

105TH CONGRESS
1ST SESSION

S. 13

To provide access to health insurance coverage for uninsured children and pregnant women.

IN THE SENATE OF THE UNITED STATES

JANUARY 21, 1997

Mr. DASCHLE (for himself, Ms. MIKULSKI, Mr. KENNEDY, Mr. BREAUX, Mr. DODD, Mrs. MURRAY, Mr. INOUE, Mr. JOHNSON, Ms. MOSELEY-BRAUN, Mr. ROCKEFELLER, Mr. DURBIN, Mr. KERRY, Mr. GLENN, and Mr. LAUTENBERG) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide access to health insurance coverage for uninsured children and pregnant women.

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

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

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Children’s Health Coverage Act”.

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

- Sec. 1. Short title; table of contents.
- Sec. 2. Definitions.

TITLE I—HEALTH INSURANCE COVERAGE FOR ELIGIBLE
CHILDREN

- Sec. 101. Establishment of program to provide eligible children with access to health insurance coverage.
- Sec. 102. Procedure for obtaining coverage under certified health plans.
- Sec. 103. Subsidy adjustment.
- Sec. 104. Limitation on preexisting condition exclusion period and prohibition on discrimination.
- Sec. 105. Maintenance of effort.
- Sec. 106. Oversight by Secretary.
- Sec. 107. Rules of construction.

TITLE II—HEALTH INSURANCE COVERAGE FOR PREGNANT
WOMEN

- Sec. 201. Expanding health insurance coverage for pregnant women.
- Sec. 202. Grants for innovative outreach.

TITLE III—CHILDREN’S HEALTH COVERAGE SUBSIDY CREDITS

- Sec. 301. Health coverage provided to premium subsidy eligible children through a tax credit for insurers.
- Sec. 302. Health coverage provided to premium subsidy eligible children through a refundable income tax credit.

1 SEC. 2. DEFINITIONS.

2 As used in this Act:

3 (1) **CERTIFIED HEALTH PLAN.**—The term “cer-
4 tified health plan” means a health plan that—

5 (A) is not an employer sponsored health
6 plan;

7 (B) provides family coverage or child only
8 coverage options; and

9 (C) is certified by a State under section
10 101(b)(1).

11 (2) **ELIGIBLE CHILD.**—The term “eligible
12 child” means an individual who has not attained the
13 age of 19.

1 (3) HEALTH INSURANCE ISSUER.—The term
2 “health insurance issuer” means an insurance com-
3 pany, insurance service, or insurance organization
4 (including a health maintenance organization, as de-
5 fined in paragraph (3)) which is licensed to engage
6 in the business of insurance in a State and which is
7 subject to State law which regulates insurance (with-
8 in the meaning of section 514(b)(2) of the Employee
9 Retirement Income Security Act of 1974).

10 (4) HEALTH MAINTENANCE ORGANIZATION.—
11 The term “health maintenance organization”
12 means—

13 (A) a Federally qualified health mainte-
14 nance organization (as defined in section
15 1301(a) of the Public Health Service Act (42
16 U.S.C. 300e(a))),

17 (B) an organization recognized under State
18 law as a health maintenance organization, or

19 (C) a similar organization regulated under
20 State law for solvency in the same manner and
21 to the same extent as such a health mainte-
22 nance organization.

23 (5) POVERTY LINE.—The term “poverty line”
24 means the income official poverty line (as defined by
25 the Office of Management and Budget, and revised

1 annually in accordance with section 673(2) of the
2 Omnibus Budget Reconciliation Act of 1981) appli-
3 cable to a family of the size involved.

