

110TH CONGRESS  
1ST SESSION

# H. R. 3888

To provide for a 5-year SCHIP reauthorization for coverage of low-income children, an expansion of child health care insurance coverage through tax fairness, and a health care Federalism initiative, and for other purposes.

---

## IN THE HOUSE OF REPRESENTATIVES

OCTOBER 18, 2007

Mrs. MUSGRAVE (for herself, Mr. PRICE of Georgia, Mr. FEENEY, Mr. WALBERG, Mr. BOEHNER, Mr. BLUNT, Mr. CANTOR, Mr. PUTNAM, Mr. KELLER of Florida, Mr. TERRY, Mr. ROSKAM, Mr. THORNBERRY, Mr. SESSIONS, Mr. CHABOT, Mr. DAVID DAVIS of Tennessee, Mr. HELLER of Nevada, Mr. KLINE of Minnesota, Mr. PENCE, Mr. CARTER, Mr. GOHMERT, Mr. WELDON of Florida, Mr. WESTMORELAND, Mr. PITTS, Mr. BISHOP of Utah, Mrs. BLACKBURN, Mr. ISSA, Mr. BARTLETT of Maryland, Mr. SMITH of Nebraska, Mr. HOEKSTRA, Mrs. SCHMIDT, Mr. BROWN of South Carolina, Mr. COBLE, Mr. MILLER of Florida, Mr. BURTON of Indiana, Mr. GINGREY, Mr. BOOZMAN, Mr. SMITH of Texas, Mr. GARY G. MILLER of California, Mr. CRENSHAW, Mr. WAMP, Mrs. CUBIN, and Mr. FRANKS of Arizona) introduced the following bill; which was referred to the Committee on Energy and Commerce, and in addition to the Committees on Ways and Means and Rules, 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 provide for a 5-year SCHIP reauthorization for coverage of low-income children, an expansion of child health care insurance coverage through tax fairness, and a health care Federalism initiative, and for other purposes.

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

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

4        (a) SHORT TITLE.—This Act may be cited as the  
 5 “More Children, More Choices 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.

TITLE I—SCHIP REAUTHORIZATION

- Sec. 101. Requiring outreach and coverage before expansion of eligibility.
- Sec. 102. Application of citizenship documentation requirements; increased Federal matching rate for citizenship documentation enforcement under Medicaid and SCHIP.
- Sec. 103. Limitations on eligibility based on substantial net assets.
- Sec. 104. Clarification of State authorities.
- Sec. 105. Easing administrative barriers to State cooperation with employer-sponsored insurance coverage.
- Sec. 106. Improving beneficiary choice in SCHIP.
- Sec. 107. Allotment distribution formula.
- Sec. 108. Five-year reauthorization.
- Sec. 109. Enhancing the programmatic focus on children and pregnant women.
- Sec. 110. Grants for outreach and enrollment.

TITLE II—CHILD HEALTH INSURANCE COVERAGE THROUGH TAX FAIRNESS

- Sec. 201. Expansion of child health care insurance coverage through tax fairness.

TITLE III—STATE HEALTH REFORM PROJECTS

- Sec. 301. State health reform projects.

TITLE IV—SENSE OF THE HOUSE OF REPRESENTATIVES

- Sec. 401. Medicare and Medicaid reform and savings.

1 **TITLE I—SCHIP**  
2 **REAUTHORIZATION**

3 **SEC. 101. REQUIRING OUTREACH AND COVERAGE BEFORE**  
4 **EXPANSION OF ELIGIBILITY.**

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

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

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

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

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

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

23 (2) EFFECTIVE DATE.—The amendments made  
24 by paragraph (1) shall apply to State child health

1 plans for fiscal years beginning with fiscal year  
2 2009.

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

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

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

19 “(B) SPECIAL RULES FOR PAYMENT FOR  
20 CHILDREN WITH FAMILY INCOME ABOVE 200  
21 PERCENT OF POVERTY LINE.—In the case of  
22 child health assistance for a targeted low-in-  
23 come child in a family the income of which ex-  
24 ceeds 200 percent (but does not exceed 250  
25 percent) of the poverty line applicable to a fam-

1           ily of the size involved no payment shall be  
2           made under this section for such assistance un-  
3           less the State demonstrates to the satisfaction  
4           of the Secretary that—

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

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

12                 “(C) 90 PERCENT COVERAGE TESTS.—

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

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

24                           “(II) are targeted low-income  
25                           children whose family income does not

1 exceed 200 percent of the poverty line  
2 and who are eligible for child health  
3 assistance under this title.

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

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

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

22 “(D) GRANDFATHER.—Subparagraphs (A)  
23 and (B) shall not apply to the provision of child  
24 health assistance—

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

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

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

14 “(E) TREATMENT OF PREGNANT  
15 WOMEN.—In this paragraph and sections  
16 2102(a)(8) and 2104(a)(2), the term ‘targeted  
17 low-income child’ includes an individual under  
18 age 19, including the period from conception to  
19 birth, who is eligible for child health assistance  
20 under this title by virtue of the definition of the  
21 term ‘child’ under section 457.10 of title 42,  
22 Code of Federal Regulations.”.

23 (c) STANDARDIZATION OF INCOME DETERMINA-  
24 TIONS.—

1           (1) IN GENERAL.—Section 2110(d) of such Act  
2           (42 U.S.C. 1397jj) is amended by adding at the end  
3           the following new subsection:

4           “(d) STANDARDIZATION OF INCOME DETERMINA-  
5 TIONS.—In determining family income under this title (in-  
6 cluding in the case of a State child health plan that pro-  
7 vides health benefits coverage in the manner described in  
8 section 2101(a)(2)), a State shall base such determination  
9 on gross income (including amounts that would be in-  
10 cluded in gross income if they were not exempt from in-  
11 come taxation) and may only take into consideration such  
12 income disregards as the Secretary shall develop.”.

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

17           (B) In the case of a State child health plan  
18 under title XXI of the Social Security Act which the  
19 Secretary of Health and Human Services determines  
20 requires State legislation (other than legislation ap-  
21 propriating funds) in order for the plan to meet the  
22 additional requirement imposed by the amendment  
23 made by paragraph (1), the State child health plan  
24 shall not be regarded as failing to comply with the  
25 requirements of such title solely on the basis of its



1 failure to meet this additional requirement before  
2 the first day of the first calendar quarter beginning  
3 after the close of the first regular session of the  
4 State legislature that begins after the date of the en-  
5 actment of this Act. For purposes of the previous  
6 sentence, in the case of a State that has a 2-year  
7 legislative session, each year of such session shall be  
8 deemed to be a separate regular session of the State  
9 legislature.

10 **SEC. 102. APPLICATION OF CITIZENSHIP DOCUMENTATION**  
11 **REQUIREMENTS; INCREASED FEDERAL**  
12 **MATCHING RATE FOR CITIZENSHIP DOCU-**  
13 **MENTATION ENFORCEMENT UNDER MED-**  
14 **ICAID AND SCHIP.**

15 (a) APPLICATION OF REQUIREMENTS.—

16 (1) IN GENERAL.—Section 2105(c) of the So-  
17 cial Security Act (42 U.S.C. 1397dd(c)), as amended  
18 by section 101(b), is amended by adding at the end  
19 the following new paragraph:

20 “(9) APPLICATION OF CITIZENSHIP DOCU-  
21 MENTATION REQUIREMENTS.—

22 “(A) IN GENERAL.—Subject to subpara-  
23 graph (B), no payment may be made under this  
24 section to a State with respect to amounts ex-  
25 pended for child health assistance for an indi-

1           vidual     who     declares     under     section  
2           1137(d)(1)(A) to be a citizen or national of the  
3           United States for purposes of establishing eligi-  
4           bility for benefits under this title, unless the re-  
5           quirement of section 1903(x) is met.

6           “(B)     TREATMENT     OF     PREGNANT  
7           WOMEN.—For purposes of applying subpara-  
8           graph (A) in the case of a pregnant woman who  
9           qualifies for child health assistance by virtue of  
10          the application of section 457.10 of title 42,  
11          Code of Federal Regulations, the requirement  
12          of such section shall be deemed to be satisfied  
13          by the presentation of documentation of per-  
14          sonal identity described in section  
15          274A(b)(1)(D) of the Immigration and Nation-  
16          ality Act or any other documentation of per-  
17          sonal identity of such other type as the Sec-  
18          retary finds, by regulation, provides a reliable  
19          means of identification.”.

20          (2) EFFECTIVE DATE.—The amendment made  
21          by paragraph (1) shall apply to eligibility determina-  
22          tions and redeterminations made on or after April 1,  
23          2008.

1 (b) TEMPORARY INCREASE IN FEDERAL MATCHING  
2 RATE FOR ADMINISTRATIVE COSTS UNDER MEDICAID  
3 AND SCHIP.—

4 (1) MEDICAID.—

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

13 (B) RETROACTIVE ADJUSTMENT.—The  
14 Secretary of Health and Human Services shall  
15 take such steps as may be necessary to provide  
16 for the adjustment of payments under section  
17 1903(a) of the Social Security Act (42 U.S.C.  
18 1396b(a)) to take into account the application  
19 of subparagraph (A) for periods before the date  
20 of the enactment of this Act.

21 (2) SCHIP.—With respect to administrative  
22 costs incurred on or after April 1, 2008, and before  
23 October 1, 2008 in implementing the amendment  
24 made by subsection (a)(1), the enhanced FMAP ap-  
25 plied under section 2105(a)(1)(D)(iv) of the Social

1 Security Act (42 U.S.C. 1397d(a)(1)(D)(iv)) shall  
2 not be less than 75 percent.

3 **SEC. 103. LIMITATIONS ON ELIGIBILITY BASED ON SUB-**  
4 **STANTIAL NET ASSETS.**

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

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

9 (2) by adding at the end the following new  
10 paragraph:

11 “(5) DISQUALIFICATION FOR INDIVIDUALS IN  
12 FAMILIES WITH SUBSTANTIAL NET ASSETS.—An in-  
13 dividual in a family is not eligible for child health  
14 assistance under this title if the individual’s family  
15 has net assets (including the equity interest in any  
16 home) that exceeds \$500,000 or unless there is pro-  
17 vided a document (in such a form and manner as  
18 the Secretary shall specify) signed under penalty of  
19 perjury by an applicant for child health assistance  
20 on behalf of the individual that the net assets of the  
21 individual’s family (including the equity interest in  
22 the any home) does not exceed \$500,000. The Sec-  
23 retary may increase the dollar amount specified in  
24 the previous sentence from year to year beginning  
25 with 2013 based on the percentage increase in the

1 consumer price index for all urban consumers (all  
2 items; United States city average), rounded to the  
3 nearest \$1,000.”.

4 (b) EFFECTIVE DATE.—The amendments made by  
5 subsection (a) shall apply to eligibility determinations and  
6 redeterminations made on or after April 1, 2008.

