

111TH CONGRESS  
1ST SESSION

# H. R. 464

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.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 13, 2009

Mr. PRICE of Georgia (for himself, Mr. BLUNT, Mr. BISHOP of Utah, Mr. BARTLETT, Mr. SESSIONS, Mr. GOHMERT, Mrs. BLACKBURN, Mr. BROWN of South Carolina, Mr. CRENSHAW, Mr. KLINE of Minnesota, Mr. FRANKS of Arizona, Mr. BURTON of Indiana, Mr. SOUDER, Mr. CASSIDY, Mr. SHUSTER, Mrs. BACHMANN, Mr. GINGREY of Georgia, Mr. COBLE, Mr. SMITH of Texas, Mr. THORNBERRY, Mr. ROSKAM, and Mr. FLEMING) 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

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## 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,*

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

2 (a) **SHORT TITLE.**—This Act may be cited as the  
3 “More Children, More Choices Act of 2009”.

4 (b) **TABLE OF CONTENTS.**—The table of contents of  
5 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 enforce-  
ment 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 fair-  
ness.

**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.

6 **TITLE I—SCHIP**  
7 **REAUTHORIZATION**  
8 **SEC. 101. REQUIRING OUTREACH AND COVERAGE BEFORE**  
9 **EXPANSION OF ELIGIBILITY.**

10 (a) **STATE PLAN REQUIRED TO SPECIFY HOW IT**  
11 **WILL ACHIEVE COVERAGE FOR 90 PERCENT OF TAR-**  
12 **GETED LOW-INCOME CHILDREN.**—

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

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

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

8                   (C) by adding at the end the following new  
9           paragraph:

10           “(8) how the eligibility and benefits provided  
11           for under the plan for each fiscal year (beginning  
12           with fiscal year 2010) will allow for the State’s an-  
13           nual funding allotment to cover at least 90 percent  
14           of the eligible targeted low-income children in the  
15           State.”.

16           (2) EFFECTIVE DATE.—The amendments made  
17           by paragraph (1) shall apply to State child health  
18           plans for fiscal years beginning with fiscal year  
19           2010.

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

1           “(8) LIMITATION ON INCREASED COVERAGE OF  
2           HIGHER INCOME CHILDREN.—For child health as-  
3           sistance furnished in a fiscal year beginning with fis-  
4           cal year 2010:

5                   “(A) NO PAYMENT FOR CHILDREN WITH  
6                   FAMILY INCOME ABOVE 250 PERCENT OF POV-  
7                   ERTY LINE.—Payment shall not be made under  
8                   this section for child health assistance for a tar-  
9                   geted low-income child in a family the income  
10                  of which exceeds 250 percent of the poverty line  
11                  applicable to a family of the size involved.

12                  “(B) SPECIAL RULES FOR PAYMENT FOR  
13                  CHILDREN WITH FAMILY INCOME ABOVE 200  
14                  PERCENT OF POVERTY LINE.—In the case of  
15                  child health assistance for a targeted low-in-  
16                  come child in a family the income of which ex-  
17                  ceeds 200 percent (but does not exceed 250  
18                  percent) of the poverty line applicable to a fam-  
19                  ily of the size involved no payment shall be  
20                  made under this section for such assistance un-  
21                  less the State demonstrates to the satisfaction  
22                  of the Secretary that—

23                          “(i) the State has met the 90 percent  
24                          retrospective coverage test specified in sub-

1 paragraph (C)(i) for the previous fiscal  
2 year; and

3 “(ii) the State will meet the 90 per-  
4 cent prospective coverage test specified in  
5 subparagraph (C)(ii) for the fiscal year.

6 “(C) 90 PERCENT COVERAGE TESTS.—

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

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

18 “(II) are targeted low-income  
19 children whose family income does not  
20 exceed 200 percent of the poverty line  
21 and who are eligible for child health  
22 assistance under this title.

23 “(ii) PROSPECTIVE TEST.—The 90  
24 percent prospective test specified in this  
25 clause is, for a State for a fiscal year, that

1 on average during the fiscal year, the State  
2 will enroll under this title or title XIX at  
3 least 90 percent of the individuals residing  
4 in the State who—

5 “(I) are children under 19 years  
6 of age (or are pregnant women) and  
7 are eligible for medical assistance  
8 under title XIX; or

9 “(II) are targeted low-income  
10 children whose family income does not  
11 exceed such percent of the poverty  
12 line (in excess of 200 percent) as the  
13 State elects consistent with this para-  
14 graph and who are eligible for child  
15 health assistance under this title.

16 “(D) GRANDFATHER.—Subparagraphs (A)  
17 and (B) shall not apply to the provision of child  
18 health assistance—

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

22 “(ii) to a pregnant woman who is en-  
23 rolled for assistance under this title as of  
24 September 30, 2008, through the comple-

1           tion of the post-partum period following  
2           completion of her pregnancy; and

3           “(iii) for items and services furnished  
4           before October 1, 2009, to an individual  
5           who is not a targeted low-income child and  
6           who is enrolled for assistance under this  
7           title as of September 30, 2008.

8           “(E)     TREATMENT     OF     PREGNANT  
9           WOMEN.—In this paragraph and sections  
10          2102(a)(8) and 2104(a)(2), the term ‘targeted  
11          low-income child’ includes an individual under  
12          age 19, including the period from conception to  
13          birth, who is eligible for child health assistance  
14          under this title by virtue of the definition of the  
15          term ‘child’ under section 457.10 of title 42,  
16          Code of Federal Regulations.”.

17          (c)   STANDARDIZATION OF INCOME DETERMINA-  
18          TIONS.—

19               (1) IN GENERAL.—Section 2110(d) of such Act  
20          (42 U.S.C. 1397jj) is amended by adding at the end  
21          the following new subsection:

22          “(d)   STANDARDIZATION OF INCOME DETERMINA-  
23          TIONS.—In determining family income under this title (in-  
24          cluding in the case of a State child health plan that pro-  
25          vides health benefits coverage in the manner described in

1 section 2101(a)(2)), a State shall base such determination  
2 on gross income (including amounts that would be in-  
3 cluded in gross income if they were not exempt from in-  
4 come taxation) and may only take into consideration such  
5 income disregards as the Secretary shall develop.”.

6 (2) EFFECTIVE DATE.—(A) Subject to subpara-  
7 graph (B), the amendment made by paragraph (1)  
8 shall apply to determinations (and redeterminations)  
9 of income made on or after April 1, 2009.

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



1 deemed to be a separate regular session of the State  
2 legislature.

3 **SEC. 102. APPLICATION OF CITIZENSHIP DOCUMENTATION**  
4 **REQUIREMENTS; INCREASED FEDERAL**  
5 **MATCHING RATE FOR CITIZENSHIP DOCU-**  
6 **MENTATION ENFORCEMENT UNDER MED-**  
7 **ICAID AND SCHIP.**

8 (a) APPLICATION OF REQUIREMENTS.—

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

13 “(9) APPLICATION OF CITIZENSHIP DOCU-  
14 MENTATION REQUIREMENTS.—

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

24 “(B) TREATMENT OF PREGNANT  
25 WOMEN.—For purposes of applying subpara-

1 graph (A) in the case of a pregnant woman who  
2 qualifies for child health assistance by virtue of  
3 the application of section 457.10 of title 42,  
4 Code of Federal Regulations, the requirement  
5 of such section shall be deemed to be satisfied  
6 by the presentation of documentation of per-  
7 sonal identity described in section  
8 274A(b)(1)(D) of the Immigration and Nation-  
9 ality Act or any other documentation of per-  
10 sonal identity of such other type as the Sec-  
11 retary finds, by regulation, provides a reliable  
12 means of identification.”.

13 (2) EFFECTIVE DATE.—The amendment made  
14 by paragraph (1) shall apply to eligibility determina-  
15 tions and redeterminations made on or after April 1,  
16 2009.

