

110TH CONGRESS  
1ST SESSION

# H. R. 3176

To amend title XXI of the Social Security Act to reauthorize and reform the State Children's Health Insurance Program (SCHIP).

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## IN THE HOUSE OF REPRESENTATIVES

JULY 25, 2007

Mr. BARTON of Texas (for himself, Mr. DEAL of Georgia, Mr. HASTERT, Mr. BUYER, Mrs. BLACKBURN, Mr. TERRY, Mr. SHIMKUS, Mr. PITTS, Mr. STEARNS, Mr. BURGESS, Mr. HALL of Texas, Mr. PICKERING, and Mrs. MYRICK) introduced the following bill; which was referred to the Committee on Energy and Commerce

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## A BILL

To amend title XXI of the Social Security Act to reauthorize and reform the State Children's Health Insurance Program (SCHIP).

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “SCHIP Reauthorization and Reform Act of 2007”.

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

Sec. 1. Short title; table of contents.

Sec. 2. Requiring outreach and coverage before expansion of eligibility.

- Sec. 3. Application of citizenship documentation requirements; increased Federal matching rate for citizenship documentation enforcement under Medicaid and SCHIP.
- Sec. 4. Limitations on eligibility based on substantial net assets.
- Sec. 5. Clarification of State authorities.
- Sec. 6. Easing administrative barriers to State cooperation with employer-sponsored insurance coverage.
- Sec. 7. Improving beneficiary choice in SCHIP.
- Sec. 8. Allotment distribution formula.
- Sec. 9. Five-year reauthorization.
- Sec. 10. Enhancing the programmatic focus on children and pregnant women.

1 **SEC. 2. REQUIRING OUTREACH AND COVERAGE BEFORE**  
 2 **EXPANSION OF ELIGIBILITY.**

3 (a) STATE PLAN REQUIRED TO SPECIFY HOW IT  
 4 WILL ACHIEVE COVERAGE FOR 90 PERCENT OF TAR-  
 5 GETED LOW-INCOME CHILDREN.—

6 (1) IN GENERAL.—Section 2102(a) of the So-  
 7 cial Security Act (42 U.S.C. 1397bb(a)) is amend-  
 8 ed—

9 (A) in paragraph (6), by striking “and” at  
 10 the end;

11 (B) in paragraph (7), by striking the pe-  
 12 riod at the end and inserting “; and”; and

13 (C) by adding at the end the following new  
 14 paragraph:

15 “(8) how the eligibility and benefits provided  
 16 for under the plan for each fiscal year (beginning  
 17 with fiscal year 2009) will allow for the State’s an-  
 18 nual funding allotment to cover at least 90 percent  
 19 of the eligible targeted low-income children in the  
 20 State.”.

1           (2) EFFECTIVE DATE.—The amendments made  
2           by paragraph (1) shall apply to State child health  
3           plans for fiscal years beginning with fiscal year  
4           2009.

5           (b) LIMITATION ON PROGRAM EXPANSIONS UNTIL  
6           LOWEST INCOME ELIGIBLE INDIVIDUALS ENROLLED.—  
7           Section 2105(c) of such Act (42 U.S.C. 1397dd(c)) is  
8           amended by adding at the end the following new para-  
9           graph:

10           “(8) LIMITATION ON INCREASED COVERAGE OF  
11           HIGHER INCOME CHILDREN.—For child health as-  
12           sistance furnished in a fiscal year beginning with fis-  
13           cal year 2008:

14           “(A) NO PAYMENT FOR CHILDREN WITH  
15           FAMILY INCOME ABOVE 250 PERCENT OF POV-  
16           ERTY LINE.—Payment shall not be made under  
17           this section for child health assistance for a tar-  
18           geted low-income child in a family the income  
19           of which exceeds 250 percent of the poverty line  
20           applicable to a family of the size involved.

21           “(B) SPECIAL RULES FOR PAYMENT FOR  
22           CHILDREN WITH FAMILY INCOME ABOVE 200  
23           PERCENT OF POVERTY LINE.—In the case of  
24           child health assistance for a targeted low-in-  
25           come child in a family the income of which ex-

1 ceeds 200 percent (but does not exceed 250  
2 percent) of the poverty line applicable to a fam-  
3 ily of the size involved no payment shall be  
4 made under this section for such assistance un-  
5 less the State demonstrates to the satisfaction  
6 of the Secretary that—

7 “(i) the State has met the 90 percent  
8 retrospective coverage test specified in sub-  
9 paragraph (C)(i) for the previous fiscal  
10 year; and

11 “(ii) the State will meet the 90 per-  
12 cent prospective coverage test specified in  
13 subparagraph (C)(ii) for the fiscal year.

