH PLAN CEASE AND DE-
2 SIST ORDERS.—

3 “(1) IN GENERAL.—Subject to paragraph (2),
4 upon application by the Secretary showing the oper-
5 ation, promotion, or marketing of an association
6 health plan (or similar arrangement providing bene-
7 fits consisting of medical care (as defined in section
8 733(a)(2))) that—

9 “(A) is not certified under part 8, is sub-
10 ject under section 514(b)(6) to the insurance
11 laws of any State in which the plan or arrange-
12 ment offers or provides benefits, and is not li-
13 censed, registered, or otherwise approved under
14 the insurance laws of such State; or

15 “(B) is an association health plan certified
16 under part 8 and is not operating in accordance
17 with the requirements under part 8 for such
18 certification,

19 a district court of the United States shall enter an
20 order requiring that the plan or arrangement cease
21 activities.

22 “(2) EXCEPTION.—Paragraph (1) shall not
23 apply in the case of an association health plan or
24 other arrangement if the plan or arrangement shows
25 that—

1 “(A) all benefits under it referred to in
2 paragraph (1) consist of health insurance cov-
3 erage; and

4 “(B) with respect to each State in which
5 the plan or arrangement offers or provides ben-
6 efits, the plan or arrangement is operating in
7 accordance with applicable State laws that are
8 not superseded under section 514.

9 “(3) ADDITIONAL EQUITABLE RELIEF.—The
10 court may grant such additional equitable relief, in-
11 cluding any relief available under this title, as it
12 deems necessary to protect the interests of the pub-
13 lic and of persons having claims for benefits against
14 the plan.”.

15 (c) RESPONSIBILITY FOR CLAIMS PROCEDURE.—
16 Section 503 of such Act (29 U.S.C. 1133) is amended by
17 inserting “(a) IN GENERAL.—” before “In accordance”,
18 and by adding at the end the following new subsection:

19 “(b) ASSOCIATION HEALTH PLANS.—The terms of
20 each association health plan which is or has been certified
21 under part 8 shall require the board of trustees or the
22 named fiduciary (as applicable) to ensure that the require-
23 ments of this section are met in connection with claims
24 filed under the plan.”.

1 **SEC. 104. COOPERATION BETWEEN FEDERAL AND STATE**
2 **AUTHORITIES.**

3 Section 506 of the Employee Retirement Income Se-
4 curity Act of 1974 (29 U.S.C. 1136) is amended by adding
5 at the end the following new subsection:

6 “(d) CONSULTATION WITH STATES WITH RESPECT
7 TO ASSOCIATION HEALTH PLANS.—

8 “(1) AGREEMENTS WITH STATES.—The Sec-
9 retary shall consult with the State recognized under
10 paragraph (2) with respect to an association health
11 plan regarding the exercise of—

12 “(A) the Secretary’s authority under sec-
13 tions 502 and 504 to enforce the requirements
14 for certification under part 8; and

15 “(B) the Secretary’s authority to certify
16 association health plans under part 8 in accord-
17 ance with regulations of the Secretary applica-
18 ble to certification under part 8.

19 “(2) RECOGNITION OF PRIMARY DOMICILE
20 STATE.—In carrying out paragraph (1), the Sec-
21 retary shall ensure that only one State will be recog-
22 nized, with respect to any particular association
23 health plan, as the State with which consultation is
24 required. In carrying out this paragraph—

25 “(A) in the case of a plan which provides
26 health insurance coverage (as defined in section

1 812(a)(3)), such State shall be the State with
 2 which filing and approval of a policy type of-
 3 fered by the plan was initially obtained, and

4 “(B) in any other case, the Secretary shall
 5 take into account the places of residence of the
 6 participants and beneficiaries under the plan
 7 and the State in which the trust is main-
 8 tained.”.

9 **SEC. 105. EFFECTIVE DATE AND TRANSITIONAL AND**
 10 **OTHER RULES.**

11 (a) **EFFECTIVE DATE.**—The amendments made by
 12 this Act shall take effect 1 year after the date of the enact-
 13 ment of this Act. The Secretary of Labor shall first issue
 14 all regulations necessary to carry out the amendments
 15 made by this Act within 1 year after the date of the enact-
 16 ment of this Act.