7 **SEC. 104. CLARIFICATION OF STATE AUTHORITIES.**

8 Section 2102 of the Social Security Act (42 U.S.C.  
9 1397bb) is amended by adding at the end the following  
10 new subsection:

11 “(d) CLARIFICATION OF STATE AUTHORITIES.—  
12 Nothing in this title shall be construed as preventing a  
13 State, under its child health plan, from doing any of the  
14 following:

15 “(1) USE OF WAITING PERIODS TO PREVENT  
16 CROWD OUT.—From using waiting periods and other  
17 tools to prevent crowding out private-sector insur-  
18 ance coverage.

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

23 “(3) USE OF STATE FUNDS FOR INELIGIBLE  
24 INDIVIDUALS.—From providing medical benefits for

1 individuals who are not targeted low-income children  
2 with State funds.”.

3 **SEC. 105. EASING ADMINISTRATIVE BARRIERS TO STATE**  
4 **COOPERATION WITH EMPLOYER-SPONSORED**  
5 **INSURANCE COVERAGE.**

6 (a) **REQUIRING SOME COVERAGE FOR EMPLOYER-**  
7 **SPONSORED INSURANCE.—**

8 (1) **IN GENERAL.—**Section 2102(a) of the So-  
9 cial Security Act (42 U.S.C. 1397b(a)), as amended  
10 by section 101(a), is amended—

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

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

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

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

22 (2) **EFFECTIVE DATE.—**The amendment made  
23 by paragraph (1) shall apply beginning with fiscal  
24 year 2009.

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

4 (1) in subsection (a)(1)(C), by inserting before  
5 the semicolon at the end the following: “and, subject  
6 to paragraph (3)(C), in the form of payment of the  
7 premiums for coverage under a group health plan  
8 that includes coverage of targeted low-income chil-  
9 dren and benefits supplemental to such coverage”;  
10 and

11 (2) paragraph (3) of subsection (c) is amended  
12 to read as follows:

13 “(3) PURCHASE OF EMPLOYER-SPONSORED IN-  
14 SURANCE.—

15 “(A) IN GENERAL.—Payment may be  
16 made to a State under subsection (a)(1)(C),  
17 subject to the provisions of this paragraph, for  
18 the purchase of family coverage under a group  
19 health plan that includes coverage of targeted  
20 low-income children unless such coverage would  
21 otherwise substitute for coverage that would be  
22 provided to such children but for the purchase  
23 of family coverage.

1           “(B) WAIVER OF CERTAIN PROVISIONS.—  
2           With respect to coverage described in subpara-  
3           graph (A)—

4                   “(i) notwithstanding section 2102, no  
5                   minimum benefits requirement (other than  
6                   those otherwise applicable with respect to  
7                   services referred to in section 2102(a)(7))  
8                   under this title shall apply; and

9                   “(ii) no limitation on beneficiary cost-  
10                  sharing otherwise applicable under this  
11                  title or title XIX shall apply.

12           “(C) REQUIRED PROVISION OF SUPPLE-  
13           MENTAL BENEFITS.—If the coverage described  
14           in subparagraph (A) does not provide coverage  
15           for the services referred to in section  
16           2102(a)(7), the State child health plan shall  
17           provide coverage of such services as supple-  
18           mental benefits.

19           “(D) LIMITATION ON FFP.—The amount  
20           of the payment under paragraph (1)(C) for cov-  
21           erage described in subparagraph (A) (and sup-  
22           plemental benefits under subparagraph (C) for  
23           individuals so covered) during a fiscal year may  
24           not exceed the product of—



1 “(i) the national per capita expendi-  
2 ture under this title (taking into account  
3 both Federal and State expenditures) for  
4 the previous fiscal year (as determined by  
5 the Secretary using the best available  
6 data);

7 “(ii) the enhanced FMAP for the  
8 State and fiscal year involved; and

9 “(iii) the number of targeted low-in-  
10 come children for whom such coverage is  
11 provided.

12 “(E) VOLUNTARY ENROLLMENT.—A State  
13 child health plan—

14 “(i) may not require a targeted low-  
15 income child to enroll in coverage described  
16 in subparagraph (A) in order to obtain  
17 child health assistance under this title;

18 “(ii) before providing such child  
19 health assistance for such coverage of a  
20 child, shall make available (which may be  
21 through an Internet website or other  
22 means) to the parent or guardian of the  
23 child information on the coverage available  
24 under this title, including benefits and  
25 cost-sharing; and

1           “(iii) shall provide at least one oppor-  
2           tunity per fiscal year for beneficiaries to  
3           switch coverage under this title from cov-  
4           erage described in subparagraph (A) to the  
5           coverage that is otherwise made available  
6           under this title.

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

9                   “(i) describe how the State will notify  
10           potential beneficiaries of coverage de-  
11           scribed in subparagraph (A);

12                   “(ii) provide such notification in writ-  
13           ing at least during the initial application  
14           for enrollment under this title and during  
15           redeterminations of eligibility if the indi-  
16           vidual was enrolled before October 1, 2008;  
17           and

18                   “(iii) post a description of these cov-  
19           erage options on any official website that  
20           may be established by the State in connec-  
21           tion with the plan.

22           “(G) SEMIANNUAL VERIFICATION OF COV-  
23           ERAGE.—If coverage described in subparagraph  
24           (A) is provided under a group health plan with  
25           respect to a targeted low-income child, the

1 State child health plan shall provide for the col-  
2 lection, at least once every six months, of proof  
3 from the plan that the child is enrolled in such  
4 coverage.

5 “(H) RULE OF CONSTRUCTION.—Nothing  
6 in this section is to be construed to prohibit a  
7 State from—

8 “(i) offering wrap around benefits in  
9 order for a group health plan to meet any  
10 State-established minimum benefit require-  
11 ments;

12 “(ii) establishing a cost-effectiveness  
13 test to qualify for coverage under such a  
14 plan;

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

17 “(iv) paying all or part of a bene-  
18 ficiary’s cost-sharing requirements under  
19 such a plan;

20 “(v) paying less than the full cost of  
21 the employee’s share of the premium under  
22 such a plan, including prorating the cost of  
23 the premium to pay for only what the  
24 State determines is the portion of the pre-

1 mium that covers targeted low-income chil-  
2 dren;

3 “(vi) using State funds to pay for  
4 benefits above the Federal upper limit es-  
5 tablished under subparagraph (C);

6 “(vii) allowing beneficiaries enrolled in  
7 group health plans from changing plans to  
8 another coverage option available under  
9 this title at any time; or

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

15 “(I) GROUP HEALTH PLAN DEFINED.—In  
16 this paragraph, the term ‘group health plan’  
17 has the meaning given such term in section  
18 2791(a)(1) of the Public Health Service Act (42  
19 U.S.C. 300gg–91(a)(1)).”.

20 **SEC. 106. IMPROVING BENEFICIARY CHOICE IN SCHIP.**

21 (a) **REQUIRING OFFERING OF ALTERNATIVE COV-**  
22 **ERAGE OPTIONS.**—Section 2102 of the Social Security Act  
23 (42 U.S.C. 1397b), as amended by sections 101(a), 104,  
24 and 105(a), is amended—

25 (1) in subsection (a)—

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

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

5 (C) by adding at the end the following new  
6 paragraph:

7 “(10) effective for plan years beginning on or  
8 after October 1, 2008, how the plan will provide for  
9 child health assistance with respect to targeted low-  
10 income children through alternative coverage options  
11 in accordance with subsection (e).”; and

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

14 “(e) ALTERNATIVE COVERAGE OPTIONS.—

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

20 “(2) APPLICATION OF UNIFORM FINANCIAL  
21 LIMITATION FOR ALL ALTERNATIVE COVERAGE OP-  
22 TIONS.—With respect to all qualified alternative cov-  
23 erage offered in a State, the State child health plan  
24 shall establish a uniform dollar limitation on the per  
25 capita monthly amount that will be paid by the

1 State to the qualified entity with respect to such  
2 coverage provided to a targeted low-income child.  
3 Such limitation may not be less than 90 percent of  
4 the per capita monthly payment made for coverage  
5 offered under the State child health plan that is not  
6 in the form of an alternative coverage option. Noth-  
7 ing in this paragraph shall be construed—

8 “(A) as requiring a State to provide for  
9 the full payment of premiums for qualified al-  
10 ternative coverage;

11 “(B) as preventing a State from charging  
12 additional premiums to cover the difference be-  
13 tween the cost of qualified alternative coverage  
14 and the amount of such payment limitation;

15 “(C) as preventing a State from using its  
16 own funds to provide a dollar limitation that ex-  
17 ceeds the Federal financial participation as lim-  
18 ited under section 2105(c)(10).

19 “(3) QUALIFIED ALTERNATIVE COVERAGE DE-  
20 FINED.—In this section, the term ‘qualified alter-  
21 native coverage’ means health insurance coverage  
22 that—

23 “(A) meets the coverage requirements of  
24 section 2103 (other than cost-sharing require-  
25 ments of such section); and

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

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

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

10           (1) in subsection (a)(1)(C), as amended by sec-  
11           tion 105(b), by inserting before the semicolon at the  
12           end the following: “and, subject to paragraph  
13           (8)(C), in the form of payment of the premiums for  
14           coverage for qualified alternative coverage”; and

15           (2) in subsection (c), as amended by sections  
16           101(b) and 102(a)(1), by adding at the end the fol-  
17           lowing new paragraph:

18           “(10) PURCHASE OF QUALIFIED ALTERNATIVE  
19           COVERAGE.—

20           “(A) IN GENERAL.—Payment may be  
21           made to a State under subsection (a)(1)(C),  
22           subject to the provisions of this paragraph, for  
23           the purchase of qualified alternative coverage.

24           “(B) WAIVER OF CERTAIN PROVISIONS.—  
25           With respect to coverage described in subpara-

1 graph (A), no limitation on beneficiary cost-  
2 sharing otherwise applicable under this title or  
3 title XIX shall apply.

4 “(C) LIMITATION ON FFP.—The amount of  
5 the payment under paragraph (1)(C) for cov-  
6 erage described in subparagraph (A) during a  
7 fiscal year in the aggregate for all such cov-  
8 erage in the State may not exceed the product  
9 of—

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

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

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

21 “(D) VOLUNTARY ENROLLMENT.—A State  
22 child health plan—

23 “(i) may not require a targeted low-  
24 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 “(E) 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           “(F) RULE OF CONSTRUCTION.—Nothing  
8           in this section is to be construed to prohibit a  
9           State from—

10           “(i) establishing limits on beneficiary  
11           cost-sharing under such alternative cov-  
12           erage;

13           “(ii) paying all or part of a bene-  
14           ficiary’s cost-sharing requirements under  
15           such coverage;

16           “(iii) paying less than the full cost of  
17           a child’s share of the premium under such  
18           coverage, insofar as the premium for such  
19           coverage exceeds the limitation established  
20           by the State under subparagraph (C);

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

24           “(v) providing any guidance or infor-  
25           mation it deems appropriate in order to

1 help beneficiaries make an informed deci-  
2 sion regarding the option to enroll in cov-  
3 erage described in subparagraph (A).”.