14 “(C) 90 PERCENT COVERAGE TESTS.—

15 “(i) RETROSPECTIVE TEST.—The 90  
16 percent retrospective coverage test speci-  
17 fied in this clause is, for a State for a fis-  
18 cal year, that on average during the fiscal  
19 year, the State has enrolled under this title  
20 or title XIX at least 90 percent of the indi-  
21 viduals residing in the State who—

22 “(I) are children under 19 years  
23 of age (or are pregnant women) and  
24 are eligible for medical assistance  
25 under title XIX; or

1           “(II) are targeted low-income  
2 children whose family income does not  
3 exceed 200 percent of the poverty line  
4 and who are eligible for child health  
5 assistance under this title.

6           “(ii) PROSPECTIVE TEST.—The 90  
7 percent prospective test specified in this  
8 clause is, for a State for a fiscal year, that  
9 on average during the fiscal year, the State  
10 will enroll under this title or title XIX at  
11 least 90 percent of the individuals residing  
12 in the State who—

13           “(I) are children under 19 years  
14 of age (or are pregnant women) and  
15 are eligible for medical assistance  
16 under title XIX; or

17           “(II) are targeted low-income  
18 children whose family income does not  
19 exceed such percent of the poverty  
20 line (in excess of 200 percent) as the  
21 State elects consistent with this para-  
22 graph and who are eligible for child  
23 health assistance under this title.

1           “(D) GRANDFATHER.—Subparagraphs (A)  
2 and (B) shall not apply to the provision of child  
3 health assistance—

4           “(i) to a targeted low-income child  
5 who is enrolled for child health assistance  
6 under this title as of September 30, 2007;

7           “(ii) to a pregnant woman who is en-  
8 rolled for assistance under this title as of  
9 September 30, 2007, through the comple-  
10 tion of the post-partum period following  
11 completion of her pregnancy; and

12           “(iii) for items and services furnished  
13 before October 1, 2008, to an individual  
14 who is not a targeted low-income child and  
15 who is enrolled for assistance under this  
16 title as of September 30, 2007.

17           “(E) TREATMENT OF PREGNANT  
18 WOMEN.—In this paragraph and sections  
19 2102(a)(8) and 2104(a)(2), the term ‘targeted  
20 low-income child’ includes an individual under  
21 age 19, including the period from conception to  
22 birth, who is eligible for child health assistance  
23 under this title by virtue of the definition of the  
24 term ‘child’ under section 457.10 of title 42,  
25 Code of Federal Regulations.’”.

1 (c) STANDARDIZATION OF INCOME DETERMINA-  
2 TIONS.—

3 (1) IN GENERAL.—Section 2110(d) of such Act  
4 (42 U.S.C. 1397jj) is amended by adding at the end  
5 the following new subsection:

6 “(d) STANDARDIZATION OF INCOME DETERMINA-  
7 TIONS.—

8 “(1) IN GENERAL.—In determining family in-  
9 come under this title (including in the case of a  
10 State child health plan that provides health benefits  
11 coverage in the manner described in section  
12 2101(a)(2)), a State shall base such determination  
13 on gross income (including amounts that would be  
14 included in gross income if they were not exempt  
15 from income taxation) and may only take into con-  
16 sideration such income disregards as the Secretary  
17 shall develop and specify on a uniform national  
18 basis.

19 “(2) CONSTRUCTION.—Nothing in paragraph  
20 (1) shall be construed as preventing the Secretary  
21 from approving, under section 1115 as applied to  
22 this title under section 2107(e)(2)(A), a waiver that  
23 provides for the application of alternative income  
24 disregards on an experimental or demonstration  
25 basis.”.

1           (2) EFFECTIVE DATE.—(A) Subject to subpara-  
2           graph (B), the amendment made by paragraph (1)  
3           shall apply to determinations (and redeterminations)  
4           of income made on or after April 1, 2008.

5           (B) In the case of a State child health plan  
6           under title XXI of the Social Security Act which the  
7           Secretary of Health and Human Services determines  
8           requires State legislation (other than legislation ap-  
9           propriating funds) in order for the plan to meet the  
10          additional requirement imposed by the amendment  
11          made by paragraph (1), the State child health plan  
12          shall not be regarded as failing to comply with the  
13          requirements of such title solely on the basis of its  
14          failure to meet this additional requirement before  
15          the first day of the first calendar quarter beginning  
16          after the close of the first regular session of the  
17          State legislature that begins after the date of the en-  
18          actment of this Act. For purposes of the previous  
19          sentence, in the case of a State that has a 2-year  
20          legislative session, each year of such session shall be  
21          deemed to be a separate regular session of the State  
22          legislature.