4 (6) PREMIUM SUBSIDY ELIGIBLE CHILD.—The
5 term “premium subsidy eligible child” means any in-
6 dividual who—

7 (A) is an eligible child who was born after
8 December 31, 1984;

9 (B) is a citizen or qualified alien (as de-
10 fined in section 431(b) of the Personal Respon-
11 sibility and Work Opportunity Reconciliation
12 Act of 1996 (8 U.S.C. 1641(b));

13 (C) has a family income determined under
14 section 102(b) which does not exceed 300 per-
15 cent of the poverty line or has a family income
16 within the limits described in section 103(b)(2);

17 (D) is not eligible for assistance under a
18 program under title XIX of the Social Security
19 Act or, except as provided in section 102(e),
20 under a similar State program providing health
21 insurance or other health care coverage; and

22 (E)(i) except as provided in section 101(e)
23 or clause (ii), has not been covered, during the
24 12-month period ending on the date on which
25 the individual applies for subsidy-eligible health

1 coverage under this title, under a health plan
2 offered by a health insurance issuer (unless
3 such plan was funded under title IX of the So-
4 cial Security Act (42 U.S.C. 1101 et seq.))
5 and—

6 (I) such individual does not have ac-
7 cess to employer sponsored health cov-
8 erage; or

9 (II) the employer of the individual or
10 family involved offers employer sponsored
11 health coverage and the employer contribu-
12 tion for such 12-month period does not ex-
13 ceed—

14 (aa) in the case of an individual
15 (or family) described in section
16 103(a)(2)(A), 80 percent or more of
17 the costs of enrollment in the plan; or

18 (bb) in the case of an individual
19 (or family) described in section
20 103(a)(2)(B), 50 percent or more of
21 the costs of enrollment in the plan; or

22 (ii) is, as of the date of enactment of this
23 Act, covered under a health plan that is not a
24 group health plan (as defined in section 2791 of
25 the Public Health Service Act), and the family

1 of such individual is not eligible to claim a de-
 2 duction under section 162(l) of the Internal
 3 Revenue Code of 1986.

4 (7) SECRETARY.—The term “Secretary” means
 5 the Secretary of Health and Human Services.

6 (8) SUBSIDY ELIGIBLE HEALTH COVERAGE.—
 7 The term “subsidy eligible health coverage” means
 8 health insurance coverage under—

9 (A) a certified health plan; or

10 (B) an employer sponsored health plan
 11 providing family coverage or child-only coverage
 12 options;

13 for which a subsidy is available under this title.

14 **TITLE I—HEALTH INSURANCE**
 15 **COVERAGE FOR ELIGIBLE**
 16 **CHILDREN**

17 **SEC. 101. ESTABLISHMENT OF PROGRAM TO PROVIDE ELI-**
 18 **GIBLE CHILDREN WITH ACCESS TO HEALTH**
 19 **INSURANCE COVERAGE.**

20 (a) ESTABLISHMENT.—The Secretary shall establish
 21 a program under which a premium subsidy eligible child,
 22 and the family of such child, may receive a subsidy to be
 23 used to pay a portion of the premium associated with the
 24 enrollment of the child for subsidy eligible health coverage

1 under a certified health plan or employer sponsored health
2 plan.

3 (b) STATE RESPONSIBILITIES.—Under the program
4 established under subsection (a)—

5 (1) the insurance commissioner of a State may
6 certify a health plan if the commissioner determines
7 that—

8 (A) the health plan—

9 (i) provides family or child-only cov-
10 erage;

11 (ii) meets general coverage guidelines
12 that are established by the Secretary and
13 designed to ensure that the plan provides
14 comprehensive coverage, including preven-
15 tive, basic, and catastrophic benefits that
16 meet the health care needs of children (ei-
17 ther as part of a family plan or a child-
18 only plan);

19 (B) the average premium for the enroll-
20 ment of a child under such plan is reasonable
21 when taking into consideration the demographic
22 and health status related factors of the popu-
23 lation for which the plan will be marketed;

1 (C) each premium subsidy eligible child
2 that is enrolled under the plan will be assessed
3 the same premium;

4 (D) the plan provides for guaranteed issue
5 with respect to premium subsidy eligible chil-
6 dren;