17 (b) **TREATMENT OF CERTAIN EXISTING HEALTH**
 18 **BENEFITS PROGRAMS.**—

19 (1) **IN GENERAL.**—In any case in which, as of
 20 the date of the enactment of this Act, an arrange-
 21 ment is maintained in a State for the purpose of
 22 providing benefits consisting of medical care for the
 23 employees and beneficiaries of its participating em-
 24 ployers, at least 200 participating employers make
 25 contributions to such arrangement, such arrange-

1 ment has been in existence for at least 10 years, and
2 such arrangement is licensed under the laws of one
3 or more States to provide such benefits to its par-
4 ticipating employers, upon the filing with the appli-
5 cable authority (as defined in section 812(a)(5) of
6 the Employee Retirement Income Security Act of
7 1974 (as amended by this title)) by the arrangement
8 of an application for certification of the arrangement
9 under part 8 of subtitle B of title I of such Act—

10 (A) such arrangement shall be deemed to
11 be a group health plan for purposes of title I
12 of such Act;

13 (B) the requirements of sections 801(a)
14 and 803(a) of the Employee Retirement Income
15 Security Act of 1974 shall be deemed met with
16 respect to such arrangement;

17 (C) the requirements of section 803(b) of
18 such Act shall be deemed met, if the arrange-
19 ment is operated by a board of directors
20 which—

21 (i) is elected by the participating em-
22 ployers, with each employer having one
23 vote; and

1 (ii) has complete fiscal control over
2 the arrangement and which is responsible
3 for all operations of the arrangement;

4 (D) the requirements of section 804(a) of
5 such Act shall be deemed met with respect to
6 such arrangement; and

7 (E) the arrangement may be certified by
8 any applicable authority with respect to its op-
9 erations in any State only if it operates in such
10 State on the date of certification.

11 The provisions of this subsection shall cease to apply
12 with respect to any such arrangement at such time
13 after the date of the enactment of this Act as the
14 applicable requirements of this subsection are not
15 met with respect to such arrangement.

16 (2) DEFINITIONS.—For purposes of this sub-
17 section, the terms “group health plan”, “medical
18 care”, and “participating employer” shall have the
19 meanings provided in section 812 of the Employee
20 Retirement Income Security Act of 1974, except
21 that the reference in paragraph (7) of such section
22 to an “association health plan” shall be deemed a
23 reference to an arrangement referred to in this sub-
24 section.

TITLE II—EXTENSION OF INCREASED EXPENSING

SEC. 201. EXTENSION OF INCREASED EXPENSING FOR SMALL BUSINESSES.

Section 179 of the Internal Revenue Code of 1986 (relating to election to expense certain depreciable business assets) is amended by striking “2010” each place it appears and inserting “2011”.

TITLE III—PAPERWORK REQUIREMENTS

SEC. 301. SUSPENSION OF FINES FOR FIRST-TIME PAPER- WORK VIOLATIONS BY SMALL BUSINESS CON- CERNS.

Section 3506 of title 44, United States Code (commonly referred to as the “Paperwork Reduction Act”), is amended by adding at the end the following:

“(j) SMALL BUSINESSES.—

“(1) SMALL BUSINESS CONCERN.—In this subsection, the term ‘small business concern’ means a business concern that meets the requirements of section 3(a) of the Small Business Act (15 U.S.C. 632(a)) and the regulations promulgated under that section.