1 **SEC. 3. APPLICATION OF CITIZENSHIP DOCUMENTATION**  
 2 **REQUIREMENTS; INCREASED FEDERAL**  
 3 **MATCHING RATE FOR CITIZENSHIP DOCU-**  
 4 **MENTATION ENFORCEMENT UNDER MED-**  
 5 **ICAID AND SCHIP.**

6 (a) APPLICATION OF REQUIREMENTS.—

7 (1) IN GENERAL.—Section 2105(c) of the So-  
 8 cial Security Act (42 U.S.C. 1397dd(c)), as amended  
 9 by sections 2(b) and 3(c), is amended by adding at  
 10 the end the following new paragraph:

11 “(10) APPLICATION OF CITIZENSHIP DOCU-  
 12 MENTATION REQUIREMENTS.—

13 “(A) IN GENERAL.—Subject to subpara-  
 14 graph (B), no payment may be made under this  
 15 section to a State with respect to amounts ex-  
 16 pended for child health assistance for an indi-  
 17 vidual who declares under section  
 18 1137(d)(1)(A) to be a citizen or national of the  
 19 United States for purposes of establishing eligi-  
 20 bility for benefits under this title, unless the re-  
 21 quirement of section 1903(x) is met.

22 “(B) TREATMENT OF PREGNANT  
 23 WOMEN.—For purposes of applying subpara-  
 24 graph (A) in the case of a pregnant woman who  
 25 qualifies for child health assistance by virtue of  
 26 the application of section 457.10 of title 42,

1 Code of Federal Regulations, the requirement  
2 of such section shall be deemed to be satisfied  
3 by the presentation of documentation of per-  
4 sonal identity described in section  
5 274A(b)(1)(D) of the Immigration and Nation-  
6 ality Act or any other documentation of per-  
7 sonal identity of such other type as the Sec-  
8 retary finds, by regulation, provides a reliable  
9 means of identification.”.

10 (2) EFFECTIVE DATE.—The amendment made  
11 by paragraph (1) shall apply to eligibility determina-  
12 tions and redeterminations made on or after April 1,  
13 2008.

14 (b) TEMPORARY INCREASE IN FEDERAL MATCHING  
15 RATE FOR ADMINISTRATIVE COSTS UNDER MEDICAID  
16 AND SCHIP.—

17 (1) MEDICAID.—

18 (A) IN GENERAL.—With respect to admin-  
19 istrative costs incurred on or after July 1,  
20 2006, and before October 1, 2008, in imple-  
21 menting the amendments made by section 6036  
22 of the Deficit Reduction Act of 2005 (Public  
23 Law 109–171), 75 percent shall be substituted  
24 for 50 per centum in section 1903(a)(7) of the  
25 Social Security Act (42 U.S.C. 1396b(a)(7)).

1 (B) RETROACTIVE ADJUSTMENT.—The  
2 Secretary of Health and Human Services shall  
3 take such steps as may be necessary to provide  
4 for the adjustment of payments under section  
5 1903(a) of the Social Security Act (42 U.S.C.  
6 1396b(a)) to take into account the application  
7 of subparagraph (A) for periods before the date  
8 of the enactment of this Act.

9 (2) SCHIP.—With respect to administrative  
10 costs incurred on or after April 1, 2008, and before  
11 October 1, 2008 in implementing the amendment  
12 made by subsection (a)(1), the enhanced FMAP ap-  
13 plied under section 2105(a)(1)(D)(iv) of the Social  
14 Security Act (42 U.S.C. 1397d(a)(1)(D)(iv)) shall  
15 not be less than 75 percent.