7 (E) complies with the provisions of section
8 104 regarding preexisting condition exclusions;

9 (F) the health insurance issuer involved is
10 participating in any applicable reinsurance pro-
11 gram that has been established by the State to
12 defray the costs of unevenly distributed risk
13 among issuers; and

14 (G) the plan meets any other criteria es-
15 tablished by the State;

16 (2) the insurance commissioner of the State
17 shall provide information on the availability of cer-
18 tified health plans and the availability of subsidies in
19 accordance with this title;

20 (3) the appropriate State entity (as determined
21 by the Chief Executive Officer of the State) shall
22 conduct income verification and reconciliation activi-
23 ties with respect to eligible children and families de-
24 siring to participate in the program in the State and
25 issue certificates in accordance with section 102;

1 (4) the appropriate State entity (as determined
2 under paragraph (4)) shall be responsible for the
3 collection of premiums from premium subsidy eligi-
4 ble children and the forwarding of such premiums to
5 the appropriate certified health plans;

6 (5) the State (through its own authority or act-
7 ing in conjunction with the Secretary under sub-
8 section (f)(3)) shall ensure that each eligible child in
9 the State has a reasonable choice of health insurance
10 issuers that offer child-only coverage consistent with
11 the standards developed by the Secretary under this
12 title;

13 (6) the State will establish any other require-
14 ments and procedures necessary to carry out this
15 title within the State; and

16 (7) the State shall comply with any other re-
17 quirements established by the Secretary.

18 (c) PARTICIPATION OF ISSUERS.—

19 (1) IN GENERAL.—Any health plan may submit
20 an application with the appropriate State insurance
21 commissioner for certification under this section and
22 such plan shall be certified if it meets the require-
23 ments of subsection (b)(1). Employer-sponsored
24 health plans shall not be required to be certified
25 under this title.

1 (2) REQUIREMENT FOR FEDERAL CONTRAC-
2 TORS.—

3 (A) IN GENERAL.—Each health insurance
4 issuer that provides health coverage under con-
5 tract with any Federal program and that offers
6 1 or more health plans that provide family cov-
7 erage options shall submit an application, with
8 the appropriate State insurance commissioner,
9 for the certification of 1 or more health plans
10 that provide the children’s only coverage de-
11 scribed in subsection (b)(1)(A). Such an issuer
12 shall apply for the certification of at least 1
13 health plan that provides child-only coverage,
14 and may apply for the certification of 1 or more
15 health plans that provide family coverage if
16 such plans provides coverage for children as de-
17 scribed in subsection (b)(1)(A).

18 (B) PENALTY.—A health insurance issuer
19 shall be ineligible to provide benefits under a
20 Federal contract described in subparagraph (A)
21 if—

22 (i) the issuer fails, in good faith, to
23 submit an application as required under
24 subparagraph (A);

1 (ii) the State insurance commissioner
2 fails to certify a health plan of the issuer
3 as meeting the requirements of this title;
4 or

5 (iii) the issuer fails to make any modi-
6 fications to the application or to a health
7 plan as requested by the State insurance
8 commissioner for the certification of a
9 health plan.

10 (C) PARTICIPATION IN INDIVIDUAL MAR-
11 KET.—Notwithstanding subparagraph (A), a
12 health insurance issuer described in such sub-
13 paragraph shall not be required to offer cov-
14 erage in the individual market (as defined in
15 section 2791(e)(1)) unless the issuer is other-
16 wise participating in such market. Such an is-
17 suer shall be required to offer coverage to eligi-
18 ble children under this title through the partici-
19 pation of the issuer in all group purchasing ar-
20 rangements operating in the area served by the
21 issuer, except that with respect to employer-
22 sponsored health plans, the obligation of an is-
23 suer to offer child-only coverage shall be limited
24 to employers to which such issuers are other-
25 wise offering coverage.