“(2) IN GENERAL.—In the case of a first-time violation by a small business concern of a require-

1 ment regarding the collection of information by an
2 agency, the head of such agency shall not impose a
3 civil fine on the small business concern unless the
4 head of the agency determines that—

5 “(A) the violation has the potential to
6 cause serious harm to the public interest;

7 “(B) failure to impose a civil fine would
8 impede or interfere with the detection of crimi-
9 nal activity;

10 “(C) the violation is a violation of an inter-
11 nal revenue law or a law concerning the assess-
12 ment or collection of any tax, debt, revenue, or
13 receipt;

14 “(D) the violation was not corrected on or
15 before the date that is 6 months after the date
16 of receipt by the small business concern of noti-
17 fication of the violation in writing from the
18 agency; or

19 “(E) except as provided in paragraph (3),
20 the violation presents a danger to the public
21 health or safety.

22 “(3) DANGER TO PUBLIC HEALTH OR SAFE-
23 TY.—

24 “(A) IN GENERAL.—In any case in which
25 the head of an agency determines under para-

graph (2)(E) that a violation presents a danger to the public health or safety, the head of the agency may, notwithstanding paragraph (2)(E), determine not to impose a civil fine on the small business concern if the violation is corrected not later than 24 hours after receipt by the small business owner of notification of the violation in writing.

“(B) CONSIDERATIONS.—In determining whether to provide a small business concern with 24 hours to correct a violation under subparagraph (A), the head of the agency shall take into account all of the facts and circumstances regarding the violation, including—

“(i) the nature and seriousness of the violation, including whether the violation is technical or inadvertent or involves willful or criminal conduct;

“(ii) whether the small business concern has made a good faith effort to comply with applicable laws and to remedy the violation within the shortest practicable period of time; and

1 “(iii) whether the small business con-
2 cern has obtained a significant economic
3 benefit from the violation.

4 “(C) NOTICE TO CONGRESS.—In any case
5 in which the head of the agency imposes a civil
6 fine on a small business concern for a violation
7 that presents a danger to the public health or
8 safety and does not provide the small business
9 concern with 24 hours to correct the violation
10 under subparagraph (A), the head of the agency
11 shall notify Congress regarding such determina-
12 tion not later than the date that is 60 days
13 after the date that the civil fine is imposed by
14 the agency.

15 “(4) LIMITED TO FIRST-TIME VIOLATIONS.—

16 “(A) IN GENERAL.—This subsection shall
17 not apply to any violation by a small business
18 concern of a requirement regarding collection of
19 information by an agency if such small business
20 concern previously violated any requirement re-
21 garding collection of information by that agen-
22 cy.

23 “(B) OTHER AGENCIES.—For purposes of
24 making a determination under subparagraph
25 (A), the head of an agency shall not take into

1 account any violation of a requirement regard-
2 ing collection of information by another agen-
3 cy.”.

4 **TITLE IV—FEDERAL RULES OF**
5 **CIVIL PROCEDURE IMPROVE-**
6 **MENTS**

7 **SEC. 401. ATTORNEY ACCOUNTABILITY.**

8 Rule 11(c) of the Federal Rules of Civil Procedure
9 is amended—

10 (1) by amending the first sentence to read as
11 follows: “If a pleading, motion, or other paper is
12 signed in violation of this rule, the court, upon mo-
13 tion or upon its own initiative, shall impose upon the
14 attorney, law firm, or parties that have violated this
15 subdivision or are responsible for the violation, an
16 appropriate sanction, which may include an order to
17 pay the other party or parties for the reasonable ex-
18 penses incurred as a direct result of the filing of the
19 pleading, motion, or other paper, that is the subject
20 of the violation, including a reasonable attorney’s
21 fee.”;

22 (2) in paragraph (1)(A)—

23 (A) by striking “Rule 5” and all that fol-
24 lows through “corrected.” and inserting “Rule
25 5.”; and

1 (B) by striking “the court may award”
2 and inserting “the court shall award”; and
3 (3) in paragraph (2), by striking “shall be lim-
4 ited to what is sufficient” and all that follows
5 through the end of the paragraph (including sub-
6 paragraphs (A) and (B)) and inserting “shall be suf-
7 ficient to deter repetition of such conduct or com-
8 parable conduct by others similarly situated, and to
9 compensate the parties that were injured by such
10 conduct. The sanction may consist of an order to
11 pay to the party or parties the amount of the rea-
12 sonable expenses incurred as a direct result of the
13 filing of the pleading, motion, or other paper that is
14 the subject of the violation, including a reasonable
15 attorney’s fee.”.