16 **SEC. 4. LIMITATIONS ON ELIGIBILITY BASED ON SUBSTAN-**  
17 **TIAL NET ASSETS.**

18 (a) IN GENERAL.—Section 2110(b) of the Social Se-  
19 curity Act (42 U.S.C. 1397jj(b)) is amended—

20 (1) in paragraph (1), by striking “paragraph  
21 (2)” and inserting “paragraphs (2) and (5)”; and

22 (2) by adding at the end the following new  
23 paragraph:

24 “(5) DISQUALIFICATION FOR INDIVIDUALS IN  
25 FAMILIES WITH SUBSTANTIAL NET ASSETS.—An in-

1       dividual in a family is not eligible for child health  
2       assistance under this title if the individual’s family  
3       has net assets (including the equity interest in any  
4       home) that exceeds \$500,000 or unless there is pro-  
5       vided a document (in such a form and manner as  
6       the Secretary shall specify) signed under penalty of  
7       perjury by an applicant for child health assistance  
8       on behalf of the individual that the net assets of the  
9       individual’s family (including the equity interest in  
10      the any home) does not exceed \$500,000. The Sec-  
11      retary may increase the dollar amount specified in  
12      the previous sentence from year to year beginning  
13      with 2013 based on the percentage increase in the  
14      consumer price index for all urban consumers (all  
15      items; United States city average), rounded to the  
16      nearest \$1,000.”.

17      (b) **EFFECTIVE DATE.**—The amendments made by  
18      subsection (a) shall apply to eligibility determinations and  
19      redeterminations made on or after April 1, 2008.

20      **SEC. 5. CLARIFICATION OF STATE AUTHORITIES.**

21      Section 2102 of the Social Security Act (42 U.S.C.  
22      1397bb) is amended by adding at the end the following  
23      new subsection:

24      “(d) **CLARIFICATION OF STATE AUTHORITIES.**—  
25      Nothing in this title shall be construed as preventing a

1 State, under its child health plan, from doing any of the  
2 following:

3 “(1) USE OF WAITING PERIODS TO PREVENT  
4 CROWD OUT.—From using waiting periods and other  
5 tools to prevent crowding out private-sector insur-  
6 ance coverage.

7 “(2) USE OF PRIVATE PROVIDERS AND  
8 PLANS.—From cooperating or contracting with pri-  
9 vate sector providers and plans in order to provide  
10 care to targeted low-income children.

11 “(3) USE OF STATE FUNDS FOR INELIGIBLE  
12 INDIVIDUALS.—From providing medical benefits for  
13 individuals who are not targeted low-income children  
14 with State funds.”.

15 **SEC. 6. EASING ADMINISTRATIVE BARRIERS TO STATE CO-**  
16 **OPERATION WITH EMPLOYER-SPONSORED**  
17 **INSURANCE COVERAGE.**

18 (a) REQUIRING SOME COVERAGE FOR EMPLOYER-  
19 SPONSORED INSURANCE.—

20 (1) IN GENERAL.—Section 2102(a) of the So-  
21 cial Security Act (42 U.S.C. 1397b(a)), as amended  
22 by section 2(a), is amended—

23 (A) in paragraph (7), by striking “and” at  
24 the end;

1 (B) in paragraph (8), by striking the pe-  
2 riod at the end and inserting “; and”; and

3 (C) by adding at the end the following new  
4 paragraph:

5 “(9) effective for plan years beginning on or  
6 after October 1, 2008, how the plan will provide for  
7 child health assistance with respect to targeted low-  
8 income children covered under a group health  
9 plan.”.

10 (2) EFFECTIVE DATE.—The amendment made  
11 by paragraph (1) shall apply beginning with fiscal  
12 year 2009.

13 (b) FEDERAL FINANCIAL PARTICIPATION FOR EM-  
14 PLOYER-SPONSORED INSURANCE.—Section 2105 of such  
15 Act (42 U.S.C. 1397d) is amended—

16 (1) in subsection (a)(1)(C), by inserting before  
17 the semicolon at the end the following: “and, subject  
18 to paragraph (3)(C), in the form of payment of the  
19 premiums for coverage under a group health plan  
20 that includes coverage of targeted low-income chil-  
21 dren and benefits supplemental to such coverage”;  
22 and

23 (2) paragraph (3) of subsection (c) is amended  
24 to read as follows:

1           “(3) PURCHASE OF EMPLOYER-SPONSORED IN-  
2 SURANCE.—

3           “(A) IN GENERAL.—Payment may be  
4 made to a State under subsection (a)(1)(C),  
5 subject to the provisions of this paragraph, for  
6 the purchase of family coverage under a group  
7 health plan that includes coverage of targeted  
8 low-income children unless such coverage would  
9 otherwise substitute for coverage that would be  
10 provided to such children but for the purchase  
11 of family coverage.