1 (3) EXPEDITED PROCEDURES.—The State in-
2 surance commissioner of a State shall establish expe-
3 dited procedures for the certification of health plans
4 that have been offered in the insurance market in
5 the State during the 1-year period preceding the
6 date on which a certification is sought.

7 (4) OFFERING OF COVERAGE.—A health insur-
8 ance issuer shall offer certified health plans to each
9 eligible child residing in the area served by the is-
10 suer regardless of the family income of such child.
11 Coverage provided under such plans may vary in ac-
12 cordance with this Act depending on whether the en-
13 rollee is an eligible child or a premium subsidy eligi-
14 ble child. Such coverage may be offered through in-
15 surance agents or brokers.

16 (d) AVERAGE COVERAGE AMOUNT.—

17 (1) DETERMINATION.—The Secretary, in con-
18 sultation with State insurance commissioners and
19 other experts in the field of health insurance, shall
20 determine the average coverage amount with respect
21 to certified health plans. The amount shall be based
22 on the average costs of comprehensive health insur-
23 ance coverage for children as determined using data
24 derived from existing State initiatives that have been

1 established to provide health care coverage for unin-
2 sured children and data on the average market rates
3 for health plans offering coverage reasonably similar
4 to that of the coverage offered under certified health
5 plans.

6 (2) ADJUSTMENTS.—The Secretary shall annu-
7 ally adjust the average coverage amount determined
8 under paragraph (1) to ensure that such amount ac-
9 curately reflects the reasonable costs associated with
10 the purchase of coverage under a certified health
11 plan and regional variations in health care costs.

12 (3) APPLICATION OF AMOUNT TO CHILD POR-
13 TION OF PLAN.—In establishing and applying the
14 average coverage amount under paragraph (1), the
15 Secretary shall ensure that the amount relates solely
16 to the comprehensive coverage applicable to the pre-
17 mium subsidy eligible child. If coverage of a pre-
18 mium subsidy eligible child is under a certified fam-
19 ily plan, the average coverage amount shall relate
20 solely to that portion of the plan that provides the
21 coverage for the eligible child.

22 (e) WAIVER OF PREVIOUS COVERAGE LIMITATION.—

23 (1) ESTABLISHMENT OF PROCESS.—The Sec-
24 retary shall establish a process to waive the limita-
25 tion described in section 2(6)(D) with respect to an

1 individual if the Secretary determines that the indi-
2 vidual was covered under a health plan during the
3 period referred to in such section as a dependent of
4 another individual and that the coverage was termi-
5 nated involuntarily or the loss of coverage results
6 from a change in employment.

7 (2) LIMITATION.—The process established
8 under paragraph (1) shall not permit a waiver with
9 respect to previous coverage that was terminated by
10 an employer (or with respect to which the contribu-
11 tion of the employer toward such coverage was re-
12 duced) unless the Secretary determines that such
13 coverage was terminated because the employer
14 ceased its operations or because of other cir-
15 cumstances clearly unrelated to the availability of
16 subsidies under this title.

17 (f) PROVISION OF TECHNICAL ASSISTANCE BY SEC-
18 RETARY.—

19 (1) ALTERNATIVE PROCEDURES.—The Sec-
20 retary, at the request of and in conjunction with the
21 insurance commissioner of a State, shall assist the
22 State in establishing alternative rate review and ap-
23 proval procedures that apply to the health plans

1 seeking certification under this section. Any proce-
2 dures established under this paragraph shall be con-
3 sistent with the goals and requirements of this title.