4 **SEC. 107. ALLOTMENT DISTRIBUTION FORMULA.**

5 (a) ALLOTMENTS TO 50 STATES AND THE DISTRICT  
6 OF COLUMBIA.—

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

10 (A) in paragraph (1), by striking “the  
11 same proportion” and all that follows and in-  
12 serting “the product of the number of SCHIP  
13 targeted children, as determined under para-  
14 graph (2) for the second preceding fiscal year,  
15 the State and Federal per capita SCHIP ex-  
16 penditures for the second preceding fiscal year,  
17 as determined under such paragraph, and the  
18 enhanced FMAP for the State for the second  
19 preceding fiscal year.”;

20 (B) by amending paragraph (2) to read as  
21 follows:

22 “(2) NUMBER OF SCHIP TARGETED CHILDREN  
23 AND PREGNANT WOMEN AND NATIONAL PER CAPITA  
24 SCHIP EXPENDITURES.—

1           “(A) IN GENERAL.—By not later than  
2           September 30 of each year (beginning with  
3           2007), the Secretary (in consultation with the  
4           Director of the Bureau of the Census and using  
5           the best available data for the fiscal year ending  
6           in the previous year) shall determine and pub-  
7           lish in the Federal Register—

8                   “(i) the average number of low-income  
9                   targeted children (described in subpara-  
10                  graph (B)) for any month during such pre-  
11                  ceding fiscal year; and

12                  “(ii) the combined State and Federal  
13                  per capita SCHIP expenditures (described  
14                  in subparagraph (C)) for such preceding  
15                  fiscal year.

16           “(B) LOW-INCOME SCHIP TARGETED CHIL-  
17           DREN.—Low-income targeted children described  
18           in this subparagraph with respect to a sub-  
19           section (b) State are children (including preg-  
20           nant women described in section 2105(c)(8)(E))  
21           residing in the State who are not covered under  
22           a group health plan or health insurance cov-  
23           erage (as defined for purposes of section  
24           2110(b)(1)(C)) and whose family income—

25                   “(i) exceeds the lesser of—

1                   “(I) the Medicaid applicable in-  
2                   come level (as defined in section  
3                   2110(b)(4)); or

4                   “(II) 150 percent of the poverty  
5                   line; but

6                   “(ii) does not 200 percent of the pov-  
7                   erty line.

8                   “(C) STATE AND FEDERAL PER CAPITA  
9                   SCHIP EXPENDITURES.—The State and Federal  
10                  per capita SCHIP expenditures for a fiscal year  
11                  is equal to—

12                  “(i) the aggregate Federal and State  
13                  expenditures made that are attributable to  
14                  allotments under this title for subsection  
15                  (b) States for the fiscal year; divided by

16                  “(ii) the average total number of tar-  
17                  geted low-income children (including preg-  
18                  nant women described in section  
19                  2105(c)(8)(E)) for whom health assistance  
20                  was made available from such allotments  
21                  for such fiscal year.”; and

22                  (C) by striking paragraphs (3) and (4) and  
23                  inserting the following:

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

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

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

18           (b) NO REDISTRIBUTION OF UNUSED ALLOT-  
19 MENTS.—

20           (1) IN GENERAL.—Section 2104(f) of such Act  
21 (42 U.S.C. 1397dd) is amended to read as follows:

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

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

4 **SEC. 108. FIVE-YEAR REAUTHORIZATION.**

5           (a) IN GENERAL.—Section 2104(a) of the Social Se-  
6           curity Act (42 U.S.C. 1397dd(a)) is amended—

7           (1) by striking “and” at the end of paragraph  
8           (9);

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

11          (3) by adding at the end the following new  
12          paragraphs:

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

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

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

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

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

18          (b) CONTINUATION OF ADDITIONAL ALLOTMENTS TO  
19          TERRITORIES.—Section 2104(c)(4)(B) of the Social Secu-  
20          rity Act (42 U.S.C. 1397dd(c)(4)(B)) is amended by strik-  
21          ing “fiscal year 2007” and inserting “each of fiscal years  
22          2007 through 2012”.

23          (c) APPLICATION TO OTHER SCHIP FUNDING FOR  
24          FISCAL YEAR 2008.—Notwithstanding any other provi-  
25          sion of law, if funds are appropriated under any law (other

1 than this Act) to provide allotments to States under title  
2 XXI of the Social Security Act for all (or any portion)  
3 of fiscal year 2008—

4 (1) any amounts that are so appropriated that  
5 are not so allotted and obligated before the date of  
6 the enactment of this Act are rescinded; and

7 (2) any amount provided for such title XXI al-  
8 lotments to a State under this Act (and the amend-  
9 ments made by this Act) for such fiscal year shall  
10 be reduced by the amount of such appropriations so  
11 allotted and obligated before such date.

12 **SEC. 109. ENHANCING THE PROGRAMMATIC FOCUS ON**  
13 **CHILDREN AND PREGNANT WOMEN.**

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

17 (b) **EFFECTIVE DATE.**—The amendment made by  
18 subsection (a) shall take effect on the date of the enact-  
19 ment of this Act but shall not apply to projects, including  
20 extensions, amendments, or renewals to such projects, that  
21 are in effect or have been approved on the date of the  
22 enactment of this Act.



1 **SEC. 110. GRANTS FOR OUTREACH AND ENROLLMENT.**

2 (a) GRANTS.—Title XXI of the Social Security Act  
3 (42 U.S.C. 1397aa et seq.) is amended by adding at the  
4 end the following:

5 **“SEC. 2111. GRANTS TO IMPROVE OUTREACH AND ENROLL-**  
6 **MENT.**

7 “(a) OUTREACH AND ENROLLMENT GRANTS; NA-  
8 TIONAL CAMPAIGN.—

9 “(1) IN GENERAL.—From the amounts appro-  
10 priated for a fiscal year under subsection (f), subject  
11 to paragraph (2), the Secretary shall award grants  
12 to eligible entities to conduct outreach and enroll-  
13 ment efforts that are designed to increase the enroll-  
14 ment and participation of eligible children under this  
15 title and title XIX.

16 “(2) 10 PERCENT SET ASIDE FOR NATIONAL  
17 ENROLLMENT CAMPAIGN.—An amount equal to 10  
18 percent of such amounts for the fiscal year shall be  
19 used by the Secretary for expenditures during the  
20 fiscal year to carry out a national enrollment cam-  
21 paign in accordance with subsection (g).

22 “(b) AWARD OF GRANTS.—

23 “(1) PRIORITY FOR AWARDING.—

24 “(A) IN GENERAL.—In awarding grants  
25 under subsection (a), the Secretary shall give  
26 priority to eligible entities that—

1                   “(i) propose to target geographic  
2                   areas with high rates of—

3                   “(I) eligible but unenrolled chil-  
4                   dren, including such children who re-  
5                   side in rural areas; or

6                   “(II) racial and ethnic minorities  
7                   and health disparity populations, in-  
8                   cluding those proposals that address  
9                   cultural and linguistic barriers to en-  
10                  rollment; and

11                  “(ii) submit the most demonstrable  
12                  evidence required under paragraphs (1)  
13                  and (2) of subsection (c).

14                  “(B) 10 PERCENT SET ASIDE FOR OUT-  
15                  REACH TO INDIAN CHILDREN.—An amount  
16                  equal to 10 percent of the funds appropriated  
17                  under subsection (f) for a fiscal year shall be  
18                  used by the Secretary to award grants to In-  
19                  dian Health Service providers and urban Indian  
20                  organizations receiving funds under title V of  
21                  the Indian Health Care Improvement Act (25  
22                  U.S.C. 1651 et seq.) for outreach to, and en-  
23                  rollment of, children who are Indians.

24                  “(2) 2-YEAR AVAILABILITY.—A grant awarded  
25                  under this section for a fiscal year shall remain

1 available for expenditure through the end of the suc-  
2 ceeding fiscal year.

3 “(c) APPLICATION.—An eligible entity that desires to  
4 receive a grant under subsection (a) shall submit an appli-  
5 cation to the Secretary in such form and manner, and con-  
6 taining such information, as the Secretary may decide.  
7 Such application shall include—

8 “(1) evidence demonstrating that the entity in-  
9 cludes members who have access to, and credibility  
10 with, ethnic or low-income populations in the com-  
11 munities in which activities funded under the grant  
12 are to be conducted;

13 “(2) evidence demonstrating that the entity has  
14 the ability to address barriers to enrollment, such as  
15 lack of awareness of eligibility, stigma concerns and  
16 punitive fears associated with receipt of benefits,  
17 and other cultural barriers to applying for and re-  
18 ceiving child health assistance or medical assistance;

19 “(3) specific quality or outcomes performance  
20 measures to evaluate the effectiveness of activities  
21 funded by a grant awarded under this section; and

22 “(4) an assurance that the eligible entity  
23 shall—

1           “(A) conduct an assessment of the effec-  
2           tiveness of such activities against the perform-  
3           ance measures;

4           “(B) cooperate with the collection and re-  
5           porting of enrollment data and other informa-  
6           tion in order for the Secretary to conduct such  
7           assessments; and

8           “(C) in the case of an eligible entity that  
9           is not the State, provide the State with enroll-  
10          ment data and other information as necessary  
11          for the State to make necessary projections of  
12          eligible children and pregnant women.

13          “(d) SUPPLEMENT, NOT SUPPLANT.—Federal funds  
14          awarded under this section shall be used to supplement,  
15          not supplant, non-Federal funds that are otherwise avail-  
16          able for activities funded under this section.

17          “(e) DEFINITIONS.—In this section:

18                 “(1) ELIGIBLE ENTITY.—The term ‘eligible en-  
19                 tity’ means any of the following:

20                         “(A) A State with an approved child health  
21                         plan under this title.

22                         “(B) A local government.

23                         “(C) An Indian tribe or tribal consortium,  
24                         a tribal organization, an urban Indian organiza-  
25                         tion receiving funds under title V of the Indian

1 Health Care Improvement Act (25 U.S.C. 1651  
2 et seq.), or an Indian Health Service provider.

3 “(D) A Federal health safety net organiza-  
4 tion.

5 “(E) A State, national, local, or commu-  
6 nity-based public or nonprofit private organiza-  
7 tion.

8 “(F) A faith-based organization or con-  
9 sortia, to the extent that a grant awarded to  
10 such an entity is consistent with the require-  
11 ments of section 1955 of the Public Health  
12 Service Act (42 U.S.C. 300x-65) relating to a  
13 grant award to non-governmental entities.

14 “(G) An elementary or secondary school.