12           “(B) WAIVER OF CERTAIN PROVISIONS.—  
13 With respect to coverage described in subpara-  
14 graph (A)—

15           “(i) notwithstanding section 2102, no  
16 minimum benefits requirement (other than  
17 those otherwise applicable with respect to  
18 services referred to in section 2102(a)(7))  
19 under this title shall apply; and

20           “(ii) no limitation on beneficiary cost-  
21 sharing otherwise applicable under this  
22 title or title XIX shall apply.

23           “(C) REQUIRED PROVISION OF SUPPLE-  
24 MENTAL BENEFITS.—If the coverage described  
25 in subparagraph (A) does not provide coverage

1 for the services referred to in section  
2 2102(a)(7), the State child health plan shall  
3 provide coverage of such services as supple-  
4 mental benefits.

5 “(D) LIMITATION ON FFP.—The amount  
6 of the payment under paragraph (1)(C) for cov-  
7 erage described in subparagraph (A) (and sup-  
8 plemental benefits under subparagraph (C) for  
9 individuals so covered) during a fiscal year may  
10 not exceed the product of—

11 “(i) the national per capita expendi-  
12 ture under this title (taking into account  
13 both Federal and State expenditures) for  
14 the previous fiscal year (as determined by  
15 the Secretary using the best available  
16 data);

17 “(ii) the enhanced FMAP for the  
18 State and fiscal year involved; and

19 “(iii) the number of targeted low-in-  
20 come children for whom such coverage is  
21 provided.

22 “(E) VOLUNTARY ENROLLMENT.—A State  
23 child health plan—

24 “(i) may not require a targeted low-  
25 income child to enroll in coverage described



1 in subparagraph (A) in order to obtain  
2 child health assistance under this title;

3 “(ii) before providing such child  
4 health assistance for such coverage of a  
5 child, shall make available (which may be  
6 through an Internet website or other  
7 means) to the parent or guardian of the  
8 child information on the coverage available  
9 under this title, including benefits and  
10 cost-sharing; and

11 “(iii) shall provide at least one oppor-  
12 tunity per fiscal year for beneficiaries to  
13 switch coverage under this title from cov-  
14 erage described in subparagraph (A) to the  
15 coverage that is otherwise made available  
16 under this title.

17 “(F) INFORMATION ON COVERAGE OP-  
18 TIONS.—A State child health plan shall—

19 “(i) describe how the State will notify  
20 potential beneficiaries of coverage de-  
21 scribed in subparagraph (A);

22 “(ii) provide such notification in writ-  
23 ing at least during the initial application  
24 for enrollment under this title and during  
25 redeterminations of eligibility if the indi-

1           vidual was enrolled before October 1, 2008;  
2           and

3           “(iii) post a description of these cov-  
4           erage options on any official website that  
5           may be established by the State in connec-  
6           tion with the plan.

7           “(G) SEMIANNUAL VERIFICATION OF COV-  
8           ERAGE.—If coverage described in subparagraph  
9           (A) is provided under a group health plan with  
10          respect to a targeted low-income child, the  
11          State child health plan shall provide for the col-  
12          lection, at least once every six months, of proof  
13          from the plan that the child is enrolled in such  
14          coverage.

15          “(H) RULE OF CONSTRUCTION.—Nothing  
16          in this section is to be construed to prohibit a  
17          State from—

18                 “(i) offering wrap around benefits in  
19                 order for a group health plan to meet any  
20                 State-established minimum benefit require-  
21                 ments;

22                 “(ii) establishing a cost-effectiveness  
23                 test to qualify for coverage under such a  
24                 plan;

1 “(iii) establishing limits on beneficiary  
2 cost-sharing under such a plan;

3 “(iv) paying all or part of a bene-  
4 ficiary’s cost-sharing requirements under  
5 such a plan;

6 “(v) paying less than the full cost of  
7 the employee’s share of the premium under  
8 such a plan, including prorating the cost of  
9 the premium to pay for only what the  
10 State determines is the portion of the pre-  
11 mium that covers targeted low-income chil-  
12 dren;

13 “(vi) using State funds to pay for  
14 benefits above the Federal upper limit es-  
15 tablished under subparagraph (C);

16 “(vii) allowing beneficiaries enrolled in  
17 group health plans from changing plans to  
18 another coverage option available under  
19 this title at any time; or

20 “(viii) providing any guidance or in-  
21 formation it deems appropriate in order to  
22 help beneficiaries make an informed deci-  
23 sion regarding the option to enroll in cov-  
24 erage described in subparagraph (A).