17 (b) TEMPORARY INCREASE IN FEDERAL MATCHING  
18 RATE FOR ADMINISTRATIVE COSTS UNDER MEDICAID  
19 AND SCHIP.—

20 (1) MEDICAID.—

21 (A) IN GENERAL.—With respect to admin-  
22 istrative costs incurred on or after July 1,  
23 2006, and before October 1, 2009, in imple-  
24 menting the amendments made by section 6036  
25 of the Deficit Reduction Act of 2005 (Public

1 Law 109–171), 75 percent shall be substituted  
2 for 50 per centum in section 1903(a)(7) of the  
3 Social Security Act (42 U.S.C. 1396b(a)(7)).

4 (B) RETROACTIVE ADJUSTMENT.—The  
5 Secretary of Health and Human Services shall  
6 take such steps as may be necessary to provide  
7 for the adjustment of payments under section  
8 1903(a) of the Social Security Act (42 U.S.C.  
9 1396b(a)) to take into account the application  
10 of subparagraph (A) for periods before the date  
11 of the enactment of this Act.

12 (2) SCHIP.—With respect to administrative  
13 costs incurred on or after April 1, 2009, and before  
14 October 1, 2009, in implementing the amendment  
15 made by subsection (a)(1), the enhanced FMAP ap-  
16 plied under section 2105(a)(1)(D)(iv) of the Social  
17 Security Act (42 U.S.C. 1397d(a)(1)(D)(iv)) shall  
18 not be less than 75 percent.

19 **SEC. 103. LIMITATIONS ON ELIGIBILITY BASED ON SUB-**  
20 **STANTIAL NET ASSETS.**

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

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

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

3           “(5) DISQUALIFICATION FOR INDIVIDUALS IN  
4 FAMILIES WITH SUBSTANTIAL NET ASSETS.—An in-  
5 dividual in a family is not eligible for child health  
6 assistance under this title if the individual’s family  
7 has net assets (including the equity interest in any  
8 home) that exceeds \$500,000 or unless there is pro-  
9 vided a document (in such a form and manner as  
10 the Secretary shall specify) signed under penalty of  
11 perjury by an applicant for child health assistance  
12 on behalf of the individual that the net assets of the  
13 individual’s family (including the equity interest in  
14 the any home) does not exceed \$500,000. The Sec-  
15 retary may increase the dollar amount specified in  
16 the previous sentence from year to year beginning  
17 with 2014 based on the percentage increase in the  
18 consumer price index for all urban consumers (all  
19 items; United States city average), rounded to the  
20 nearest \$1,000.”.

21           (b) EFFECTIVE DATE.—The amendments made by  
22 subsection (a) shall apply to eligibility determinations and  
23 redeterminations made on or after April 1, 2009.

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

2 Section 2102 of the Social Security Act (42 U.S.C.  
3 1397bb) is amended by adding at the end the following  
4 new subsection:

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

9 “(1) USE OF WAITING PERIODS TO PREVENT  
10 CROWD OUT.—From using waiting periods and other  
11 tools to prevent crowding out private sector insur-  
12 ance coverage.

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

17 “(3) USE OF STATE FUNDS FOR INELIGIBLE  
18 INDIVIDUALS.—From providing medical benefits for  
19 individuals who are not targeted low-income children  
20 with State funds.”.

21 **SEC. 105. EASING ADMINISTRATIVE BARRIERS TO STATE**  
22 **COOPERATION WITH EMPLOYER-SPONSORED**  
23 **INSURANCE COVERAGE.**

24 (a) REQUIRING SOME COVERAGE FOR EMPLOYER-  
25 SPONSORED INSURANCE.—

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

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

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

8                   (C) by adding at the end the following new  
9           paragraph:

10           “(9) effective for plan years beginning on or  
11           after October 1, 2009, how the plan will provide for  
12           child health assistance with respect to targeted low-  
13           income children covered under a group health  
14           plan.”.

15           (2) EFFECTIVE DATE.—The amendment made  
16           by paragraph (1) shall apply beginning with fiscal  
17           year 2010.

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

21                   (1) in subsection (a)(1)(C), by inserting before  
22           the semicolon at the end the following: “and, subject  
23           to paragraph (3)(C), in the form of payment of the  
24           premiums for coverage under a group health plan  
25           that includes coverage of targeted low-income chil-

1       dren and benefits supplemental to such coverage”;  
2       and

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

5               “(3) PURCHASE OF EMPLOYER-SPONSORED IN-  
6       SURANCE.—

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

16                     “(B) WAIVER OF CERTAIN PROVISIONS.—  
17                     With respect to coverage described in subpara-  
18                     graph (A)—

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

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

4           “(C) REQUIRED PROVISION OF SUPPLE-  
5           MENTAL BENEFITS.—If the coverage described  
6           in subparagraph (A) does not provide coverage  
7           for the services referred to in section  
8           2102(a)(7), the State child health plan shall  
9           provide coverage of such services as supple-  
10          mental benefits.

11          “(D) LIMITATION ON FFP.—The amount  
12          of the payment under paragraph (1)(C) for cov-  
13          erage described in subparagraph (A) (and sup-  
14          plemental benefits under subparagraph (C) for  
15          individuals so covered) during a fiscal year may  
16          not exceed the product of—

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

23                 “(ii) the enhanced FMAP for the  
24                 State and fiscal year involved; and



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

4           “(E) VOLUNTARY ENROLLMENT.—A State  
5           child health plan—

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

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

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

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

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

4           “(ii) provide such notification in writ-  
5           ing at least during the initial application  
6           for enrollment under this title and during  
7           redeterminations of eligibility if the indi-  
8           vidual was enrolled before October 1, 2009;  
9           and

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

14          “(G) SEMIANNUAL VERIFICATION OF COV-  
15          ERAGE.—If coverage described in subparagraph  
16          (A) is provided under a group health plan with  
17          respect to a targeted low-income child, the  
18          State child health plan shall provide for the col-  
19          lection, at least once every six months, of proof  
20          from the plan that the child is enrolled in such  
21          coverage.

22          “(H) RULE OF CONSTRUCTION.—Nothing  
23          in this section is to be construed to prohibit a  
24          State from—

1           “(i) offering wrap around benefits in  
2           order for a group health plan to meet any  
3           State-established minimum benefit require-  
4           ments;

5           “(ii) establishing a cost-effectiveness  
6           test to qualify for coverage under such a  
7           plan;

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

10          “(iv) paying all or part of a bene-  
11          ficiary’s cost-sharing requirements under  
12          such a plan;

13          “(v) paying less than the full cost of  
14          the employee’s share of the premium under  
15          such a plan, including prorating the cost of  
16          the premium to pay for only what the  
17          State determines is the portion of the pre-  
18          mium that covers targeted low-income chil-  
19          dren;

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

23          “(vii) allowing beneficiaries enrolled in  
24          group health plans from changing plans to

1 another coverage option available under  
2 this title at any time; or

3 “(viii) providing any guidance or in-  
4 formation it deems appropriate in order to  
5 help beneficiaries make an informed deci-  
6 sion regarding the option to enroll in cov-  
7 erage described in subparagraph (A).

8 “(I) GROUP HEALTH PLAN DEFINED.—In  
9 this paragraph, the term ‘group health plan’  
10 has the meaning given such term in section  
11 2791(a)(1) of the Public Health Service Act (42  
12 U.S.C. 300gg–91(a)(1)).”.