15 “(H) A national, local, or community-based  
16 public or nonprofit private organization, includ-  
17 ing organizations that use community health  
18 workers or community-based doula programs.

19 “(2) FEDERAL HEALTH SAFETY NET ORGANI-  
20 ZATION.—The term ‘Federal health safety net orga-  
21 nization’ means—

22 “(A) a Federally-qualified health center (as  
23 defined in section 1905(l)(2)(B));

1           “(B) a hospital defined as a disproportio-  
2           nate share hospital for purposes of section  
3           1923;

4           “(C) a covered entity described in section  
5           340B(a)(4) of the Public Health Service Act  
6           (42 U.S.C. 256b(a)(4)); and

7           “(D) any other entity or consortium that  
8           serves children under a federally-funded pro-  
9           gram, including the special supplemental nutri-  
10          tion program for women, infants, and children  
11          (WIC) established under section 17 of the Child  
12          Nutrition Act of 1966 (42 U.S.C. 1786), the  
13          head start and early head start programs under  
14          the Head Start Act (42 U.S.C. 9801 et seq.),  
15          the school lunch program established under the  
16          Richard B. Russell National School Lunch Act,  
17          and an elementary or secondary school.

18          “(3) INDIANS; INDIAN TRIBE; TRIBAL ORGANI-  
19          ZATION; URBAN INDIAN ORGANIZATION.—The terms  
20          ‘Indian’, ‘Indian tribe’, ‘tribal organization’, and  
21          ‘urban Indian organization’ have the meanings given  
22          such terms in section 4 of the Indian Health Care  
23          Improvement Act (25 U.S.C. 1603).

24          “(4) COMMUNITY HEALTH WORKER.—The term  
25          ‘community health worker’ means an individual who

1 promotes health or nutrition within the community  
2 in which the individual resides—

3 “(A) by serving as a liaison between com-  
4 munities and health care agencies;

5 “(B) by providing guidance and social as-  
6 sistance to community residents;

7 “(C) by enhancing community residents’  
8 ability to effectively communicate with health  
9 care providers;

10 “(D) by providing culturally and linguis-  
11 tically appropriate health or nutrition edu-  
12 cation;

13 “(E) by advocating for individual and com-  
14 munity health or nutrition needs; and

15 “(F) by providing referral and followup  
16 services.

17 “(f) APPROPRIATION.—

18 “(1) IN GENERAL.—There is appropriated, out  
19 of any money in the Treasury not otherwise appro-  
20 priated, for the purpose of awarding grants under  
21 this section \$100,000,000 for each of fiscal years  
22 2008 through 2012.

23 “(2) GRANTS IN ADDITION TO OTHER AMOUNTS  
24 PAID.—Amounts appropriated and paid under the  
25 authority of this section shall be in addition to

1 amounts appropriated under section 2104 and paid  
2 to States in accordance with section 2105, including  
3 with respect to expenditures for outreach activities  
4 in accordance with subsections (a)(1)(D)(iii) and  
5 (e)(2)(C) of that section.

6 “(g) NATIONAL ENROLLMENT CAMPAIGN.—From  
7 the amounts made available under subsection (a)(2) for  
8 a fiscal year, the Secretary shall develop and implement  
9 a national enrollment campaign to improve the enrollment  
10 of underserved child populations in the programs estab-  
11 lished under this title and title XIX. Such campaign may  
12 include—

13 “(1) the establishment of partnerships with the  
14 Secretary of Education and the Secretary of Agri-  
15 culture to develop national campaigns to link the eli-  
16 gibility and enrollment systems for the assistance  
17 programs each Secretary administers that often  
18 serve the same children;

19 “(2) the integration of information about the  
20 programs established under this title and title XIX  
21 in public health awareness campaigns administered  
22 by the Secretary;

23 “(3) increased financial and technical support  
24 for enrollment hotlines maintained by the Secretary  
25 to ensure that all States participate in such hotlines;



1           “(4) the establishment of joint public awareness  
2           outreach initiatives with the Secretary of Education  
3           and the Secretary of Labor regarding the impor-  
4           tance of health insurance to building strong commu-  
5           nities and the economy;

6           “(5) the development of special outreach mate-  
7           rials for Native Americans or for individuals with  
8           limited English proficiency; and

9           “(6) such other outreach initiatives as the Sec-  
10          retary determines would increase public awareness of  
11          the programs under this title and title XIX.”.

12          (b) NONAPPLICATION OF ADMINISTRATIVE EXPENDI-  
13          TURES CAP.—Section 2105(c)(2) of the Social Security  
14          Act (42 U.S.C. 1397ee(c)(2)) is amended by adding at the  
15          end the following:

16                   “(C) NONAPPLICATION TO EXPENDITURES  
17                   FOR OUTREACH AND ENROLLMENT.—The limi-  
18                   tation under subparagraph (A) shall not apply  
19                   with respect to expenditures for outreach activi-  
20                   ties under section 2102(c)(1), or for enrollment  
21                   activities, for children eligible for child health  
22                   assistance under the State child health plan or  
23                   medical assistance under the State plan under  
24                   title XIX.”.

1 **TITLE II—CHILD HEALTH INSUR-**  
2 **ANCE COVERAGE THROUGH**  
3 **TAX FAIRNESS**

4 **SEC. 201. EXPANSION OF CHILD HEALTH CARE INSURANCE**  
5 **COVERAGE THROUGH TAX FAIRNESS.**

6 (a) IN GENERAL.—Subpart C of part IV of sub-  
7 chapter A of chapter 1 of the Internal Revenue Code of  
8 1986 (relating to refundable credits) is amended by redес-  
9 ignating section 36 as section 37 and by inserting after  
10 section 35 the following new section:

11 **“SEC. 36. CHILD HEALTH INSURANCE COSTS.**

12 “(a) IN GENERAL.—In the case of an eligible tax-  
13 payer, there shall be allowed as a credit against the tax  
14 imposed by this subtitle an amount equal to the amount  
15 paid by the taxpayer during the taxable year for qualified  
16 health insurance for any dependent child of such taxpayer.

17 “(b) LIMITATIONS.—

18 “(1) IN GENERAL.—The amount allowed as a  
19 credit under subsection (a) to an eligible taxpayer  
20 for the taxable year shall not exceed the sum of the  
21 monthly limitations for coverage months during such  
22 taxable year for the individual referred to in sub-  
23 section (a) for whom such taxpayer paid during the  
24 taxable year any amount for coverage under quali-  
25 fied health insurance.

1           “(2) MONTHLY LIMITATION.—The monthly lim-  
2           itation for an individual for each coverage month of  
3           such individual during the taxable year is the  
4           amount equal to  $\frac{1}{12}$ th of \$1,400.

5           “(3) COVERAGE MONTH.—For purposes of this  
6           subsection—

7                   “(A) IN GENERAL.—The term ‘coverage  
8                   month’ means, with respect to an individual,  
9                   any month if—

10                           “(i) as of the first day of such month  
11                           such individual is covered by qualified  
12                           health insurance, and

13                                   “(ii) the premium for coverage under  
14                                   such insurance for such month is paid by  
15                                   an eligible taxpayer.

16                   “(B) MEDICARE AND MEDICAID.—Such  
17                   term shall not include any month with respect  
18                   to an individual if, as of the first day of such  
19                   month, such individual—

20                           “(i) is entitled to any benefits under  
21                           title XVIII of the Social Security Act, or

22                                   “(ii) is a participant in the program  
23                                   under title XIX or XXI of such Act.

24                   “(C) CERTAIN OTHER COVERAGE.—Such  
25                   term shall not include any month during a tax-

1           able year with respect to an individual if, at any  
2           time during such year, any benefit is provided  
3           to such individual under chapter 89 of title 5,  
4           United States Code.

5           “(D) INSUFFICIENT PRESENCE IN UNITED  
6           STATES.—Such term shall not include any  
7           month during a taxable year with respect to an  
8           individual if such individual is present in the  
9           United States on fewer than 183 days during  
10          such year (determined in accordance with sec-  
11          tion 7701(b)(7)).

12          “(4) INDEXING.—For each taxable year begin-  
13          ning after December 31, 2008, the dollar amount in  
14          paragraph (2) (as adjusted for the preceding taxable  
15          year by reason of this paragraph) shall be increased  
16          or decreased by the percentage change in the aver-  
17          age cost of private health insurance for family cov-  
18          erage for such taxable year as compared to such pre-  
19          ceding taxable year as computed by the Office of the  
20          Actuary of the Centers for Medicare and Medicaid  
21          Services, rounded to the nearest whole dollar  
22          amount.

23          “(c) QUALIFIED HEALTH INSURANCE.—For pur-  
24          poses of this section—

1           “(1) IN GENERAL.—The term ‘qualified health  
2 insurance’ means insurance which constitutes med-  
3 ical care as defined in section 213(d) without regard  
4 to—

5                   “(A) paragraph (1)(C) thereof, and

6                   “(B) so much of paragraph (1)(D) thereof  
7 as relates to qualified long-term care insurance  
8 contracts.

9           “(2) EXCLUSION OF CERTAIN OTHER CON-  
10 TRACTS.—Such term shall not include insurance if a  
11 substantial portion of its benefits are excepted bene-  
12 fits (as defined in section 9832(e)).

13           “(d) ELIGIBLE TAXPAYER; DEPENDENT; CHILD.—  
14 For purposes of this section—

15                   “(1) ELIGIBLE TAXPAYER.—The term ‘eligible  
16 taxpayer’ means any taxpayer whose income exceeds  
17 200 percent but not 300 percent of the poverty level  
18 applicable to a family of the size involved, as deter-  
19 mined in accordance with criteria established by the  
20 Director of the Office of Management and Budget.

21                   “(2) DEPENDENT.—The term ‘dependent’ has  
22 the meaning given such term by section 152. An in-  
23 dividual to whom section 152(e) applies shall be  
24 treated as a dependent of the custodial parent for a

1 coverage month unless the custodial and noncusto-  
2 dial parent provide otherwise.

3 “(3) CHILD.—The term ‘child’ means a quali-  
4 fying child (as defined in section 152(e).

5 “(e) SPECIAL RULES.—

6 “(1) COORDINATION WITH MEDICAL DEDUC-  
7 TION, ETC.—Any amount paid by an eligible tax-  
8 payer for insurance to which subsection (a) applies  
9 shall not be taken into account in computing the  
10 amount allowable to such taxpayer as a credit under  
11 section 35, as a deduction under section 213(a) or  
12 162(l), or as an exclusion from gross income under  
13 section 106 or 125.

14 “(2) DENIAL OF CREDIT TO DEPENDENTS.—No  
15 credit shall be allowed under this section to any indi-  
16 vidual with respect to whom a deduction under sec-  
17 tion 151 is allowable to another taxpayer for a tax-  
18 able year beginning in the calendar year in which  
19 such individual’s taxable year begins.