1           “(I) GROUP HEALTH PLAN DEFINED.—In  
2           this paragraph, the term ‘group health plan’  
3           has the meaning given such term in section  
4           2791(a)(1) of the Public Health Service Act (42  
5           U.S.C. 300gg–91(a)(1)).”.

6 **SEC. 7. IMPROVING BENEFICIARY CHOICE IN SCHIP.**

7           (a) REQUIRING OFFERING OF ALTERNATIVE COV-  
8 ERAGE OPTIONS.—Section 2102 of the Social Security Act  
9 (42 U.S.C. 1397b), as amended by sections 2(a) and 6(a),  
10 is amended—

11           (1) in subsection (a)—

12                   (A) in paragraph (8), by striking “and” at  
13                   the end;

14                   (B) in paragraph (9), by striking the pe-  
15                   riod at the end and inserting “; and”; and

16                   (C) by adding at the end the following new  
17                   paragraph:

18                   “(10) effective for plan years beginning on or  
19                   after October 1, 2008, how the plan will provide for  
20                   child health assistance with respect to targeted low-  
21                   income children through alternative coverage options  
22                   in accordance with subsection (d).”; and

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

25           “(d) ALTERNATIVE COVERAGE OPTIONS.—

1           “(1) IN GENERAL.—Effective October 1, 2008,  
2           a State child health plan shall provide for the offer-  
3           ing of any qualified alternative coverage that a  
4           qualified entity seeks to offer to targeted low-income  
5           children through the plan in the State.

6           “(2) APPLICATION OF UNIFORM FINANCIAL  
7           LIMITATION FOR ALL ALTERNATIVE COVERAGE OP-  
8           TIONS.—With respect to all qualified alternative cov-  
9           erage offered in a State, the State child health plan  
10          shall establish a uniform dollar limitation on the per  
11          capita monthly amount that will be paid by the  
12          State to the qualified entity with respect to such  
13          coverage provided to a targeted low-income child.  
14          Such limitation may not be less than 90 percent of  
15          the per capita monthly payment made for coverage  
16          offered under the State child health plan that is not  
17          in the form of an alternative coverage option. Noth-  
18          ing in this paragraph shall be construed—

19                 “(A) as requiring a State to provide for  
20                 the full payment of premiums for qualified al-  
21                 ternative coverage;

22                 “(B) as preventing a State from charging  
23                 additional premiums to cover the difference be-  
24                 tween the cost of qualified alternative coverage  
25                 and the amount of such payment limitation;

1           “(C) as preventing a State from using its  
2           own funds to provide a dollar limitation that ex-  
3           ceeds the Federal financial participation as lim-  
4           ited under section 2105(c)(8).

5           “(3) QUALIFIED ALTERNATIVE COVERAGE DE-  
6           FINED.—In this section, the term ‘qualified alter-  
7           native coverage’ means health insurance coverage  
8           that—

9           “(A) meets the coverage requirements of  
10          section 2103 (other than cost-sharing require-  
11          ments of such section); and

12          “(B) is offered by a qualified insurer, and  
13          not directly by the State.

14          “(4) QUALIFIED INSURER DEFINED.—In this  
15          section, the term ‘qualified insurer’ means, with re-  
16          spect to a State, an entity that is licensed to offer  
17          health insurance coverage in the State.”.

18          (b) FEDERAL FINANCIAL PARTICIPATION FOR  
19          QUALIFIED ALTERNATIVE COVERAGE.—Section 2105 of  
20          such Act (42 U.S.C. 1397d) is amended—

21                 (1) in subsection (a)(1)(C), as amended by sec-  
22                 tion 6(b), by inserting before the semicolon at the  
23                 end the following: “and, subject to paragraph  
24                 (8)(C), in the form of payment of the premiums for  
25                 coverage for qualified alternative coverage”; and

1           (2) by adding at the end of subsection (c) the  
2 following new paragraph:

3           “(8) PURCHASE OF QUALIFIED ALTERNATIVE  
4 COVERAGE.—

5           “(A) IN GENERAL.—Payment may be  
6 made to a State under subsection (a)(1)(C),  
7 subject to the provisions of this paragraph, for  
8 the purchase of qualified alternative coverage.

9           “(B) WAIVER OF CERTAIN PROVISIONS.—  
10 With respect to coverage described in subpara-  
11 graph (A), no limitation on beneficiary cost-  
12 sharing otherwise applicable under this title or  
13 title XIX shall apply.