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

14 (a) **REQUIRING OFFERING OF ALTERNATIVE COV-**  
15 **ERAGE OPTIONS.**—Section 2102 of the Social Security Act  
16 (42 U.S.C. 1397b), as amended by sections 101(a), 104,  
17 and 105(a), is amended—

18 (1) in subsection (a)—

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

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

23 (C) by adding at the end the following new  
24 paragraph:

1           “(10) effective for plan years beginning on or  
2 after October 1, 2009, how the plan will provide for  
3 child health assistance with respect to targeted low-  
4 income children through alternative coverage options  
5 in accordance with subsection (e).”; and

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

8           “(e) ALTERNATIVE COVERAGE OPTIONS.—

9           “(1) IN GENERAL.—Effective October 1, 2009,  
10 a State child health plan shall provide for the offer-  
11 ing of any qualified alternative coverage that a  
12 qualified entity seeks to offer to targeted low-income  
13 children through the plan in the State.

14           “(2) APPLICATION OF UNIFORM FINANCIAL  
15 LIMITATION FOR ALL ALTERNATIVE COVERAGE OP-  
16 TIONS.—With respect to all qualified alternative cov-  
17 erage offered in a State, the State child health plan  
18 shall establish a uniform dollar limitation on the per  
19 capita monthly amount that will be paid by the  
20 State to the qualified entity with respect to such  
21 coverage provided to a targeted low-income child.  
22 Such limitation may not be less than 90 percent of  
23 the per capita monthly payment made for coverage  
24 offered under the State child health plan that is not

1 in the form of an alternative coverage option. Noth-  
2 ing in this paragraph shall be construed—

3 “(A) as requiring a State to provide for  
4 the full payment of premiums for qualified al-  
5 ternative coverage;

6 “(B) as preventing a State from charging  
7 additional premiums to cover the difference be-  
8 tween the cost of qualified alternative coverage  
9 and the amount of such payment limitation;

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

14 “(3) QUALIFIED ALTERNATIVE COVERAGE DE-  
15 FINED.—In this section, the term ‘qualified alter-  
16 native coverage’ means health insurance coverage  
17 that—

18 “(A) meets the coverage requirements of  
19 section 2103 (other than cost-sharing require-  
20 ments of such section); and

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

23 “(4) QUALIFIED INSURER DEFINED.—In this  
24 section, the term ‘qualified insurer’ means, with re-

1 spect to a State, an entity that is licensed to offer  
2 health insurance coverage in the State.”.

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

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

11 (2) in subsection (c), as amended by sections  
12 101(b) and 102(a)(1), by adding at the end the fol-  
13 lowing new paragraph:

14 “(10) PURCHASE OF QUALIFIED ALTERNATIVE  
15 COVERAGE.—

16 “(A) IN GENERAL.—Payment may be  
17 made to a State under subsection (a)(1)(C),  
18 subject to the provisions of this paragraph, for  
19 the purchase of qualified alternative coverage.

20 “(B) WAIVER OF CERTAIN PROVISIONS.—  
21 With respect to coverage described in subpara-  
22 graph (A), no limitation on beneficiary cost-  
23 sharing otherwise applicable under this title or  
24 title XIX shall apply.

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

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

13                  “(ii) the enhanced FMAP for the  
14                  State and fiscal year involved; and

15                  “(iii) the number of targeted low-in-  
16                  come children for whom such coverage is  
17                  provided.

18           “(D) VOLUNTARY ENROLLMENT.—A State  
19           child health plan—

20                   “(i) may not require a targeted low-  
21                   income child to enroll in coverage described  
22                   in subparagraph (A) in order to obtain  
23                   child health assistance under this title;

24                   “(ii) before providing such child  
25                   health assistance for such coverage of a



1 child, shall make available (which may be  
2 through an Internet website or other  
3 means) to the parent or guardian of the  
4 child information on the coverage available  
5 under this title, including benefits and  
6 cost-sharing; and

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

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

15 “(i) describe how the State will notify  
16 potential beneficiaries of coverage de-  
17 scribed in subparagraph (A);

18 “(ii) provide such notification in writ-  
19 ing at least during the initial application  
20 for enrollment under this title and during  
21 redeterminations of eligibility if the indi-  
22 vidual was enrolled before October 1, 2009;  
23 and

24 “(iii) post a description of these cov-  
25 erage options on any official website that

1           may be established by the State in connec-  
2           tion with the plan.

3           “(F) RULE OF CONSTRUCTION.—Nothing  
4           in this section is to be construed to prohibit a  
5           State from—

6                   “(i) establishing limits on beneficiary  
7                   cost-sharing under such alternative cov-  
8                   erage;

9                   “(ii) paying all or part of a bene-  
10                  ficiary’s cost-sharing requirements under  
11                  such coverage;

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

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

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

1 **SEC. 107. ALLOTMENT DISTRIBUTION FORMULA.**

2 (a) ALLOTMENTS TO 50 STATES AND THE DISTRICT  
3 OF COLUMBIA.—

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

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

17 (B) by amending paragraph (2) to read as  
18 follows:

19 “(2) NUMBER OF SCHIP TARGETED CHILDREN  
20 AND PREGNANT WOMEN AND NATIONAL PER CAPITA  
21 SCHIP EXPENDITURES.—

22 “(A) IN GENERAL.—By not later than  
23 September 30 of each year (beginning with  
24 2009), the Secretary (in consultation with the  
25 Director of the Bureau of the Census and using  
26 the best available data for the fiscal year ending

1 in the previous year) shall determine and pub-  
2 lish in the Federal Register—

3 “(i) the average number of low-income  
4 targeted children (described in subpara-  
5 graph (B)) for any month during such pre-  
6 ceding fiscal year; and

7 “(ii) the combined State and Federal  
8 per capita SCHIP expenditures (described  
9 in subparagraph (C)) for such preceding  
10 fiscal year.

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

20 “(i) exceeds the lesser of—

21 “(I) the Medicaid applicable in-  
22 come level (as defined in section  
23 2110(b)(4)); or

24 “(II) 150 percent of the poverty  
25 line; but

1                   “(ii) does not exceed 200 percent of  
2                   the poverty line.

3                   “(C) STATE AND FEDERAL PER CAPITA  
4                   SCHIP EXPENDITURES.—The State and Federal  
5                   per capita SCHIP expenditures for a fiscal year  
6                   is equal to—

7                   “(i) the aggregate Federal and State  
8                   expenditures made that are attributable to  
9                   allotments under this title for subsection  
10                  (b) States for the fiscal year; divided by

11                  “(ii) the average total number of tar-  
12                  geted low-income children (including preg-  
13                  nant women described in section  
14                  2105(c)(8)(E)) for whom health assistance  
15                  was made available from such allotments  
16                  for such fiscal year.”; and

17                  (C) by striking paragraphs (3) and (4) and  
18                  inserting the following:

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

22                  “(4) PROPORTIONAL REDUCTION IF TOTAL AL-  
23                  LOTMENTS EXCEED AMOUNT AVAILABLE.—If the  
24                  Secretary estimates that the total of the allotments  
25                  under this subsection for a fiscal year (in combina-

1       tion with allotments made under subsection (c)) will  
2       exceed the aggregate amount available for allotments  
3       for such fiscal year under subsection (a), the Sec-  
4       retary shall reduce the amount of each allotment  
5       under this subsection in a pro-rata manner so that  
6       such total does not exceed the aggregate amount  
7       available for allotments.”.

8           (2) EFFECTIVE DATE.—The amendment made  
9       by paragraph (1) shall apply to allotments for fiscal  
10      years beginning with fiscal year 2010.

11      (b) NO REDISTRIBUTION OF UNUSED ALLOT-  
12      MENTS.—

13           (1) IN GENERAL.—Section 2104(f) of such Act  
14      (42 U.S.C. 1397dd) is amended to read as follows:  
15      “(f) NO REDISTRIBUTION OF UNUSED ALLOT-  
16      MENTS.—There shall be no redistribution of allotments  
17      from States that are not expended within the period of  
18      availability under subsection (e).”.