20 “(3) MARRIED COUPLES MUST FILE JOINT RE-  
21 TURN.—

22 “(A) IN GENERAL.—If an eligible taxpayer  
23 is married at the close of the taxable year, the  
24 credit shall be allowed under subsection (a) only

1 if the taxpayer and his spouse file a joint return  
2 for the taxable year.

3 “(B) MARITAL STATUS; CERTAIN MARRIED  
4 INDIVIDUALS LIVING APART.—Rules similar to  
5 the rules of paragraphs (3) and (4) of section  
6 21(e) shall apply for purposes of this para-  
7 graph.

8 “(4) VERIFICATION OF COVERAGE, ETC.—No  
9 credit shall be allowed under this section with re-  
10 spect to any individual unless such individual’s cov-  
11 erage (and such related information as the Secretary  
12 may require) is verified in such manner as the Sec-  
13 retary may prescribe.

14 “(5) INSURANCE WHICH COVERS OTHER INDI-  
15 VIDUALS; TREATMENT OF PAYMENTS.—Rules similar  
16 to the rules of paragraphs (7) and (8) of section  
17 35(g) shall apply for purposes of this section.

18 “(6) ELECTION NOT TO CLAIM CREDIT.—This  
19 section shall not apply to an eligible taxpayer for  
20 any taxable year if such taxpayer elects to have this  
21 section not apply for such taxable year.

22 “(f) COORDINATION WITH ADVANCE PAYMENTS.—  
23 With respect to any taxable year, the amount which would  
24 (but for this subsection) be allowed as a credit to an eligi-  
25 ble taxpayer under subsection (a) shall be reduced (but

1 not below zero) by the aggregate amount paid on behalf  
2 of such taxpayer under section 7527A for months begin-  
3 ning in such taxable year.”.

4 (b) INFORMATION REPORTING.—

5 (1) IN GENERAL.—Subpart B of part III of  
6 subchapter A of chapter 61 of the Internal Revenue  
7 Code of 1986 (relating to information concerning  
8 transactions with other persons) is amended by in-  
9 serting after section 6050V the following new sec-  
10 tion:

11 **“SEC. 6050W. RETURNS RELATING TO PAYMENTS FOR**  
12 **QUALIFIED HEALTH INSURANCE.**

13 “(a) IN GENERAL.—Any person who, in connection  
14 with a trade or business conducted by such person, re-  
15 ceives payments during any calendar year from any indi-  
16 vidual for coverage of such individual or any other indi-  
17 vidual under qualified health insurance (as defined in sec-  
18 tion 36(c)), shall make the return described in subsection  
19 (b) (at such time as the Secretary may by regulations pre-  
20 scribe) with respect to each individual from whom such  
21 payments were received.

22 “(b) FORM AND MANNER OF RETURNS.—A return  
23 is described in this subsection if such return—

24 “(1) is in such form as the Secretary may pre-  
25 scribe, and



1           “(2) contains—

2                   “(A) the name, address, and TIN of the  
3 individual from whom payments described in  
4 subsection (a) were received,

5                   “(B) the name, address, and TIN of each  
6 individual who was provided by such person  
7 with coverage under qualified health insurance  
8 (as so defined) by reason of such payments and  
9 the period of such coverage, and

10                   “(C) such other information as the Sec-  
11 retary may reasonably prescribe.

12           “(c) STATEMENTS TO BE FURNISHED TO INDIVID-  
13 UALS WITH RESPECT TO WHOM INFORMATION IS RE-  
14 QUIRED.—Every person required to make a return under  
15 subsection (a) shall furnish to each individual whose name  
16 is required under subsection (b)(2)(A) to be set forth in  
17 such return a written statement showing—

18                   “(1) the name and address of the person re-  
19 quired to make such return and the phone number  
20 of the information contact for such person,

21                   “(2) the aggregate amount of payments de-  
22 scribed in subsection (a) received by the person re-  
23 quired to make such return from the individual to  
24 whom the statement is required to be furnished, and

1           “(3) the information required under subsection  
2           (b)(2)(B) with respect to such payments.

3 The written statement required under the preceding sen-  
4 tence shall be furnished on or before January 31 of the  
5 year following the calendar year for which the return  
6 under subsection (a) is required to be made.

7           “(d) RETURNS WHICH WOULD BE REQUIRED TO BE  
8 MADE BY 2 OR MORE PERSONS.—Except to the extent  
9 provided in regulations prescribed by the Secretary, in the  
10 case of any amount received by any person on behalf of  
11 another person, only the person first receiving such  
12 amount shall be required to make the return under sub-  
13 section (a).”.

14           (2) ASSESSABLE PENALTIES.—

15           (A) Subparagraph (B) of section  
16 6724(d)(1) of such Code (relating to defini-  
17 tions) is amended by redesignating clauses (xv)  
18 through (xx) as clauses (xvi) through (xxi), re-  
19 spectively, and by inserting after clause (xi) the  
20 following new clause:

21           “(xv) section 6050W (relating to re-  
22 turns relating to payments for qualified  
23 health insurance),”.

24           (B) Paragraph (2) of section 6724(d) of  
25 such Code is amended by striking the period at

1 the end of subparagraph (CC) and inserting “,  
 2 or” and by adding at the end the following new  
 3 subparagraph:

4 “(DD) section 6050W(c) (relating to re-  
 5 turns relating to payments for qualified health  
 6 insurance).”.

7 (3) CLERICAL AMENDMENT.—The table of sec-  
 8 tions for subpart B of part III of subchapter A of  
 9 chapter 61 of such Code is amended by inserting  
 10 after the item relating to section 6050V the fol-  
 11 lowing new item:

“Sec. 6050W. Returns relating to payments for qualified health insurance.”.

12 (c) ADVANCE PAYMENT OF CREDIT FOR PUR-  
 13 CHASERS OF QUALIFIED HEALTH INSURANCE.—

14 (1) IN GENERAL.—Chapter 77 of the Internal  
 15 Revenue Code of 1986 (relating to miscellaneous  
 16 provisions) is amended by adding at the end the fol-  
 17 lowing new section:

18 **“SEC. 7529. ADVANCE PAYMENT OF HEALTH INSURANCE**  
 19 **CREDIT FOR PURCHASERS OF QUALIFIED**  
 20 **HEALTH INSURANCE.**

21 “(a) GENERAL RULE.—In the case of an eligible indi-  
 22 vidual, the Secretary shall make payments to the provider  
 23 of such individual’s qualified health insurance equal to  
 24 such individual’s qualified health insurance credit advance  
 25 amount with respect to such provider.

1       “(b) ELIGIBLE INDIVIDUAL.—For purposes of this  
2 section, the term ‘eligible individual’ means any indi-  
3 vidual—

4           “(1) who purchases qualified health insurance  
5 (as defined in section 36(c)), and

6           “(2) for whom a qualified health insurance  
7 credit eligibility certificate is in effect.

8       “(c) QUALIFIED HEALTH INSURANCE CREDIT ELIGI-  
9 BILITY CERTIFICATE.—For purposes of this section, a  
10 qualified health insurance credit eligibility certificate is a  
11 statement furnished by an individual to the Secretary  
12 which—

13           “(1) certifies that the individual will be eligible  
14 to receive the credit provided by section 36 for the  
15 taxable year,

16           “(2) estimates the amount of such credit for  
17 such taxable year, and

18           “(3) provides such other information as the  
19 Secretary may require for purposes of this section.

20       “(d) QUALIFIED HEALTH INSURANCE CREDIT AD-  
21 VANCE AMOUNT.—For purposes of this section, the term  
22 ‘qualified health insurance credit advance amount’ means,  
23 with respect to any provider of qualified health insurance,  
24 the Secretary’s estimate of the amount of credit allowable  
25 under section 36 to the individual for the taxable year

1 which is attributable to the insurance provided to the indi-  
2 vidual by such provider.

3 “(e) REGULATIONS.—The Secretary shall prescribe  
4 such regulations as may be necessary to carry out the pur-  
5 poses of this section.”.

6 (2) CLERICAL AMENDMENT.—The table of sec-  
7 tions for chapter 77 of such Code is amended by  
8 adding at the end the following new item:

“Sec. 7529. Advance payment of health insurance credit for purchasers of  
qualified health insurance.”.

9 (d) CONFORMING AMENDMENTS.—

10 (1) Paragraph (2) of section 1324(b) of title  
11 31, United States Code, is amended by inserting be-  
12 fore the period “, or from section 36 of such Code”.

13 (2) The table of sections for subpart C of part  
14 IV of subchapter A of chapter 1 of the Internal Rev-  
15 enue Code of 1986 is amended by striking the last  
16 item and inserting the following new items:

“Sec. 36. Health insurance costs.

“Sec. 37. Overpayments of tax.”.

17 (e) EFFECTIVE DATE.—The amendments made by  
18 this section shall apply to taxable years beginning after  
19 December 31, 2007.

1           **TITLE III—STATE HEALTH**  
2                   **REFORM PROJECTS**

3   **SEC. 301. STATE HEALTH REFORM PROJECTS.**

4           (a) PURPOSES; ESTABLISHMENT OF STATE HEALTH  
5 CARE EXPANSION AND IMPROVEMENT PROGRAM.—

6                   (1) PURPOSES.—The purposes of the programs  
7 approved under this section shall include, but not be  
8 limited to—

9                           (A) achieving the goals of increased health  
10 coverage and access; and

11                           (B) testing alternative reforms, such as  
12 building on the public or private health systems,  
13 or creating new systems, to achieve the objec-  
14 tives of this Act.

15                   (2) INTENT OF CONGRESS.—It is the intent of  
16 Congress that—

17                           (A) the programs approved under this sec-  
18 tion each comprise significant coverage expan-  
19 sions;

20                           (B) taken as a whole, such programs  
21 should be diverse and balanced in their ap-  
22 proaches to covering the uninsured; and

23                           (C) each such program should be rigor-  
24 ously and objectively evaluated, so that the  
25 State programs developed pursuant to this sec-

1           tion may guide the development of future State  
2           and national policy.

3           (b) APPLICATIONS BY STATES AND LOCAL GOVERN-  
4 MENTS.—

5           (1) ENTITIES THAT MAY APPLY.—

6           (A) IN GENERAL.—A State may apply for  
7           a State health care expansion and improvement  
8           program for the entire State (or for regions of  
9           the State) under paragraph (2).

10          (B) REGIONAL AND SUB-STATE GROUPS.—

11          A regional entity consisting of more than one  
12          State or one or more local governments within  
13          a State may apply for a multi-State or a sub-  
14          state health care expansion and improvement  
15          program for the region or area involved.

16          (C) DEFINITION.—In this section, the  
17          term “State” means the 50 States, the District  
18          of Columbia, and the Commonwealth of Puerto  
19          Rico. Such term shall include a regional entity  
20          described in subparagraph (B).