4 (2) STRATEGIES TO IMPROVE INSURANCE MAR-
5 KET.—

6 (A) IN GENERAL.—The Secretary, at the
7 request of and in conjunction with a State,
8 shall develop and pursue strategies to encour-
9 age competition, prevent fraudulent practices,
10 ensure the adequacy of rates to prevent access
11 barriers, and achieve goals consistent with this
12 title with respect to the health insurance mar-
13 ket in the State. Such strategies may include
14 the establishment of commercial insurance pool-
15 ing arrangements that may be used by small
16 businesses and integrated with other purchasing
17 pools, the implementation of competitive bid-
18 ding mechanisms, and the coordination of in-
19 surance delivery systems with delivery systems
20 under title XIX of the Social Security Act.

21 (B) TERMINATION.—The Secretary may
22 require that a State terminate or revise a strat-
23 egy implemented by the State under paragraph
24 (1) if the Secretary determines that the strat-
25 egy conflicts with a provision of this title.

1 (3) CHOICE OF ISSUERS.—The Secretary, at
 2 the request of and in conjunction with a State, shall
 3 assist the State in identifying and implementing
 4 strategies to ensure that choice is provided to eligi-
 5 ble children in accordance with subsection (b)(5).
 6 Such strategies may include the strategies described
 7 in paragraph (2)(A).

8 (g) PROCEDURES TO IDENTIFY THOSE ELIGIBLE
 9 FOR MEDICAID.—In carrying out the program under this
 10 title, the Secretary shall establish procedures to identify
 11 premium subsidy eligible children whose enrollment in a
 12 certified health plan is subsidized under this title and who
 13 subsequently become eligible for assistance under a State
 14 plan under title XIX of the Social Security Act as a result
 15 of disability, the amount of health care costs, or similar
 16 factors. Such procedures, while ensuring the continuity
 17 and coordination of care, shall ensure that assistance
 18 under such title XIX is the primary payer for children eli-
 19 gible for such assistance.

20 **SEC. 102. PROCEDURE FOR OBTAINING COVERAGE UNDER**
 21 **CERTIFIED HEALTH PLANS.**

22 (a) APPLICATION.—

23 (1) IN GENERAL.—To be eligible to receive a
 24 subsidy for the purchase of coverage under a cer-
 25 tified health plan under this title, a family on behalf

1 of a premium subsidy eligible child shall submit to
2 the State entity designated under section 101(b)(4)
3 an application that shall contain such income and
4 employment information as the State determines
5 necessary to make a determination with respect to
6 the eligibility of such applicant for a subsidy under
7 this title.

8 (2) TIME FOR FILING.—A family on behalf of
9 a premium subsidy eligible child may file an applica-
10 tion for a subsidy under this title at any time in ac-
11 cordance with this subsection.

12 (3) USE OF SIMPLE FORM.—For purposes of
13 this subsection, the State entity shall use an applica-
14 tion that shall be as simple in form as possible and
15 understandable to the average individual. The appli-
16 cation may require attachment of such documenta-
17 tion as deemed necessary by the State in order to
18 ensure eligibility for a subsidy.

19 (4) AVAILABILITY OF FORMS.—The State entity
20 shall make an application form available through
21 health care providers and participating issuers, pub-
22 lic assistance offices, public libraries, and at other
23 locations (including post offices) accessible to a
24 broad cross-section of families.

25 (b) ISSUANCE OF CERTIFICATE.—

1 (1) IN GENERAL.—

2 (A) NOTIFICATION OF APPLICANT.—If the
3 State entity described in subsection (a) deter-
4 mines that an applicant is eligible for a subsidy
5 under this title, the entity shall notify the appli-
6 cant of such eligibility and request that the ap-
7 plicant designate a certified health plan that
8 the applicant desires to enroll in.

9 (B) NOTIFICATION OF PLAN.—Upon a des-
10 ignation under subparagraph (A), the entity
11 shall forward a certificate of eligibility on behalf
12 of the applicant to the designated plan. Such
13 certificate shall contain identifying information
14 concerning the applicant and the eligible child
15 involved and the amount of the subsidy for
16 which the applicant is eligible.