19           (2) EFFECTIVE DATE.—The amendment made  
20      by paragraph (1) shall apply to allotments for fiscal  
21      years beginning with fiscal year 2007.

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

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

1           (1) by striking “and” at the end of paragraph  
2           (10);

3           (2) by striking the period at the end of para-  
4           graph (11) and inserting a semicolon; and

5           (3) by adding at the end the following new  
6           paragraphs:

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

8           “(13) for fiscal year 2011, \$7,000,000,000;

9           “(14) for fiscal year 2012, \$7,000,000,000;

10          “(15) for fiscal year 2013, \$7,500,000,000; and

11          “(16) for fiscal year 2014, \$8,000,000,000.”.

12          (b) CONTINUATION OF ADDITIONAL ALLOTMENTS TO  
13          TERRITORIES.—Section 2104(c)(4)(B) of the Social Secu-  
14          rity Act (42 U.S.C. 1397dd(c)(4)(B)) is amended by strik-  
15          ing “2009” and inserting “2014”.

16          (c) APPLICATION TO OTHER SCHIP FUNDING FOR  
17          FISCAL YEAR 2010.—Notwithstanding any other provi-  
18          sion of law, if funds are appropriated under any law (other  
19          than this Act) to provide allotments to States under title  
20          XXI of the Social Security Act for all (or any portion)  
21          of fiscal year 2010—

22               (1) any amounts that are so appropriated that  
23               are not so allotted and obligated before the date of  
24               the enactment of this Act are rescinded; and





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

8           “(2) 10 PERCENT SET ASIDE FOR NATIONAL  
9           ENROLLMENT CAMPAIGN.—An amount equal to 10  
10          percent of such amounts for the fiscal year shall be  
11          used by the Secretary for expenditures during the  
12          fiscal year to carry out a national enrollment cam-  
13          paign in accordance with subsection (g).

14          “(b) AWARD OF GRANTS.—

15                 “(1) PRIORITY FOR AWARDING.—

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

19                                 “(i) propose to target geographic  
20                                 areas with high rates of—

21   “(I) eligible but unenrolled chil-  
22   dren, including such children who re-  
23   side in rural areas; or

24   “(II) racial and ethnic minorities  
25   and health disparity populations, in-

1 including those proposals that address  
2 cultural and linguistic barriers to en-  
3 rollment; and

4 “(ii) submit the most demonstrable  
5 evidence required under paragraphs (1)  
6 and (2) of subsection (c).

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

17 “(2) 2-YEAR AVAILABILITY.—A grant awarded  
18 under this section for a fiscal year shall remain  
19 available for expenditure through the end of the suc-  
20 ceeding fiscal year.

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

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

6           “(2) evidence demonstrating that the entity has  
7           the ability to address barriers to enrollment, such as  
8           lack of awareness of eligibility, stigma concerns and  
9           punitive fears associated with receipt of benefits,  
10          and other cultural barriers to applying for and re-  
11          ceiving child health assistance or medical assistance;

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

15          “(4) an assurance that the eligible entity  
16          shall—

17                 “(A) conduct an assessment of the effec-  
18                 tiveness of such activities against the perform-  
19                 ance measures;

20                 “(B) cooperate with the collection and re-  
21                 porting of enrollment data and other informa-  
22                 tion in order for the Secretary to conduct such  
23                 assessments; and

24                 “(C) in the case of an eligible entity that  
25                 is not the State, provide the State with enroll-

1           ment data and other information as necessary  
2           for the State to make necessary projections of  
3           eligible children and pregnant women.

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

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

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

11                   “(A) A State with an approved child health  
12                   plan under this title.

13                   “(B) A local government.

14                   “(C) An Indian tribe or tribal consortium,  
15                   a tribal organization, an urban Indian organiza-  
16                   tion receiving funds under title V of the Indian  
17                   Health Care Improvement Act (25 U.S.C. 1651  
18                   et seq.), or an Indian Health Service provider.

19                   “(D) A Federal health safety net organiza-  
20                   tion.

21                   “(E) A State, national, local, or commu-  
22                   nity-based public or nonprofit private organiza-  
23                   tion.

24                   “(F) A faith-based organization or con-  
25                   sortia, to the extent that a grant awarded to

1 such an entity is consistent with the require-  
2 ments of section 1955 of the Public Health  
3 Service Act (42 U.S.C. 300x-65) relating to a  
4 grant award to non-governmental entities.

5 “(G) An elementary or secondary school.

6 “(H) A national, local, or community-based  
7 public or nonprofit private organization, includ-  
8 ing organizations that use community health  
9 workers or community-based doula programs.

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

13 “(A) a federally qualified health center (as  
14 defined in section 1905(l)(2)(B));

15 “(B) a hospital defined as a dispropor-  
16 tionate share hospital for purposes of section  
17 1923;

18 “(C) a covered entity described in section  
19 340B(a)(4) of the Public Health Service Act  
20 (42 U.S.C. 256b(a)(4)); and

21 “(D) any other entity or consortium that  
22 serves children under a federally funded pro-  
23 gram, including the special supplemental nutri-  
24 tion program for women, infants, and children  
25 (WIC) established under section 17 of the Child

1 Nutrition Act of 1966 (42 U.S.C. 1786), the  
2 head start and early head start programs under  
3 the Head Start Act (42 U.S.C. 9801 et seq.),  
4 the school lunch program established under the  
5 Richard B. Russell National School Lunch Act,  
6 and an elementary or secondary school.

7 “(3) INDIANS; INDIAN TRIBE; TRIBAL ORGANI-  
8 ZATION; URBAN INDIAN ORGANIZATION.—The terms  
9 ‘Indian’, ‘Indian tribe’, ‘tribal organization’, and  
10 ‘urban Indian organization’ have the meanings given  
11 such terms in section 4 of the Indian Health Care  
12 Improvement Act (25 U.S.C. 1603).

13 “(4) COMMUNITY HEALTH WORKER.—The term  
14 ‘community health worker’ means an individual who  
15 promotes health or nutrition within the community  
16 in which the individual resides—

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

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

21 “(C) by enhancing community residents’  
22 ability to effectively communicate with health  
23 care providers;

1           “(D) by providing culturally and linguis-  
2           tically appropriate health or nutrition edu-  
3           cation;

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

6           “(F) by providing referral and followup  
7           services.

8           “(f) APPROPRIATION.—

9           “(1) IN GENERAL.—There is appropriated, out  
10          of any money in the Treasury not otherwise appro-  
11          priated, for the purpose of awarding grants under  
12          this section \$100,000,000 for each of fiscal years  
13          2010 through 2014.

14          “(2) GRANTS IN ADDITION TO OTHER AMOUNTS  
15          PAID.—Amounts appropriated and paid under the  
16          authority of this section shall be in addition to  
17          amounts appropriated under section 2104 and paid  
18          to States in accordance with section 2105, including  
19          with respect to expenditures for outreach activities  
20          in accordance with subsections (a)(1)(D)(iii) and  
21          (c)(2)(C) of that section.

22          “(g) NATIONAL ENROLLMENT CAMPAIGN.—From  
23          the amounts made available under subsection (a)(2) for  
24          a fiscal year, the Secretary shall develop and implement  
25          a national enrollment campaign to improve the enrollment

1 of underserved child populations in the programs estab-  
2 lished under this title and title XIX. Such campaign may  
3 include—

4           “(1) the establishment of partnerships with the  
5           Secretary of Education and the Secretary of Agri-  
6           culture to develop national campaigns to link the eli-  
7           gibility and enrollment systems for the assistance  
8           programs each Secretary administers that often  
9           serve the same children;

10           “(2) the integration of information about the  
11           programs established under this title and title XIX  
12           in public health awareness campaigns administered  
13           by the Secretary;

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

17           “(4) the establishment of joint public awareness  
18           outreach initiatives with the Secretary of Education  
19           and the Secretary of Labor regarding the impor-  
20           tance of health insurance to building strong commu-  
21           nities and the economy;

22           “(5) the development of special outreach mate-  
23           rials for Native Americans or for individuals with  
24           limited English proficiency; and



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

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

8                       “(C) NONAPPLICATION TO EXPENDITURES  
9                       FOR OUTREACH AND ENROLLMENT.—The limi-  
10                      tation under subparagraph (A) shall not apply  
11                      with respect to expenditures for outreach activi-  
12                      ties under section 2102(c)(1), or for enrollment  
13                      activities, for children eligible for child health  
14                      assistance under the State child health plan or  
15                      medical assistance under the State plan under  
16                      title XIX.”.