21          (2) SUBMISSION OF APPLICATION.—In accord-  
22          ance with this section, each State or regional entity  
23          desiring to implement a State health care expansion  
24          and improvement program may submit an applica-  
25          tion to the State Health Coverage Innovation Com-

1 mission under subsection (c) (referred to in this sec-  
2 tion as the “Commission”) for approval.

3 (3) LOCAL GOVERNMENT APPLICATIONS.—

4 Where a State fails to submit an application under  
5 this section, a unit of local government of such  
6 State, or a consortium of such units of local govern-  
7 ments, may submit an application directly to the  
8 Commission for programs or projects under this sub-  
9 section. Such an application shall be subject to the  
10 requirements of this section.

11 (c) STATE HEALTH COVERAGE INNOVATION COM-  
12 MISSION.—

13 (1) IN GENERAL.—Within 90 days after the  
14 date of the enactment of this Act, the Secretary of  
15 Health and Human Services (in this section referred  
16 to as the “Secretary”) shall establish a State Health  
17 Coverage Innovation Commission that—

18 (A) shall be comprised of—

19 (i) the Secretary;

20 (ii) four State governors to be ap-  
21 pointed by the National Governors Associa-  
22 tion on a bipartisan basis;

23 (iii) two members of a State legisla-  
24 ture to be appointed, on a joint and bipar-  
25 tisan basis, by the National Conference of



1 State Legislators and the American Legis-  
2 lative Exchange Council;

3 (iv) two county officials to be ap-  
4 pointed by the National Association of  
5 Counties on a bipartisan basis;

6 (v) two mayors to be appointed, on a  
7 joint and bipartisan basis, by the National  
8 League of Cities and by the United States  
9 Conference of Mayors;

10 (vi) two individuals to be appointed by  
11 the Speaker of the House of Representa-  
12 tives;

13 (vii) two individuals to be appointed  
14 by the minority leader of the House of  
15 Representatives;

16 (viii) two individuals to be appointed  
17 by the majority leader of the Senate; and

18 (ix) two individuals to be appointed by  
19 the minority leader of the Senate;

20 (B) shall request States to submit pro-  
21 posals, which may include a variety of reform  
22 options such as tax credit approaches, expan-  
23 sions of public programs such as Medicaid and  
24 the State Children's Health Insurance Pro-  
25 gram, the creation of purchasing pooling ar-

1           rangements similar to the Federal Employees  
2           Health Benefits Program, individual market  
3           purchasing options, single risk pool or single  
4           payer systems, health savings accounts, a com-  
5           bination of the options described in this sub-  
6           paragraph, or other alternatives determined ap-  
7           propriate by the Commission, including options  
8           suggested by States or the public, and nothing  
9           in this subparagraph shall be construed to pre-  
10          vent the Commission from approving a reform  
11          proposal not included in this subparagraph;

12                 (C) shall conduct a thorough review of the  
13                 grant application from a State and carry on a  
14                 dialogue with all State applicants concerning  
15                 possible modifications and adjustments;

16                 (D) shall submit the recommendations and  
17                 legislative proposal described in subsection  
18                 (d)(4)(C);

19                 (E) shall be responsible for receiving infor-  
20                 mation to determine the status and progress  
21                 achieved under program or projects granted  
22                 under this section;

23                 (F) shall report to the public concerning  
24                 progress made by States with respect to the  
25                 performance measures and goals established

1 under this section, the periodic progress of the  
2 State relative to its State performance meas-  
3 ures and goals, and the State program applica-  
4 tion procedures, by region and State jurisdic-  
5 tion;

6 (G) shall promote information exchange  
7 between States and the Federal Government;

8 (H) shall be responsible for making rec-  
9 ommendations to the Secretary and the Con-  
10 gress, using equivalency or minimum standards,  
11 for minimizing the negative effect of State pro-  
12 gram on national employer groups, provider or-  
13 ganizations, and insurers because of differing  
14 State requirements under the programs; and

15 (I) may require States to submit additional  
16 information or reports concerning the status  
17 and progress achieved under health care expan-  
18 sion and improvement programs granted under  
19 this section, as needed.

20 (2) PERIOD OF APPOINTMENT; REPRESENTA-  
21 TION REQUIREMENTS; VACANCIES.—Members shall  
22 be appointed for a term of 5 years. In appointing  
23 such members under paragraph (1)(A), the des-  
24 ignated appointing individuals shall ensure the rep-  
25 resentation of urban and rural areas and an appro-

1        appropriate geographic distribution of such members. Any  
2        vacancy in the Commission shall not affect its pow-  
3        ers, but shall be filled in the same manner as the  
4        original appointment.

5            (3) CHAIRPERSON, MEETINGS.—

6            (A) CHAIRPERSON.—The Commission shall  
7        select a Chairperson from among its members.

8            (B) QUORUM.—Two-thirds of the members  
9        of the Commission shall constitute a quorum,  
10       but a lesser number of members may hold hear-  
11       ings.

12           (C) MEETINGS.—Not later than 30 days  
13       after the date on which all members of the  
14       Commission have been appointed, the Commis-  
15       sion shall hold its first meeting. The Commis-  
16       sion shall meet at the call of the Chairperson.

17           (4) POWERS OF THE COMMISSION.—

18           (A) NEGOTIATIONS WITH STATES.—The  
19       Commission may conduct detailed discussions  
20       and negotiations with States submitting appli-  
21       cations under this section, either individually or  
22       in groups, to facilitate a final set of rec-  
23       ommendations for purposes of subsection  
24       (d)(4)(C).

1           (B) HEARINGS.—The Commission may  
2 hold such hearings, sit and act at such times  
3 and places, take such testimony, and receive  
4 such evidence as the Commission considers ad-  
5 visable to carry out the purposes of this sub-  
6 section.

7           (C) MEETINGS.—In addition to other  
8 meetings the Commission may hold, the Com-  
9 mission shall hold an annual meeting with the  
10 participating States under this section for the  
11 purpose of having States report progress to-  
12 ward the purposes in subsection (a) and for an  
13 exchange of information.

14           (D) INFORMATION.—The Commission may  
15 secure directly from any Federal department or  
16 agency such information as the Commission  
17 considers necessary to carry out the provisions  
18 of this subsection. Upon request of the Chair-  
19 person of the Commission, the head of such de-  
20 partment or agency shall furnish such informa-  
21 tion to the Commission if the head of the de-  
22 partment or agency involved determines it ap-  
23 propriate.

24           (E) POSTAL SERVICES.—The Commission  
25 may use the United States mails in the same

1 manner and under the same conditions as other  
2 departments and agencies of the Federal Gov-  
3 ernment.

4 (5) PERSONNEL MATTERS.—

5 (A) COMPENSATION.—Each member of the  
6 Commission who is not an officer or employee  
7 of the Federal Government or of a State or  
8 local government shall be compensated at a rate  
9 equal to the daily equivalent of the annual rate  
10 of basic pay prescribed for level IV of the Exec-  
11 utive Schedule under section 5315 of title 5,  
12 United States Code, for each day (including  
13 travel time) during which such member is en-  
14 gaged in the performance of the duties of the  
15 Commission. All members of the Commission  
16 who are officers or employees of the United  
17 States shall serve without compensation in addi-  
18 tion to that received for their services as offi-  
19 cers or employees of the United States.

20 (B) TRAVEL EXPENSES.—The members of  
21 the Commission shall be allowed travel ex-  
22 penses, including per diem in lieu of subsist-  
23 ence, at rates authorized for employees of agen-  
24 cies under subchapter I of chapter 57 of title 5,  
25 United States Code, while away from their

1 homes or regular places of business in the per-  
2 formance of services for the Commission.

3 (C) STAFF.—The Chairperson of the Com-  
4 mission may, without regard to the civil service  
5 laws and regulations, appoint and terminate an  
6 executive director and such other additional  
7 personnel as may be necessary to enable the  
8 Commission to perform its duties. The employ-  
9 ment of an executive director shall be subject to  
10 confirmation by the Commission.

11 (D) DETAIL OF GOVERNMENT EMPLOY-  
12 EES.—Any Federal Government employee may  
13 be detailed to the Commission without reim-  
14 bursement, and such detail shall be without  
15 interruption or loss of civil service status or  
16 privilege.

17 (E) TEMPORARY AND INTERMITTENT  
18 SERVICES.—The Chairperson of the Commis-  
19 sion may procure temporary and intermittent  
20 services under section 3109(b) of title 5, United  
21 States Code, at rates for individuals which do  
22 not exceed the daily equivalent of the annual  
23 rate of basic pay prescribed for level V of the  
24 Executive Schedule under section 5316 of such  
25 title.

1           (6) FUNDING.—For the purpose of carrying out  
2 this subsection, there are authorized to be appro-  
3 priated \$3,000,000 for fiscal year 2008 and each fis-  
4 cal year thereafter.

5 (d) REQUIREMENTS FOR PROGRAMS.—

6           (1) STATE PLAN.—A State that seeks to oper-  
7 ate a program under this section shall prepare and  
8 submit to the Commission, as part of the application  
9 under subsection (b), a State health care plan that  
10 shall have as its goal increased coverage, and in  
11 service of that goal such additional goals as improve-  
12 ments in quality, efficiency, cost-effectiveness, and  
13 the appropriate use of information technology. To  
14 achieve such goal, the State plan shall comply with  
15 the following:

16           (A) COVERAGE.—

17           (i) IN GENERAL.—With respect to  
18 coverage, the State plan shall—

19           (I) provide and describe the man-  
20 ner in which the State will ensure that  
21 an increased number of individuals re-  
22 siding within the State will have ex-  
23 panded access to health care coverage  
24 with a specific 5-year target for reduc-  
25 tion in the number or proportion of



1 uninsured individuals through either  
2 private or public program expansion,  
3 or both, in accordance with or in addi-  
4 tion to the options established by the  
5 Commission;

6 (II) describe the number and per-  
7 centage of current uninsured individ-  
8 uals who will achieve coverage under a  
9 State health program;

10 (III) describe the coverage that  
11 will be provided to beneficiaries under  
12 a State health program;

13 (IV) identify Federal, State, or  
14 local and private programs that cur-  
15 rently provide health care services in  
16 the State and describe how such pro-  
17 grams could be coordinated with a  
18 State health program, to the extent  
19 practicable; and

20 (V) provide for improvements in  
21 the availability of appropriate health  
22 care coverage that will increase access  
23 to care in urban, suburban, rural, and  
24 frontier areas of the State with medi-  
25 cally underserved populations or

1 where there may be an inadequate  
2 supply of health care providers.

3 (ii) COVERAGE OPTIONS.—The cov-  
4 erage under the State plan may be—

5 (I) health insurance coverage  
6 that meets the aggregate actuarial  
7 value requirement of section  
8 2103(a)(2)(B) of the Social Security  
9 Act (42 U.S.C. 1397cc(a)(2)(B));

10 (II) a combination of health in-  
11 surance coverage and a consumer-di-  
12 rected health care spending account, if  
13 the actuarial value of such coverage  
14 plus the amount of annual deposits  
15 into such account from sources other  
16 than the beneficiary is not less than  
17 the actuarial value amount described  
18 in subclause (I); or

19 (III) health care access not less  
20 on average than that provided  
21 through coverage described in sub-  
22 clause (I).