17 (2) DETERMINATION BY STATE.—As elected by
18 a family at the time of the submission of an applica-
19 tion under subsection (a), the State entity shall
20 make a determination concerning family income ei-
21 ther—

22 (A) by multiplying by a factor of 4 the in-
23 come of the family for the 3-month period im-
24 mediately preceding the month in which the ap-
25 plication is made, or

1 (B) based upon estimated income for the
2 entire year in which the application is submit-
3 ted.

4 (3) TERM.—A certificate under paragraph (1)
5 shall remain in effect for the 6-month period begin-
6 ning on the date of the issuance of the certificate.
7 To continue to be eligible for a subsidy, a family
8 must apply to renew the certificate at the end of
9 each 6-month period.

10 (c) ENROLLMENT.—Upon receipt of a certificate of
11 eligibility under subsection (b), a certified health plan
12 shall ensure that the eligible child involved is appropriately
13 enrolled and that a copy of the enrollment and coverage
14 materials are provided to the enrollee. With respect to the
15 certified health plan involved, the plan shall use the certifi-
16 cate in accordance with section 103 to compute the
17 amount of the premiums that are owed by the family in-
18 volved.

19 (d) PAYMENT OF PREMIUMS.—

20 (1) IN GENERAL.—Upon receipt of the appro-
21 priate enrollment materials from a certified health
22 plan under subsection (c), a premium subsidy eligi-
23 ble child, the family income of which does not exceed
24 the limit described in section 103(a)(2)(B)(i), shall

1 be responsible for remitting to the State entity de-
2 scribed in subsection (a) the amount of the subsidy
3 adjusted premium owed under such plan.

4 (2) SUBSIDY ADJUSTED PREMIUM.—As used in
5 paragraph (1), the term “subsidy adjusted pre-
6 mium” means the total amount of the premium as-
7 sessed for the coverage of a premium subsidy eligible
8 child under a certified health plan less the amount
9 of the subsidy adjustment for which the child is eli-
10 gible under section 103.

11 (3) PAYMENT OF ISSUER.—A State shall, under
12 section 101(b)(4), establish procedures for the col-
13 lection of premiums under this subsection and the
14 payment of such premiums to the appropriate cer-
15 tified health plans.

16 (e) COVERAGE UNDER CERTAIN STATE PRO-
17 GRAMS.—

18 (1) COORDINATION OF PROGRAMS.—The Sec-
19 retary, in conjunction with States, shall provide for
20 the coordination of the program established under
21 this title with State programs that provide health in-
22 surance or other health care coverage for children.
23 Such coordination may include the use of subsidies
24 made available under this title to obtain coverage
25 that supplements any partial coverage provided

1 through such a State program or other coordinated
2 arrangement.

3 (2) ELIGIBILITY.—With respect to an eligible
4 child who is participating in a State program de-
5 scribed in paragraph (1), a State may, notwithstand-
6 ing section 2(6)(D), determine that such child is a
7 premium subsidy eligible child.

8 (3) ADJUSTMENT OF AVERAGE COVERAGE
9 AMOUNT.—The Secretary shall adjust the average
10 coverage amount under section 101(d) with respect
11 to an eligible child who is determined to be a pre-
12 mium subsidy eligible child under paragraph (2) to
13 reflect the cost of enrolling the child in any plan
14 providing supplemental coverage as described in
15 paragraph (1).

16 **SEC. 103. SUBSIDY ADJUSTMENT.**

17 (a) PREMIUM SUBSIDY ELIGIBLE CHILDREN.—

18 (1) ELIGIBILITY.—An eligible child who has
19 been determined by a State entity under section
20 102(b) to be a premium subsidy eligible child shall
21 be eligible for a premium subsidy adjustment in the
22 amount determined under paragraph (2) to be ap-
23 plied by the certified plan involved when computing
24 the amount of the premium owed by such child.