17 **TITLE II—CHILD HEALTH INSUR-**  
18 **ANCE COVERAGE THROUGH**  
19 **TAX FAIRNESS**

20 **SEC. 201. EXPANSION OF CHILD HEALTH CARE INSURANCE**  
21 **COVERAGE THROUGH TAX FAIRNESS.**

22           (a) IN GENERAL.—Subpart C of part IV of sub-  
23           chapter A of chapter 1 of the Internal Revenue Code of  
24           1986 (relating to refundable credits) is amended by reded-

1 ignating section 37 as section 38 and by inserting after  
2 section 36 the following new section:

3 **“SEC. 37. CHILD HEALTH INSURANCE COSTS.**

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

9       “(b) LIMITATIONS.—

10           “(1) IN GENERAL.—The amount allowed as a  
11 credit under subsection (a) to an eligible taxpayer  
12 for the taxable year shall not exceed the sum of the  
13 monthly limitations for coverage months during such  
14 taxable year for the individual referred to in sub-  
15 section (a) for whom such taxpayer paid during the  
16 taxable year any amount for coverage under quali-  
17 fied health insurance.

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

22           “(3) COVERAGE MONTH.—For purposes of this  
23 subsection—

1           “(A) IN GENERAL.—The term ‘coverage  
2 month’ means, with respect to an individual,  
3 any month if—

4           “(i) as of the first day of such month  
5 such individual is covered by qualified  
6 health insurance, and

7           “(ii) the premium for coverage under  
8 such insurance for such month is paid by  
9 an eligible taxpayer.

10          “(B) MEDICARE AND MEDICAID.—Such  
11 term shall not include any month with respect  
12 to an individual if, as of the first day of such  
13 month, such individual—

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

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

18          “(C) CERTAIN OTHER COVERAGE.—Such  
19 term shall not include any month during a tax-  
20 able year with respect to an individual if, at any  
21 time during such year, any benefit is provided  
22 to such individual under chapter 89 of title 5,  
23 United States Code.

24          “(D) INSUFFICIENT PRESENCE IN UNITED  
25 STATES.—Such term shall not include any

1 month during a taxable year with respect to an  
2 individual if such individual is present in the  
3 United States on fewer than 183 days during  
4 such year (determined in accordance with sec-  
5 tion 7701(b)(7)).

6 “(4) INDEXING.—For each taxable year begin-  
7 ning after December 31, 2009, the dollar amount in  
8 paragraph (2) (as adjusted for the preceding taxable  
9 year by reason of this paragraph) shall be increased  
10 or decreased by the percentage change in the aver-  
11 age cost of private health insurance for family cov-  
12 erage for such taxable year as compared to such pre-  
13 ceding taxable year as computed by the Office of the  
14 Actuary of the Centers for Medicare and Medicaid  
15 Services, rounded to the nearest whole dollar  
16 amount.

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

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

23 “(A) paragraph (1)(C) thereof, and

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

4           “(2) EXCLUSION OF CERTAIN OTHER CON-  
5           TRACTS.—Such term shall not include insurance if a  
6           substantial portion of its benefits are excepted bene-  
7           fits (as defined in section 9832(c)).

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

10           “(1) ELIGIBLE TAXPAYER.—The term ‘eligible  
11           taxpayer’ means any taxpayer whose income exceeds  
12           200 percent but not 300 percent of the poverty level  
13           applicable to a family of the size involved, as deter-  
14           mined in accordance with criteria established by the  
15           Director of the Office of Management and Budget.

16           “(2) DEPENDENT.—The term ‘dependent’ has  
17           the meaning given such term by section 152. An in-  
18           dividual to whom section 152(e) applies shall be  
19           treated as a dependent of the custodial parent for a  
20           coverage month unless the custodial and noncusto-  
21           dial parent provide otherwise.

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

24           “(e) SPECIAL RULES.—

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

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

15          “(3) MARRIED COUPLES MUST FILE JOINT RE-  
16          TURN.—

17                 “(A) IN GENERAL.—If an eligible taxpayer  
18                 is married at the close of the taxable year, the  
19                 credit shall be allowed under subsection (a) only  
20                 if the taxpayer and his spouse file a joint return  
21                 for the taxable year.

22                 “(B) MARITAL STATUS; CERTAIN MARRIED  
23                 INDIVIDUALS LIVING APART.—Rules similar to  
24                 the rules of paragraphs (3) and (4) of section

1           21(e) shall apply for purposes of this para-  
2           graph.

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

9           “(5) INSURANCE WHICH COVERS OTHER INDI-  
10          VIDUALS; TREATMENT OF PAYMENTS.—Rules similar  
11          to the rules of paragraphs (7) and (8) of section  
12          35(g) shall apply for purposes of this section.

13          “(6) ELECTION NOT TO CLAIM CREDIT.—This  
14          section shall not apply to an eligible taxpayer for  
15          any taxable year if such taxpayer elects to have this  
16          section not apply for such taxable year.

17          “(f) COORDINATION WITH ADVANCE PAYMENTS.—  
18          With respect to any taxable year, the amount which would  
19          (but for this subsection) be allowed as a credit to an eligi-  
20          ble taxpayer under subsection (a) shall be reduced (but  
21          not below zero) by the aggregate amount paid on behalf  
22          of such taxpayer under section 7527A for months begin-  
23          ning in such taxable year.”.

24          (b) INFORMATION REPORTING.—

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

7           **“SEC. 6050X. RETURNS RELATING TO PAYMENTS FOR**  
8                                   **QUALIFIED HEALTH INSURANCE.**

9           “(a) IN GENERAL.—Any person who, in connection  
10          with a trade or business conducted by such person, re-  
11          ceives payments during any calendar year from any indi-  
12          vidual for coverage of such individual or any other indi-  
13          vidual under qualified health insurance (as defined in sec-  
14          tion 37(c)), shall make the return described in subsection  
15          (b) (at such time as the Secretary may by regulations pre-  
16          scribe) with respect to each individual from whom such  
17          payments were received.

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

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

22                 “(2) contains—

23                         “(A) the name, address, and TIN of the  
24                         individual from whom payments described in  
25                         subsection (a) were received,



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

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

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

14           “(1) the name and address of the person re-  
15 quired to make such return and the phone number  
16 of the information contact for such person,

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

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

23 The written statement required under the preceding sen-  
24 tence shall be furnished on or before January 31 of the

1 year following the calendar year for which the return  
2 under subsection (a) is required to be made.

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

10 (2) ASSESSABLE PENALTIES.—

11 (A) Subparagraph (B) of section  
12 6724(d)(1) of such Code (relating to defini-  
13 tions) is amended by redesignating clauses (xxi)  
14 through (xxii) as clauses (xxii) through (xxv),  
15 respectively, and by inserting after clause (xxi)  
16 the following new clause:

17 “(xxii) section 6050X (relating to re-  
18 turns relating to payments for qualified  
19 health insurance),”.