14           “(C) LIMITATION ON FFP.—The amount of  
15 the payment under paragraph (1)(C) for cov-  
16 erage described in subparagraph (A) during a  
17 fiscal year in the aggregate for all such cov-  
18 erage in the State may not exceed the product  
19 of—

20           “(i) the national per capita expendi-  
21 ture under this title (taking into account  
22 both Federal and State expenditures) for  
23 the previous fiscal year (as determined by  
24 the Secretary using the best available  
25 data);

1           “(ii) the enhanced FMAP for the  
2           State and fiscal year involved; and

3           “(iii) the number of targeted low-in-  
4           come children for whom such coverage is  
5           provided.

6           “(D) VOLUNTARY ENROLLMENT.—A State  
7           child health plan—

8           “(i) may not require a targeted low-  
9           income child to enroll in coverage described  
10          in subparagraph (A) in order to obtain  
11          child health assistance under this title;

12          “(ii) before providing such child  
13          health assistance for such coverage of a  
14          child, shall make available (which may be  
15          through an Internet website or other  
16          means) to the parent or guardian of the  
17          child information on the coverage available  
18          under this title, including benefits and  
19          cost-sharing; and

20          “(iii) shall provide at least one oppor-  
21          tunity per fiscal year for beneficiaries to  
22          switch coverage under this title from cov-  
23          erage described in subparagraph (A) to the  
24          coverage that is otherwise made available  
25          under this title.



1           “(E) INFORMATION ON COVERAGE OP-  
2           TIONS.—A State child health plan shall—

3                   “(i) describe how the State will notify  
4                   potential beneficiaries of coverage de-  
5                   scribed in subparagraph (A);

6                   “(ii) provide such notification in writ-  
7                   ing at least during the initial application  
8                   for enrollment under this title and during  
9                   redeterminations of eligibility if the indi-  
10                  vidual was enrolled before October 1, 2008;  
11                  and

12                  “(iii) post a description of these cov-  
13                  erage options on any official website that  
14                  may be established by the State in connec-  
15                  tion with the plan.

16           “(F) RULE OF CONSTRUCTION.—Nothing  
17           in this section is to be construed to prohibit a  
18           State from—

19                   “(i) establishing limits on beneficiary  
20                   cost-sharing under such alternative cov-  
21                   erage;

22                   “(ii) paying all or part of a bene-  
23                   ficiary’s cost-sharing requirements under  
24                   such coverage;

1 “(iii) paying less than the full cost of  
2 a child’s share of the premium under such  
3 coverage, insofar as the premium for such  
4 coverage exceeds the limitation established  
5 by the State under subparagraph (C);

6 “(iv) using State funds to pay for  
7 benefits above the Federal upper limit es-  
8 tablished under subparagraph (C); or

9 “(v) providing any guidance or infor-  
10 mation it deems appropriate in order to  
11 help beneficiaries make an informed deci-  
12 sion regarding the option to enroll in cov-  
13 erage described in subparagraph (A).”.

14 **SEC. 8. ALLOTMENT DISTRIBUTION FORMULA.**

15 (a) ALLOTMENTS TO 50 STATES AND THE DISTRICT  
16 OF COLUMBIA.—

17 (1) IN GENERAL.—Section 2104(b) of the So-  
18 cial Security Act (42 U.S.C. 1397dd(b)) is amend-  
19 ed—

20 (A) in paragraph (1), by striking “the  
21 same proportion” and all that follows and in-  
22 serting “the product of the number of SCHIP  
23 targeted children, as determined under para-  
24 graph (2) for the second preceding fiscal year,  
25 the State and Federal per capita SCHIP ex-

1           penditures for the second preceding fiscal year,  
2           as determined under such paragraph, and the  
3           enhanced FMAP for the State for the second  
4           preceding fiscal year.”;

5           (B) by amending paragraph (2) to read as  
6           follows:

7           “(2) NUMBER OF SCHIP TARGETED CHILDREN  
8           AND PREGNANT WOMEN AND NATIONAL PER CAPITA  
9           SCHIP EXPENDITURES.—

10           “(A) IN GENERAL.—By not later than  
11           September 30 of each year (beginning with  
12           2007), the Secretary (in consultation with the  
13           Director of the Bureau of the Census and using  
14           the best available data for the fiscal year ending  
15           in the previous year) shall determine and pub-  
16           lish in the Federal Register—

17           “(i) the average number of low-income  
18           targeted children (described in subpara-  
19           graph (B)) for any month during such pre-  
20           ceding fiscal year; and

21           “(ii) the combined State and Federal  
22           per capita SCHIP expenditures (described  
23           in subparagraph (C)) for such preceding  
24           fiscal year.