16 **SEC. 402. APPLICABILITY OF RULE 11 TO STATE CASES AF-**
17 **FFECTING INTERSTATE COMMERCE.**

18 In any civil action in State court, the court, upon mo-
19 tion, shall determine within 30 days after the filing of such
20 motion whether the action substantially affects interstate
21 commerce. Such court shall make such determination
22 based on an assessment of the costs to the interstate econ-
23 omy, including the loss of jobs, were the relief requested
24 granted. If the court determines such action substantially
25 affects interstate commerce, the provisions of Rule 11 of

1 the Federal Rules of Civil Procedure shall apply to such
2 action.

3 **SEC. 403. PREVENTION OF FORUM-SHOPPING.**

4 (a) IN GENERAL.—Subject to subsection (b), a per-
5 sonal injury claim filed in State or Federal court may be
6 filed only in the State and, within that State, in the county
7 (or if there is no State court in the county, the nearest
8 county where a court of general jurisdiction is located),
9 or Federal district in which—

10 (1) the person bringing the claim, including an
11 estate in the case of a decedent and a parent or
12 guardian in the case of a minor or incompetent—

13 (A) resides at the time of filing; or

14 (B) resided at the time of the alleged in-
15 jury;

16 (2) the alleged injury or circumstances giving
17 rise to the personal injury claim allegedly occurred;

18 (3) the defendant's principal place of business
19 is located, if the defendant is a corporation; or

20 (4) the defendant resides, if the defendant is an
21 individual.

22 (b) DETERMINATION OF MOST APPROPRIATE
23 FORUM.—If a person alleges that the injury or cir-
24 cumstances giving rise to the personal injury claim oc-
25 curred in more than one county (or Federal district), the

1 trial court shall determine which State and county (or
2 Federal district) is the most appropriate forum for the
3 claim. If the court determines that another forum would
4 be the most appropriate forum for a claim, the court shall
5 dismiss the claim. Any otherwise applicable statute of limi-
6 tations shall be tolled beginning on the date the claim was
7 filed and ending on the date the claim is dismissed under
8 this subsection.

9 (c) DEFINITIONS.—In this section:

10 (1) The term “personal injury claim”—

11 (A) means a civil action brought under
12 State law by any person to recover for a per-
13 son’s personal injury, illness, disease, death,
14 mental or emotional injury, risk of disease, or
15 other injury, or the costs of medical monitoring
16 or surveillance (to the extent such claims are
17 recognized under State law), including any de-
18 rivative action brought on behalf of any person
19 on whose injury or risk of injury the action is
20 based by any representative party, including a
21 spouse, parent, child, or other relative of such
22 person, a guardian, or an estate;

23 (B) does not include a claim brought as a
24 class action; and

1 (C) does not include a claim against a
2 debtor in a case pending under title 11 of the
3 United States Code that is a personal injury
4 tort or wrongful death claim within the mean-
5 ing of section 157(b)(5) of title 28, United
6 States Code.

7 (2) The term “person” means any individual,
8 corporation, company, association, firm, partnership,
9 society, joint stock company, or any other entity, but
10 not any governmental entity.

11 (3) The term “State” includes the District of
12 Columbia, the Commonwealth of Puerto Rico, the
13 United States Virgin Islands, Guam, and any other
14 territory or possession of the United States.

15 (d) APPLICABILITY.—This section applies to any per-
16 sonal injury claim filed in Federal or State court on or
17 after the date of the enactment of this Act.

18 **SEC. 404. RULE OF CONSTRUCTION.**

19 Nothing in section 402 or in the amendments made
20 by section 401 shall be construed to bar or impede the
21 assertion or development of new claims or remedies under
22 Federal, State, or local civil rights law.