20 (B) Paragraph (2) of section 6724(d) of  
21 such Code is amended by redesignating sub-  
22 paragraphs (EE) and (FF) as subparagraphs  
23 (FF) and (GG), respectively, and by inserting  
24 after subparagraph (DD) the following new  
25 subparagraph:



1           “(1) who purchases qualified health insurance  
2           (as defined in section 37(c)), and

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

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

10           “(1) certifies that the individual will be eligible  
11           to receive the credit provided by section 37 for the  
12           taxable year,

13           “(2) estimates the amount of such credit for  
14           such taxable year, and

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

17           “(d) QUALIFIED HEALTH INSURANCE CREDIT AD-  
18 VANCE AMOUNT.—For purposes of this section, the term  
19 ‘qualified health insurance credit advance amount’ means,  
20 with respect to any provider of qualified health insurance,  
21 the Secretary’s estimate of the amount of credit allowable  
22 under section 37 to the individual for the taxable year  
23 which is attributable to the insurance provided to the indi-  
24 vidual by such provider.

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

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

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

7       (d) CONFORMING AMENDMENTS.—

8           (1) Paragraph (2) of section 1324(b) of title  
9 31, United States Code, is amended by inserting be-  
10 fore the period “, or from section 37 of such Code”.

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

“Sec. 37. Health insurance costs.

“Sec. 38. Overpayments of tax.”.

15       (e) EFFECTIVE DATE.—The amendments made by  
16 this section shall apply to taxable years beginning after  
17 December 31, 2008.

18           **TITLE III—STATE HEALTH**  
19           **REFORM PROJECTS**

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

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

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

4           (A) achieving the goals of increased health  
5 coverage and access; and

6           (B) testing alternative reforms, such as  
7 building on the public or private health systems,  
8 or creating new systems, to achieve the objec-  
9 tives of this Act.

10          (2) INTENT OF CONGRESS.—It is the intent of  
11 Congress that—

12          (A) the programs approved under this sec-  
13 tion each comprise significant coverage expan-  
14 sions;

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

18          (C) each such program should be rigor-  
19 ously and objectively evaluated, so that the  
20 State programs developed pursuant to this sec-  
21 tion may guide the development of future State  
22 and national policy.

23          (b) APPLICATIONS BY STATES AND LOCAL GOVERN-  
24 MENTS.—

25          (1) ENTITIES THAT MAY APPLY.—

1           (A) IN GENERAL.—A State may apply for  
2           a State health care expansion and improvement  
3           program for the entire State (or for regions of  
4           the State) under paragraph (2).

5           (B) REGIONAL AND SUB-STATE GROUPS.—  
6           A regional entity consisting of more than one  
7           State or one or more local governments within  
8           a State may apply for a multi-State or a sub-  
9           State health care expansion and improvement  
10          program for the region or area involved.

11          (C) DEFINITION.—In this section, the  
12          term “State” means the 50 States, the District  
13          of Columbia, and the Commonwealth of Puerto  
14          Rico. Such term shall include a regional entity  
15          described in subparagraph (B).

16          (2) SUBMISSION OF APPLICATION.—In accord-  
17          ance with this section, each State or regional entity  
18          desiring to implement a State health care expansion  
19          and improvement program may submit an applica-  
20          tion to the State Health Coverage Innovation Com-  
21          mission under subsection (c) (referred to in this sec-  
22          tion as the “Commission”) for approval.

23          (3) LOCAL GOVERNMENT APPLICATIONS.—  
24          Where a State fails to submit an application under  
25          this section, a unit of local government of such

1 State, or a consortium of such units of local govern-  
2 ments, may submit an application directly to the  
3 Commission for programs or projects under this sub-  
4 section. Such an application shall be subject to the  
5 requirements of this section.

6 (c) STATE HEALTH COVERAGE INNOVATION COM-  
7 MISSION.—

8 (1) IN GENERAL.—Within 90 days after the  
9 date of the enactment of this Act, the Secretary of  
10 Health and Human Services (in this section referred  
11 to as the “Secretary”) shall establish a State Health  
12 Coverage Innovation Commission that—

13 (A) shall be comprised of—

14 (i) the Secretary;

15 (ii) four State governors to be ap-  
16 pointed by the National Governors Associa-  
17 tion on a bipartisan basis;

18 (iii) two members of a State legisla-  
19 ture to be appointed, on a joint and bipar-  
20 tisan basis, by the National Conference of  
21 State Legislators and the American Legis-  
22 lative Exchange Council;

23 (iv) two county officials to be ap-  
24 pointed by the National Association of  
25 Counties on a bipartisan basis;



1 (v) two mayors to be appointed, on a  
2 joint and bipartisan basis, by the National  
3 League of Cities and by the United States  
4 Conference of Mayors;

5 (vi) two individuals to be appointed by  
6 the Speaker of the House of Representa-  
7 tives;

8 (vii) two individuals to be appointed  
9 by the minority leader of the House of  
10 Representatives;

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

13 (ix) two individuals to be appointed by  
14 the minority leader of the Senate;

15 (B) shall request States to submit pro-  
16 posals, which may include a variety of reform  
17 options such as tax credit approaches, expan-  
18 sions of public programs such as Medicaid and  
19 the State Children's Health Insurance Pro-  
20 gram, the creation of purchasing pooling ar-  
21 rangements similar to the Federal Employees  
22 Health Benefits Program, individual market  
23 purchasing options, single risk pool or single  
24 payer systems, health savings accounts, a com-  
25 bination of the options described in this sub-

1 paragraph, or other alternatives determined ap-  
2 propriate by the Commission, including options  
3 suggested by States or the public, and nothing  
4 in this subparagraph shall be construed to pre-  
5 vent the Commission from approving a reform  
6 proposal not included in this subparagraph;

7 (C) shall conduct a thorough review of the  
8 grant application from a State and carry on a  
9 dialogue with all State applicants concerning  
10 possible modifications and adjustments;

11 (D) shall submit the recommendations and  
12 legislative proposal described in subsection  
13 (d)(4)(C);

14 (E) shall be responsible for receiving infor-  
15 mation to determine the status and progress  
16 achieved under program or projects granted  
17 under this section;

18 (F) shall report to the public concerning  
19 progress made by States with respect to the  
20 performance measures and goals established  
21 under this section, the periodic progress of the  
22 State relative to its State performance meas-  
23 ures and goals, and the State program applica-  
24 tion procedures, by region and State jurisdic-  
25 tion;

1 (G) shall promote information exchange  
2 between States and the Federal Government;

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

10 (I) may require States to submit additional  
11 information or reports concerning the status  
12 and progress achieved under health care expan-  
13 sion and improvement programs granted under  
14 this section, as needed.

15 (2) PERIOD OF APPOINTMENT; REPRESENTA-  
16 TION REQUIREMENTS; VACANCIES.—Members shall  
17 be appointed for a term of 5 years. In appointing  
18 such members under paragraph (1)(A), the des-  
19 ignated appointing individuals shall ensure the rep-  
20 resentation of urban and rural areas and an appro-  
21 priate geographic distribution of such members. Any  
22 vacancy in the Commission shall not affect its pow-  
23 ers, but shall be filled in the same manner as the  
24 original appointment.

25 (3) CHAIRPERSON, MEETINGS.—

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

3 (B) QUORUM.—Two-thirds of the members  
4 of the Commission shall constitute a quorum,  
5 but a lesser number of members may hold hear-  
6 ings.

7 (C) MEETINGS.—Not later than 30 days  
8 after the date on which all members of the  
9 Commission have been appointed, the Commis-  
10 sion shall hold its first meeting. The Commis-  
11 sion shall meet at the call of the Chairperson.

12 (4) POWERS OF THE COMMISSION.—

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

20 (B) HEARINGS.—The Commission may  
21 hold such hearings, sit and act at such times  
22 and places, take such testimony, and receive  
23 such evidence as the Commission considers ad-  
24 visable to carry out the purposes of this sub-  
25 section.