23 (iii) CONSTRUCTION.—Nothing in this  
24 clause shall be construed to limit in any  
25 way the authority of the Secretary of

1 Health and Human Services to issue waiv-  
2 ers under section 1115 of the Social Secu-  
3 rity Act.

4 (B) QUALITY.—With respect to quality,  
5 the State plan may describe efforts to improve  
6 health care quality in the State, including an  
7 explanation of how such efforts would change  
8 (if at all) under the State plan.

9 (C) COSTS.—With respect to costs, the  
10 State plan shall—

11 (i) describe such steps as the State  
12 may undertake to improve the efficiency of  
13 health care;

14 (ii) describe the public and private  
15 sector financing to be provided for the  
16 State health program;

17 (iii) estimate the amount of Federal,  
18 State, and local expenditures, as well as,  
19 the costs to business and individuals under  
20 the State health program; and

21 (iv) describe how the State plan will  
22 ensure the financial solvency of the State  
23 health program.

24 (D) HEALTH INFORMATION TECH-  
25 NOLOGY.—With respect to health information

1           technology, the State plan may describe efforts  
2           to improve the appropriate use of health infor-  
3           mation technology, including an explanation of  
4           how such efforts would change (if at all) under  
5           the State plan.

6                   (E) EXCEPTIONS TO FEDERAL POLICIES.—  
7           The State plan shall describe the exceptions to  
8           otherwise applicable Federal statutes, regula-  
9           tions, and policies that would apply within the  
10          geographic area and time period governed by  
11          the plan.

12                   (2) TECHNICAL ASSISTANCE.—The Secretary  
13          shall, if requested, provide technical assistance to  
14          States to assist such States in developing applica-  
15          tions and plans under this section, including tech-  
16          nical assistance by private sector entities if deter-  
17          mined appropriate by the Commission.

18                   (3) INITIAL REVIEW.—With respect to a State  
19          application under subsection (b), the Secretary and  
20          the Commission shall complete an initial review of  
21          such State application within 60 days of the receipt  
22          of such application, analyze the scope of the pro-  
23          posal, and determine whether additional information  
24          is needed from the State. The Commission shall ad-

1       vise the State within such period of the need to sub-  
2       mit additional information.

3           (4) FINAL DETERMINATION.—

4           (A) IN GENERAL.—In a timely manner  
5       consistent with subparagraph (C), the Commis-  
6       sion shall determine whether to submit a State  
7       proposal to Congress for approval.

8           (B) VOTING.—

9           (i) IN GENERAL.—The determination  
10       to submit a State proposal to Congress  
11       under subparagraph (A) shall be approved  
12       by  $\frac{2}{3}$  of the members of the Commission  
13       who are present and eligible to vote and a  
14       majority of the entire Commission.

15          (ii) ELIGIBILITY.—A member of the  
16       Commission shall not participate in a de-  
17       termination under subparagraph (A) if—

18           (I) in the case of a member who  
19       is a Governor, such determination re-  
20       lates to the State of which the mem-  
21       ber is the Governor; or

22           (II) in the case of member not  
23       described in subclause (I), such deter-  
24       mination relates to the geographic  
25       area of a State of which such member

1 serves as a State or local official or as  
2 a Member of Congress.

3 (C) SUBMISSION.—Not later than 90 days  
4 prior to October 1 of each fiscal year, the Com-  
5 mission may submit to Congress a list, in the  
6 form of a legislative proposal, of the State ap-  
7 plications that the Commission recommends for  
8 approval under this section.

9 (5) PROGRAM OR PROJECT PERIOD.—A State  
10 program or project may be approved for a period of  
11 5 years and may be extended for a subsequent pe-  
12 riod of time upon approval by the Commission,  
13 based upon achievement of targets.

14 (e) EXPEDITED CONGRESSIONAL CONSIDERATION.—

15 (1) INTRODUCTION AND EXPEDITED CONSIDER-  
16 ATION IN THE HOUSE OF REPRESENTATIVES.—

17 (A) INTRODUCTION IN HOUSE OF REP-  
18 RESENTATIVES.—The legislative proposal sub-  
19 mitted pursuant to subsection (d)(4)(C) shall be  
20 in the form of a joint resolution (in this sub-  
21 section referred to as the “resolution”). Such  
22 resolution shall be introduced in the House of  
23 Representatives by the Speaker immediately  
24 upon receipt of the language and shall be re-  
25 ferred non-sequentially to the appropriate com-

1           committee (or committees) of House of Representa-  
2           tives. If the resolution is not introduced in ac-  
3           cordance with the preceding sentence, the reso-  
4           lution may be introduced by any member of the  
5           House of Representatives.

6           (B) COMMITTEE CONSIDERATION.—Not  
7           later than 15 calendar days after the introduc-  
8           tion of the resolution described in subparagraph  
9           (A), each committee of House of Representa-  
10          tives to which the resolution was referred shall  
11          report the resolution. The report may include,  
12          at the committee's discretion, a recommenda-  
13          tion for action by the House. If a committee  
14          has not reported such resolution (or an iden-  
15          tical resolution) at the end of 15 calendar days  
16          after its introduction or at the end of the first  
17          day after there has been reported to the House  
18          a resolution, whichever is earlier, such com-  
19          mittee shall be deemed to be discharged from  
20          further consideration of such resolution and  
21          such resolution shall be placed on the appro-  
22          priate calendar of the House of Representatives.

23          (C) EXPEDITED PROCEDURE IN HOUSE.—  
24          Not later than 5 legislative days after the date  
25          on which all committees have been discharged

1 from consideration of a resolution, the Speaker  
2 of the House of Representatives, or the Speak-  
3 er's designee, shall move to proceed to the con-  
4 sideration of the resolution. It shall also be in  
5 order for any member of the House of Rep-  
6 resentatives to move to proceed to the consider-  
7 ation of the resolution at any time after the  
8 conclusion of such 5-day period. All points of  
9 order against the resolution (and against con-  
10 sideration of the resolution) are waived. A mo-  
11 tion to proceed to the consideration of the reso-  
12 lution is highly privileged in the House of Rep-  
13 resentatives and is not debatable. The motion is  
14 not subject to amendment, to a motion to post-  
15 pone consideration of the resolution, or to a mo-  
16 tion to proceed to the consideration of other  
17 business. A motion to reconsider the vote by  
18 which the motion to proceed is agreed to or not  
19 agreed to shall not be in order. If the motion  
20 to proceed is agreed to, the House of Rep-  
21 resentatives shall immediately proceed to con-  
22 sideration of the resolution without intervening  
23 motion, order, or other business, and the reso-  
24 lution shall remain the unfinished business of  
25 the House of Representatives until disposed of.



1 A motion to recommit the resolution shall not  
2 be in order. Upon its passage in the House, the  
3 clerk of the House shall provide for its imme-  
4 diate transmittal to the Senate.

5 (2) EXPEDITED CONSIDERATION IN THE SEN-  
6 ATE.—

7 (A) REFERRAL TO COMMITTEE.—If the  
8 resolution is agreed to by the House of Rep-  
9 resentatives, upon its receipt in the Senate the  
10 majority leader of the Senate, or the leader's  
11 designee, the resolution shall be referred to the  
12 appropriate committee of Senate.

13 (B) COMMITTEE CONSIDERATION.—Not  
14 later than 15 calendar days after the referral of  
15 the resolution under subparagraph (A), the  
16 committee of the Senate to which the resolution  
17 was referred shall report the resolution. The re-  
18 port may include, at the committee's discretion,  
19 a recommendation for action by the Senate. If  
20 a committee has not reported such resolution  
21 (or an identical resolution) at the end of 15 cal-  
22 endar days after its referral or at the end of the  
23 first day after there has been reported to the  
24 Senate a resolution, whichever is earlier, such  
25 committee shall be deemed to be discharged

1 from further consideration of such resolution  
2 and such resolution shall be placed on the ap-  
3 propriate calendar of the Senate.

4 (C) EXPEDITED FLOOR CONSIDERATION.—  
5 Not later than 5 legislative days after the date  
6 on which all committees have been discharged  
7 from consideration of a resolution, the majority  
8 leader of the Senate, or the majority leader's  
9 designee, shall move to proceed to the consider-  
10 ation of the resolution. It shall also be in order  
11 for any member of the Senate to move to pro-  
12 ceed to the consideration of the resolution at  
13 any time after the conclusion of such 5-day pe-  
14 riod. All points of order against the resolution  
15 (and against consideration of the resolution)  
16 are waived. A motion to proceed to the consid-  
17 eration of the resolution in the Senate is privi-  
18 leged and is not debatable. The motion is not  
19 subject to amendment, to a motion to postpone  
20 consideration of the resolution, or to a motion  
21 to proceed to the consideration of other busi-  
22 ness. A motion to reconsider the vote by which  
23 the motion to proceed is agreed to or not  
24 agreed to shall not be in order. If the motion  
25 to proceed is agreed to, the Senate shall imme-

1 diately proceed to consideration of the resolu-  
2 tion without intervening motion, order, or other  
3 business, and the resolution shall remain the  
4 unfinished business of the Senate until disposed  
5 of.

6 (3) RULES OF THE SENATE AND HOUSE OF  
7 REPRESENTATIVES.—This subsection is enacted by  
8 Congress—

9 (A) as an exercise of the rulemaking power  
10 of the Senate and House of Representatives, re-  
11 spectively, and is deemed to be part of the rules  
12 of each House, respectively, but applicable only  
13 with respect to the procedure to be followed in  
14 that House in the case of a resolution under  
15 this subsection, and it supersedes other rules  
16 only to the extent that it is inconsistent with  
17 such rules; and

18 (B) with full recognition of the constitu-  
19 tional right of either House to change the rules  
20 (so far as they relate to the procedure of that  
21 House) at any time, in the same manner, and  
22 to the same extent as in the case of any other  
23 rule of that House.

24 (4) FEDERAL BUDGET NEUTRALITY.—Except  
25 insofar as it allots appropriations made pursuant to

1 subsection (k), the legislative proposal submitted  
2 pursuant to subsection (d)(4)(C) may not increase  
3 the cumulative, net Federal budget deficit during the  
4 multi-year operation of all the State applications  
5 contained therein, taking into account such applica-  
6 tions' impact on Federal mandatory and discre-  
7 tionary spending, Federal revenue, and Federal tax  
8 expenditures.

9 (f) FUNDING.—

10 (1) IN GENERAL.—The Secretary shall provide  
11 a grant to a State that has an application approved  
12 under subsection (e) to enable such State to carry  
13 out an innovative State health program in the State,  
14 to the extent that such a grant is included in the  
15 recommendation of the Commission.