1           “(B) LOW-INCOME SCHIP TARGETED CHIL-  
2           DREN.—Low-income targeted children described  
3           in this subparagraph with respect to a sub-  
4           section (b) State are children (including preg-  
5           nant women described in section 2105(c)(8)(E))  
6           residing in the State who are not covered under  
7           a group health plan or health insurance cov-  
8           erage (as defined for purposes of section  
9           2110(b)(1)(C)) and whose family income—

10                   “(i) exceeds the lesser of—

11                           “(I) the Medicaid applicable in-  
12                           come level (as defined in section  
13                           2110(b)(4)); or

14                           “(II) 150 percent of the poverty  
15                           line; but

16                           “(ii) does not 200 percent of the pov-  
17                           erty line.

18           “(C) STATE AND FEDERAL PER CAPITA  
19           SCHIP EXPENDITURES.—The State and Federal  
20           per capita SCHIP expenditures for a fiscal year  
21           is equal to—

22                           “(i) the aggregate Federal and State  
23                           expenditures made that are attributable to  
24                           allotments under this title for subsection  
25                           (b) States for the fiscal year; divided by

1           “(ii) the average total number of tar-  
2           geted low-income children (including preg-  
3           nant women described in section  
4           2105(c)(8)(E)) for whom health assistance  
5           was made available from such allotments  
6           for such fiscal year.”; and

7           (C) by striking paragraphs (3) and (4) and  
8           inserting the following:

9           “(3) SUBSECTION (B) STATE DEFINED.—In this  
10          subsection, the term ‘subsection (b) State’ means  
11          one of the 50 States or the District of Columbia.

12          “(4) PROPORTIONAL REDUCTION IF TOTAL AL-  
13          LOTMENTS EXCEED AMOUNT AVAILABLE.—If the  
14          Secretary estimates that the total of the allotments  
15          under this subsection for a fiscal year (in combina-  
16          tion with allotments made under subsection (c)) will  
17          exceed the aggregate amount available for allotments  
18          for such fiscal year under subsection (a), the Sec-  
19          retary shall reduce the amount of each allotment  
20          under this subsection in a pro-rata manner so that  
21          such total does not exceed the aggregate amount  
22          available for allotments.”.

23          (2) EFFECTIVE DATE.—The amendment made  
24          by paragraph (1) shall apply to allotments for fiscal  
25          years beginning with fiscal year 2008.

1 (b) NO REDISTRIBUTION OF UNUSED ALLOT-  
2 MENTS.—

3 (1) IN GENERAL.—Section 2104(f) of such Act  
4 (42 U.S.C. 1397dd) is amended to read as follows:

5 “(f) NO REDISTRIBUTION OF UNUSED ALLOT-  
6 MENTS.—There shall be no redistribution of allotments  
7 from States that are not expended within the period of  
8 availability under subsection (e).”.

9 (2) EFFECTIVE DATE.—The amendment made  
10 by paragraph (1) shall apply to allotments for fiscal  
11 years beginning with fiscal year 2005.

12 **SEC. 9. FIVE-YEAR REAUTHORIZATION.**

13 Section 2104(a) of the Social Security Act (42 U.S.C.  
14 1397dd(a)) is amended—

15 (1) by striking “and” at the end of paragraph  
16 (9);

17 (2) by striking the period at the end of para-  
18 graph (10) and inserting a semicolon; and

19 (3) by adding at the end the following new  
20 paragraphs:

21 “(11) for fiscal year 2008, \$7,000,000,000;

22 “(12) for fiscal year 2009, \$7,000,000,000;

23 “(13) for fiscal year 2010, \$7,000,000,000;

24 “(14) for fiscal year 2011, \$7,500,000,000; and

25 “(15) for fiscal year 2012, \$8,000,000,000.”.

1 **SEC. 10. ENHANCING THE PROGRAMMATIC FOCUS ON**  
2 **CHILDREN AND PREGNANT WOMEN.**

3 (a) **IN GENERAL.**—Section 2107(f) of the Social Se-  
4 curity Act (42 U.S.C. 1397gg(f)) is amended by striking  
5 “childless”.

6 (b) **EFFECTIVE DATE.**—The amendment made by  
7 subsection (a) shall take effect on the date of the enact-  
8 ment of this Act but shall not apply to projects, including  
9 extensions, amendments, or renewals to such projects, that  
10 are in effect or have been approved on the date of the  
11 enactment of this Act.

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