1           (C) MEETINGS.—In addition to other  
2 meetings the Commission may hold, the Com-  
3 mission shall hold an annual meeting with the  
4 participating States under this section for the  
5 purpose of having States report progress to-  
6 ward the purposes in subsection (a) and for an  
7 exchange of information.

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

18           (E) POSTAL SERVICES.—The Commission  
19 may use the United States mails in the same  
20 manner and under the same conditions as other  
21 departments and agencies of the Federal Gov-  
22 ernment.

23 (5) PERSONNEL MATTERS.—

24           (A) COMPENSATION.—Each member of the  
25 Commission who is not an officer or employee

1 of the Federal Government or of a State or  
2 local government shall be compensated at a rate  
3 equal to the daily equivalent of the annual rate  
4 of basic pay prescribed for level IV of the Exec-  
5 utive Schedule under section 5315 of title 5,  
6 United States Code, for each day (including  
7 travel time) during which such member is en-  
8 gaged in the performance of the duties of the  
9 Commission. All members of the Commission  
10 who are officers or employees of the United  
11 States shall serve without compensation in addi-  
12 tion to that received for their services as offi-  
13 cers or employees of the United States.

14 (B) TRAVEL EXPENSES.—The members of  
15 the Commission shall be allowed travel ex-  
16 penses, including per diem in lieu of subsist-  
17 ence, at rates authorized for employees of agen-  
18 cies under subchapter I of chapter 57 of title 5,  
19 United States Code, while away from their  
20 homes or regular places of business in the per-  
21 formance of services for the Commission.

22 (C) STAFF.—The Chairperson of the Com-  
23 mission may, without regard to the civil service  
24 laws and regulations, appoint and terminate an  
25 executive director and such other additional

1 personnel as may be necessary to enable the  
2 Commission to perform its duties. The employ-  
3 ment of an executive director shall be subject to  
4 confirmation by the Commission.

5 (D) DETAIL OF GOVERNMENT EMPLOY-  
6 EES.—Any Federal Government employee may  
7 be detailed to the Commission without reim-  
8 bursement, and such detail shall be without  
9 interruption or loss of civil service status or  
10 privilege.

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

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

24 (d) REQUIREMENTS FOR PROGRAMS.—

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

11                   (A) COVERAGE.—

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

14                                   (I) provide and describe the man-  
15                                   ner in which the State will ensure that  
16                                   an increased number of individuals re-  
17                                   siding within the State will have ex-  
18                                   panded access to health care coverage  
19                                   with a specific 5-year target for reduc-  
20                                   tion in the number or proportion of  
21                                   uninsured individuals through either  
22                                   private or public program expansion,  
23                                   or both, in accordance with or in addi-  
24                                   tion to the options established by the  
25                                   Commission;



1 (II) describe the number and per-  
2 centage of current uninsured individ-  
3 uals who will achieve coverage under a  
4 State health program;

5 (III) describe the coverage that  
6 will be provided to beneficiaries under  
7 a State health program;

8 (IV) identify Federal, State, or  
9 local and private programs that cur-  
10 rently provide health care services in  
11 the State and describe how such pro-  
12 grams could be coordinated with a  
13 State health program, to the extent  
14 practicable; and

15 (V) provide for improvements in  
16 the availability of appropriate health  
17 care coverage that will increase access  
18 to care in urban, suburban, rural, and  
19 frontier areas of the State with medi-  
20 cally underserved populations or  
21 where there may be an inadequate  
22 supply of health care providers.

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

1 (I) health insurance coverage  
2 that meets the aggregate actuarial  
3 value requirement of section  
4 2103(a)(2)(B) of the Social Security  
5 Act (42 U.S.C. 1397cc(a)(2)(B));

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

15 (III) health care access not less  
16 on average than that provided  
17 through coverage described in sub-  
18 clause (I).

19 (iii) CONSTRUCTION.—Nothing in this  
20 clause shall be construed to limit in any  
21 way the authority of the Secretary of  
22 Health and Human Services to issue waiv-  
23 ers under section 1115 of the Social Secu-  
24 rity Act.

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

6           (C) COSTS.—With respect to costs, the  
7           State plan shall—

8                   (i) describe such steps as the State  
9                   may undertake to improve the efficiency of  
10                  health care;

11                  (ii) describe the public and private  
12                  sector financing to be provided for the  
13                  State health program;

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

18                  (iv) describe how the State plan will  
19                  ensure the financial solvency of the State  
20                  health program.

21           (D) HEALTH INFORMATION TECH-  
22           NOLOGY.—With respect to health information  
23           technology, the State plan may describe efforts  
24           to improve the appropriate use of health infor-  
25           mation technology, including an explanation of

1           how such efforts would change (if at all) under  
2           the State plan.

3           (E) EXCEPTIONS TO FEDERAL POLICIES.—

4           The State plan shall describe the exceptions to  
5           otherwise applicable Federal statutes, regula-  
6           tions, and policies that would apply within the  
7           geographic area and time period governed by  
8           the plan.

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

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

24          (4) FINAL DETERMINATION.—

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

5 (B) VOTING.—

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

12 (ii) ELIGIBILITY.—A member of the  
13 Commission shall not participate in a de-  
14 termination under subparagraph (A) if—

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

19 (II) in the case of member not  
20 described in subclause (I), such deter-  
21 mination relates to the geographic  
22 area of a State of which such member  
23 serves as a State or local official or as  
24 a Member of Congress.

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

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

12       (e) EXPEDITED CONGRESSIONAL CONSIDERATION.—

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

15           (A) INTRODUCTION IN HOUSE OF REP-  
16 RESENTATIVES.—The legislative proposal sub-  
17 mitted pursuant to subsection (d)(4)(C) shall be  
18 in the form of a joint resolution (in this sub-  
19 section referred to as the “resolution”). Such  
20 resolution shall be introduced in the House of  
21 Representatives by the Speaker immediately  
22 upon receipt of the language and shall be re-  
23 ferred non-sequentially to the appropriate com-  
24 mittee (or committees) of House of Representa-  
25 tives. If the resolution is not introduced in ac-

1 cordance with the preceding sentence, the reso-  
2 lution may be introduced by any member of the  
3 House of Representatives.

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

21 (C) EXPEDITED PROCEDURE IN HOUSE.—  
22 Not later than 5 legislative days after the date  
23 on which all committees have been discharged  
24 from consideration of a resolution, the Speaker  
25 of the House of Representatives, or the Speak-

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



1 clerk of the House shall provide for its imme-  
2 diate transmittal to the Senate.

3 (2) EXPEDITED CONSIDERATION IN THE SEN-  
4 ATE.—

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

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

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

3 (C) EXPEDITED FLOOR CONSIDERATION.—

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

1           tion without intervening motion, order, or other  
2           business, and the resolution shall remain the  
3           unfinished business of the Senate until disposed  
4           of.

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

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

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

23           (4) FEDERAL BUDGET NEUTRALITY.—Except  
24           insofar as it allots appropriations made pursuant to  
25           subsection (k), the legislative proposal submitted

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

8 (f) FUNDING.—

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

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

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

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

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

6           (4) REPORT.—One year prior to the end of the  
7           5-year period beginning on the date on which the  
8           first State begins to implement a plan approved  
9           under subsection (e), the Commission shall prepare  
10          and submit to the appropriate committees of Con-  
11          gress, a report on the progress made by States in  
12          meeting the goals of expanded coverage and cost  
13          containment through performance measures estab-  
14          lished during the 5-year period of the State plan.  
15          Such report may contain the recommendation of the  
16          Commission concerning any future action that Con-  
17          gress should take concerning health care reform, in-  
18          cluding whether or not to extend the program estab-  
19          lished under this subsection.