16 (2) AMOUNT OF GRANT.—The amount of a  
17 grant provided to a State under paragraph (1) shall  
18 be determined based upon the recommendations of  
19 the Commission, subject to the amount appropriated  
20 under subsection (k).

21 (3) PERFORMANCE-BASED FUNDING ALLOCA-  
22 TION.—In awarding grants under paragraph (1), the  
23 Commission shall direct the Secretary to—

1 (A) fund a balanced diversity of ap-  
2 proaches as provided for by the Commission in  
3 subsection (c)(1)(B); and

4 (B) link allocations to the State to the  
5 meeting of the goals and performance measures  
6 relating to health care coverage and health care  
7 costs established under this section through the  
8 State project application process.

9 (4) REPORT.—One year prior to the end of the  
10 5-year period beginning on the date on which the  
11 first State begins to implement a plan approved  
12 under subsection (e), the Commission shall prepare  
13 and submit to the appropriate committees of Con-  
14 gress, a report on the progress made by States in  
15 meeting the goals of expanded coverage and cost  
16 containment through performance measures estab-  
17 lished during the 5-year period of the State plan.  
18 Such report may contain the recommendation of the  
19 Commission concerning any future action that Con-  
20 gress should take concerning health care reform, in-  
21 cluding whether or not to extend the program estab-  
22 lished under this subsection.

23 (g) MONITORING AND EVALUATION.—

1           (1) ANNUAL REPORTS AND PARTICIPATION BY  
2 STATES.—Each State that has received a program  
3 approval shall—

4           (A) submit to the Commission an annual  
5 report based on the period representing the re-  
6 spective State’s fiscal year, detailing compliance  
7 with the requirements established by the Com-  
8 mission and the Secretary in the approval and  
9 in this section; and

10          (B) participate in the annual meeting  
11 under subsection (c)(4)(C).

12           (2) EVALUATIONS BY COMMISSION.—The Com-  
13 mission shall prepare and submit to the Congress  
14 annual reports that shall contain—

15          (A) a description of the effects of the re-  
16 forms undertaken in States receiving approvals  
17 under this section;

18          (B) a description of the recommendations  
19 of the Commission and actions taken based on  
20 these recommendations;

21          (C) an independent evaluation of the effec-  
22 tiveness of such reforms in—

23           (i) expanding health care coverage for  
24 State residents; and

1 (ii) reducing or containing health care  
2 costs in the States,

3 as well as other relevant or significant findings;

4 (D) recommendations regarding the advis-  
5 ability of increasing Federal financial assistance  
6 for State ongoing or future health program ini-  
7 tiatives, including the amount and source of  
8 such assistance; and

9 (E) as required by the Commission or the  
10 Secretary under this section, a periodic, inde-  
11 pendent evaluation of the program.

12 (h) NONCOMPLIANCE.—

13 (1) CORRECTIVE ACTION PLANS.—If a State is  
14 not in compliance with a requirement of this section,  
15 the Commission, on recommendation of the Sec-  
16 retary, shall develop a corrective action plan for such  
17 State.

18 (2) TERMINATION.—The Commission, on rec-  
19 ommendation of the Secretary, may revoke any pro-  
20 gram granted under this section. Such decisions  
21 shall be subject to a petition for reconsideration and  
22 appeal pursuant to regulations established by the  
23 Secretary.

24 (i) RELATIONSHIP TO FEDERAL PROGRAMS.—

1           (1) IN GENERAL.—Nothing in this section, or  
2           in section 1115 of the Social Security Act (42  
3           U.S.C. 1315) shall be construed as authorizing the  
4           Secretary, the Commission, a State, or any other  
5           person or entity to alter or affect in any way the  
6           provisions of title XIX of such Act (42 U.S.C. 1396  
7           et seq.) or the regulations implementing such title.

8           (2) MAINTENANCE OF EFFORT.—No payment  
9           may be made under subsection (f)(1) if the State  
10          adopts criteria for benefits or criteria for standards  
11          and methodologies for purposes of determining an  
12          individual’s eligibility for medical assistance under  
13          the State plan under title XIX that are more restric-  
14          tive than those required under Federal law and ap-  
15          plied as of the date of enactment of this Act.

16          (j) MISCELLANEOUS PROVISIONS.—

17               (1) APPLICATION OF CERTAIN REQUIRE-  
18               MENTS.—

19                       (A) RESTRICTION ON APPLICATION OF  
20                       PREEXISTING CONDITION EXCLUSIONS.—

21                               (i) IN GENERAL.—Subject to subpara-  
22                               graph (B), a State shall not permit the im-  
23                               position of any preexisting condition exclu-  
24                               sion for covered benefits under a program  
25                               or project under this section.



1                   (ii) GROUP HEALTH PLANS AND  
2                   GROUP HEALTH INSURANCE COVERAGE.—  
3                   If the State program or project provides  
4                   for benefits through payment for, or a con-  
5                   tract with, a group health plan or group  
6                   health insurance coverage, the program or  
7                   project may permit the imposition of a pre-  
8                   existing condition exclusion but only inso-  
9                   far and to the extent that such exclusion is  
10                  permitted under the applicable provisions  
11                  of part 7 of subtitle B of title I of the Em-  
12                  ployee Retirement Income Security Act of  
13                  1974 and title XXVII of the Public Health  
14                  Service Act.

15                  (B) COMPLIANCE WITH OTHER REQUIRE-  
16                  MENTS.—Coverage offered under the program  
17                  or project shall comply with the requirements of  
18                  subpart 2 of part A of title XXVII of the Public  
19                  Health Service Act insofar as such require-  
20                  ments apply with respect to a health insurance  
21                  issuer that offers group health insurance cov-  
22                  erage.

23                  (2) PREVENTION OF DUPLICATIVE PAY-  
24                  MENTS.—

1           (A) OTHER HEALTH PLANS.—No payment  
2 shall be made to a State under subsection (f)(1)  
3 for expenditures for health assistance provided  
4 for an individual to the extent that a private in-  
5 surer (as defined by the Secretary by regulation  
6 and including a group health plan (as defined  
7 in section 607(1) of the Employee Retirement  
8 Income Security Act of 1974), a service benefit  
9 plan, and a health maintenance organization)  
10 would have been obligated to provide such as-  
11 sistance but for a provision of its insurance con-  
12 tract which has the effect of limiting or exclud-  
13 ing such obligation because the individual is eli-  
14 gible for or is provided health assistance under  
15 the plan.

16           (B) OTHER FEDERAL GOVERNMENTAL  
17 PROGRAMS.—Except as provided in any other  
18 provision of law, no payment shall be made to  
19 a State under subsection (f)(1) for expenditures  
20 for health assistance provided for an individual  
21 to the extent that payment has been made or  
22 can reasonably be expected to be made prompt-  
23 ly (as determined in accordance with regula-  
24 tions) under any other federally operated or fi-  
25 nanced health care insurance program. For

1 purposes of this paragraph, rules similar to the  
2 rules for overpayments under section  
3 1903(d)(2) of the Social Security Act shall  
4 apply.

5 (3) APPLICATION OF CERTAIN GENERAL PROVI-  
6 SIONS.—The following provisions of the Social Secu-  
7 rity Act shall apply to States under subsection (f)(1)  
8 in the same manner as they apply to a State under  
9 such title XIX:

10 (A) TITLE XIX PROVISIONS.—

11 (i) Section 1902(a)(4)(C) (relating to  
12 conflict of interest standards).

13 (ii) Paragraphs (2), (16), and (17) of  
14 section 1903(i) (relating to limitations on  
15 payment).

16 (iii) Section 1903(w) (relating to limi-  
17 tations on provider taxes and donations).

18 (iv) Section 1920A (relating to pre-  
19 sumptive eligibility for children).

20 (B) TITLE XI PROVISIONS.—

21 (i) Section 1116 (relating to adminis-  
22 trative and judicial review), but only inso-  
23 far as consistent with this title.

1 (ii) Section 1124 (relating to dislo-  
2 sure of ownership and related informa-  
3 tion).

4 (iii) Section 1126 (relating to dislo-  
5 sure of information about certain convicted  
6 individuals).

7 (iv) Section 1128A (relating to civil  
8 monetary penalties).

9 (v) Section 1128B(d) (relating to  
10 criminal penalties for certain additional  
11 charges).

12 (vi) Section 1132 (relating to periods  
13 within which claims must be filed).

14 (4) RELATION TO HIPAA.—Health benefits cov-  
15 erage provided under a State program or project  
16 under this section shall be treated as creditable cov-  
17 erage for purposes of part 7 of subtitle B of title I  
18 of the Employee Retirement Income Security Act of  
19 1974, title XXVII of the Public Health Service Act,  
20 and subtitle K of the Internal Revenue Code of  
21 1986.

22 (k) AUTHORIZATION OF APPROPRIATIONS.—There is  
23 authorized to be appropriated to carry out this section,  
24 such sums as may be necessary in each fiscal year.  
25 Amounts appropriated for a fiscal year under this sub-

1 section and not expended may be used in subsequent fiscal  
2 years to carry out this section.

3 **TITLE IV—SENSE OF THE HOUSE**  
4 **OF REPRESENTATIVES**

5 **SEC. 401. MEDICARE AND MEDICAID REFORM AND SAV-**  
6 **INGS.**

7 (a) IN GENERAL.—The Secretary of Health and  
8 Human Services shall implement administrative reforms  
9 with respect to—

10 (1) the Medicare program under title XVIII of  
11 the Social Security Act in—

12 (A) the reduction of fraud and abuse in  
13 the program,

14 (B) health information technology,

15 (C) comparative effectiveness, and

16 (D) chronic disease management; and

17 (2) the Medicaid program under title XIX of  
18 the Social Security Act, including changes in the  
19 Medicaid matching rate and changes in the pay-  
20 ments for Medicaid administrative costs to prevent  
21 duplication of such payments under the temporary  
22 assistance for needy families program under title IV  
23 of the Social Security Act;

24 that are sufficient to result in projected reductions in the  
25 Medicare and Medicaid Federal budget baselines for fiscal

1 years 2008 through 2013 that exceed the projected rev-  
2 enue loss for the same period attributable to the refund-  
3 able portion of the tax credit under section 36 of the Inter-  
4 nal Revenue Code of 1986 (as added by title II of this  
5 Act) and the increase in the Federal budget baseline for  
6 the State children's health insurance program under title  
7 XXI of the Social Security Act from the provisions of and  
8 amendments made by title I of this Act.

9 (b) CONSULTATION AND CONSIDERATION.—In devel-  
10 oping the necessary program changes under subsection  
11 (a), the Secretary of Health and Human Services shall  
12 consult with the Government Accountability Office and the  
13 Medicare Payment Advisory Commission and shall also  
14 consider any significant proposals for program changes in  
15 the specified areas that have been issued by private orga-  
16 nizations within the last 3 years.

○