1 **SEC. 405. THREE-STRIKES RULE FOR SUSPENDING ATTOR-**
2 **NEYS WHO COMMIT MULTIPLE RULE 11 VIO-**
3 **LATIONS.**

4 (a) MANDATORY SUSPENSION.—Whenever a Federal
5 district court determines that an attorney has violated
6 Rule 11 of the Federal Rules of Civil Procedure, the court
7 shall determine the number of times that the attorney has
8 violated that rule in that Federal district court during that
9 attorney’s career. If the court determines that the number
10 is three or more, the Federal district court—

11 (1) shall suspend that attorney from the prac-
12 tice of law in that Federal district court for one
13 year; and

14 (2) may suspend that attorney from the prac-
15 tice of law in that Federal district court for any ad-
16 ditional period that the court considers appropriate.

17 (b) APPEAL; STAY.—An attorney has the right to ap-
18 peal a suspension under subsection (a). While such an ap-
19 peal is pending, the suspension shall be stayed.

20 (c) REINSTATEMENT.—To be reinstated to the prac-
21 tice of law in a Federal district court after completion of
22 a suspension under subsection (a), the attorney involved
23 must first petition the court for reinstatement under such
24 procedures and conditions as the court may prescribe.

1 **SEC. 406. PRESUMPTION OF RULE 11 VIOLATION FOR RE-**
2 **PEATEDLY RELITIGATING SAME ISSUE.**

3 Whenever a party presents to a Federal court a
4 pleading, written motion, or other paper, that includes a
5 claim or defense that the party has already litigated and
6 lost on the merits in any forum in final decisions not sub-
7 ject to appeal on three consecutive occasions, and the
8 claim or defense, respectively, involves the same plaintiff
9 and the same defendant on each occasion, there shall be
10 a rebuttable presumption that the presentation of such
11 paper is in violation of Rule 11 of the Federal Rules of
12 Civil Procedure.

13 **SEC. 407. ENHANCED SANCTIONS FOR DOCUMENT DE-**
14 **STRUCTION IN PENDING FEDERAL COURT**
15 **PROCEEDINGS.**

16 Whoever willfully and intentionally influences, ob-
17 structs, or impedes, or attempts to influence, or obstruct,
18 or impede, a pending Federal court proceeding through
19 the willful and intentional destruction of documents
20 sought pursuant to the rules of such Federal court pro-
21 ceeding and highly relevant to that proceeding—

22 (1) shall be punished with mandatory civil sanc-
23 tions of a degree commensurate with the civil sanc-
24 tions available under Rule 11 of the Federal Rules
25 of Civil Procedure, in addition to any other civil
26 sanctions that otherwise apply;

1 (2) shall be held in contempt of court; and if
2 an attorney, referred to one or more appropriate
3 State bar associations for disciplinary proceedings.

4 **SEC. 408. BAN ON CONCEALMENT OF UNLAWFUL CONDUCT.**

5 (a) IN GENERAL.—In any Rule 11 of the Federal
6 Rules of Civil Procedure proceeding, a court may not order
7 that a court record not be disclosed unless the court makes
8 a finding of fact that identifies the interest that justifies
9 the order and determines that interest outweighs any in-
10 terest in the public health and safety that the court deter-
11 mines would be served by disclosing the court record.

12 (b) APPLICABILITY.—This section applies to any
13 record formally filed with a court, but shall not include
14 any records subject to—

15 (1) the attorney-client privilege or any other
16 privilege recognized under Federal or State law that
17 grants the right to prevent disclosure of certain in-
18 formation unless the privilege has been waived; or

19 (2) applicable State or Federal laws that pro-
20 tect the confidentiality of crime victims, including
21 victims of sexual abuse.

1 **TITLE V—AWARDING OF**
2 **PROCUREMENT CONTRACTS**
3 **SEC. 501. INCREASE IN GOVERNMENT-WIDE GOAL FOR**
4 **PROCUREMENT CONTRACTS AWARDED TO**
5 **SMALL BUSINESS CONCERNS.**

6 Section 15(g)(1) of the Small Business Act (15
7 U.S.C. 644(g)(1)) is amended by striking “23 percent”
8 and inserting “25 percent”.

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