20          (g) MONITORING AND EVALUATION.—

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

24                         (A) submit to the Commission an annual  
25                         report based on the period representing the re-

1           spective State’s fiscal year, detailing compliance  
2           with the requirements established by the Com-  
3           mission and the Secretary in the approval and  
4           in this section; and

5                   (B) participate in the annual meeting  
6           under subsection (c)(4)(C).

7           (2) EVALUATIONS BY COMMISSION.—The Com-  
8           mission shall prepare and submit to the Congress  
9           annual reports that shall contain—

10                   (A) a description of the effects of the re-  
11           forms undertaken in States receiving approvals  
12           under this section;

13                   (B) a description of the recommendations  
14           of the Commission and actions taken based on  
15           these recommendations;

16                   (C) an independent evaluation of the effec-  
17           tiveness of such reforms in—

18                           (i) expanding health care coverage for  
19           State residents; and

20                           (ii) reducing or containing health care  
21           costs in the States,

22           as well as other relevant or significant findings;

23                   (D) recommendations regarding the advis-  
24           ability of increasing Federal financial assistance  
25           for State ongoing or future health program ini-

1           tiatives, including the amount and source of  
2           such assistance; and

3                   (E) as required by the Commission or the  
4           Secretary under this section, a periodic, inde-  
5           pendent evaluation of the program.

6           (h) NONCOMPLIANCE.—

7                   (1) CORRECTIVE ACTION PLANS.—If a State is  
8           not in compliance with a requirement of this section,  
9           the Commission, on recommendation of the Sec-  
10          retary, shall develop a corrective action plan for such  
11          State.

12                   (2) TERMINATION.—The Commission, on rec-  
13          ommendation of the Secretary, may revoke any pro-  
14          gram granted under this section. Such decisions  
15          shall be subject to a petition for reconsideration and  
16          appeal pursuant to regulations established by the  
17          Secretary.

18           (i) RELATIONSHIP TO FEDERAL PROGRAMS.—

19                   (1) IN GENERAL.—Nothing in this section, or  
20          in section 1115 of the Social Security Act (42  
21          U.S.C. 1315) shall be construed as authorizing the  
22          Secretary, the Commission, a State, or any other  
23          person or entity to alter or affect in any way the  
24          provisions of title XIX of such Act (42 U.S.C. 1396  
25          et seq.) or the regulations implementing such title.

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

9           (j) MISCELLANEOUS PROVISIONS.—

10           (1) APPLICATION OF CERTAIN REQUIRE-  
11           MENTS.—

12           (A) RESTRICTION ON APPLICATION OF  
13           PREEXISTING CONDITION EXCLUSIONS.—

14           (i) IN GENERAL.—Subject to subpara-  
15           graph (B), a State shall not permit the im-  
16           position of any preexisting condition exclu-  
17           sion for covered benefits under a program  
18           or project under this section.

19           (ii) GROUP HEALTH PLANS AND  
20           GROUP HEALTH INSURANCE COVERAGE.—  
21           If the State program or project provides  
22           for benefits through payment for, or a con-  
23           tract with, a group health plan or group  
24           health insurance coverage, the program or  
25           project may permit the imposition of a pre-



1 existing condition exclusion but only inso-  
2 far and to the extent that such exclusion is  
3 permitted under the applicable provisions  
4 of part 7 of subtitle B of title I of the Em-  
5 ployee Retirement Income Security Act of  
6 1974 and title XXVII of the Public Health  
7 Service Act.

8 (B) COMPLIANCE WITH OTHER REQUIRE-  
9 MENTS.—Coverage offered under the program  
10 or project shall comply with the requirements of  
11 subpart 2 of part A of title XXVII of the Public  
12 Health Service Act insofar as such require-  
13 ments apply with respect to a health insurance  
14 issuer that offers group health insurance cov-  
15 erage.

16 (2) PREVENTION OF DUPLICATIVE PAY-  
17 MENTS.—

18 (A) OTHER HEALTH PLANS.—No payment  
19 shall be made to a State under subsection (f)(1)  
20 for expenditures for health assistance provided  
21 for an individual to the extent that a private in-  
22 surer (as defined by the Secretary by regulation  
23 and including a group health plan (as defined  
24 in section 607(1) of the Employee Retirement  
25 Income Security Act of 1974), a service benefit

1 plan, and a health maintenance organization)  
2 would have been obligated to provide such as-  
3 sistance but for a provision of its insurance con-  
4 tract which has the effect of limiting or exclud-  
5 ing such obligation because the individual is eli-  
6 gible for or is provided health assistance under  
7 the plan.

8 (B) OTHER FEDERAL GOVERNMENTAL  
9 PROGRAMS.—Except as provided in any other  
10 provision of law, no payment shall be made to  
11 a State under subsection (f)(1) for expenditures  
12 for health assistance provided for an individual  
13 to the extent that payment has been made or  
14 can reasonably be expected to be made prompt-  
15 ly (as determined in accordance with regula-  
16 tions) under any other federally operated or fi-  
17 nanced health care insurance program. For  
18 purposes of this paragraph, rules similar to the  
19 rules for overpayments under section  
20 1903(d)(2) of the Social Security Act shall  
21 apply.

22 (3) APPLICATION OF CERTAIN GENERAL PROVI-  
23 SIONS.—The following provisions of the Social Secu-  
24 rity Act shall apply to States under subsection (f)(1)

1 in the same manner as they apply to a State under  
2 such title XIX:

3 (A) TITLE XIX PROVISIONS.—

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

6 (ii) Paragraphs (2), (16), and (17) of  
7 section 1903(i) (relating to limitations on  
8 payment).

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

11 (iv) Section 1920A (relating to pre-  
12 sumptive eligibility for children).

13 (B) TITLE XI PROVISIONS.—

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

17 (ii) Section 1124 (relating to disclo-  
18 sure of ownership and related informa-  
19 tion).

20 (iii) Section 1126 (relating to disclo-  
21 sure of information about certain convicted  
22 individuals).

23 (iv) Section 1128A (relating to civil  
24 monetary penalties).

1                   (v) Section 1128B(d) (relating to  
2                   criminal penalties for certain additional  
3                   charges).

4                   (vi) Section 1132 (relating to periods  
5                   within which claims must be filed).

6                   (4) RELATION TO HIPAA.—Health benefits cov-  
7                   erage provided under a State program or project  
8                   under this section shall be treated as creditable cov-  
9                   erage for purposes of part 7 of subtitle B of title I  
10                  of the Employee Retirement Income Security Act of  
11                  1974, title XXVII of the Public Health Service Act,  
12                  and subtitle K of the Internal Revenue Code of  
13                  1986.

14                  (k) AUTHORIZATION OF APPROPRIATIONS.—There is  
15                  authorized to be appropriated to carry out this section,  
16                  such sums as may be necessary in each fiscal year.  
17                  Amounts appropriated for a fiscal year under this sub-  
18                  section and not expended may be used in subsequent fiscal  
19                  years to carry out this section.

1 **TITLE IV—SENSE OF THE HOUSE**  
2 **OF REPRESENTATIVES**

3 **SEC. 401. MEDICARE AND MEDICAID REFORM AND SAV-**  
4 **INGS.**

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

8 (1) the Medicare program under title XVIII of  
9 the Social Security Act in—

10 (A) the reduction of fraud and abuse in  
11 the program,

12 (B) health information technology,

13 (C) comparative effectiveness, and

14 (D) chronic disease management; and

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

22 that are sufficient to result in projected reductions in the  
23 Medicare and Medicaid Federal budget baselines for fiscal  
24 years 2010 through 2015 that exceed the projected rev-  
25 enue loss for the same period attributable to the refund-

1 able portion of the tax credit under section 37 of the Inter-  
2 nal Revenue Code of 1986 (as added by title II of this  
3 Act) and the increase in the Federal budget baseline for  
4 the State children's health insurance program under title  
5 XXI of the Social Security Act from the provisions of and  
6 amendments made by title I of this Act.

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

○