25 (2) AMOUNT.—

1 (A) FULL SUBSIDY.—

2 (i) IN GENERAL.—With respect to a
3 family, the family income of which does
4 not exceed 200 percent of the poverty line
5 for a family of the size involved, the
6 amount of a premium subsidy adjustment
7 specified in this paragraph for a premium
8 subsidy eligible child shall, subject to
9 clause (ii), be equal to 90 percent of the
10 annual premium for the child for such year
11 for coverage of the child under a certified
12 health plan.

13 (ii) LIMITATION.—The amount of a
14 subsidy adjustment for which a premium
15 subsidy eligible child is eligible under
16 clause (i) may not exceed the average cov-
17 erage amount for the child as determined
18 under section 101(d) with respect to the
19 region in which the plan is offered.

20 (B) GRADUATED SUBSIDY.—

21 (i) IN GENERAL.—With respect to a
22 family, the family income of which exceeds
23 200, but does not exceed 300, percent of
24 the poverty line for a family of the size in-
25 volved, the amount of a premium subsidy

1 adjustment specified in this paragraph for
 2 a premium subsidy eligible child shall be
 3 determined by substituting “the applicable
 4 percentage” for “90 percent” in subpara-
 5 graph (A).

6 (ii) APPLICABLE PERCENTAGE.—For
 7 purposes of clause (i), the term “applicable
 8 percentage” shall be determined using the
 9 following table:

“If the family income:	The applicable percentage shall be:
Exceeds 200, but does not exceed 225, percent of poverty	80
Exceeds 225, but does not exceed 250, percent of poverty	60
Exceeds 250, but does not exceed 275, percent of poverty	40
Exceeds 275, but does not exceed 300, percent of poverty	20
Exceeds 300 percent of poverty (subject to sub- section (b)(2))	10

10 (b) OTHER ELIGIBLE CHILDREN.—

11 (1) IN GENERAL.—A premium subsidy eligible
 12 child who is determined by the State to be a child
 13 described in paragraph (2), shall be eligible for a
 14 premium subsidy adjustment in the amount deter-
 15 mined under paragraph (3) to be obtained through
 16 a refundable tax credit determined under section
 17 34A of the Internal Revenue Code of 1986.

1 (2) INCOME LIMITATION.—A premium subsidy
2 eligible child described in this paragraph is a pre-
3 mium subsidy eligible child the family income of
4 which exceeds 300 percent of the poverty line for a
5 family of the size involved, but the adjusted gross in-
6 come (as defined in section 62 of the Internal Reve-
7 nue Code of 1986) of which is less than \$75,000.

8 (3) AMOUNT.—

9 (A) IN GENERAL.—A premium subsidy eli-
10 gible child described in paragraph (2) shall be
11 eligible for a premium subsidy adjustment
12 which shall, subject to subparagraph (B), be
13 equal to 10 percent of the annual premium for
14 the child for such year for coverage of the child
15 under a certified health plan.

16 (B) LIMITATION.—The amount of a sub-
17 sidy adjustment for which a premium subsidy
18 eligible child is eligible under subparagraph (A)
19 may not exceed the average coverage amount
20 for the child as determined under section
21 101(d) with respect to the region in which the
22 plan is offered.

23 (4) PURCHASE OF COVERAGE BY THOSE NOT
24 ELIGIBLE FOR SUBSIDY.—An eligible child who is
25 not a premium subsidy eligible child and who enrolls

1 in a certified health plan shall be responsible for the
2 payment of the entire premium amount for coverage
3 under the plan. Such certified plan shall comply with
4 the applicable State insurance requirements and if
5 such requirements permit, may elect not to comply with
6 with the provisions of subparagraphs (D) (relating
7 to guaranteed issue) and (E) (relating to preexisting
8 condition exclusion) of section 101(b)(1).

9 (c) DETERMINATIONS OF INCOME.—For purposes of
10 this section and section 102(b):

11 (1) IN GENERAL.—The term “income” means
12 adjusted gross income (as defined in section 62(a) of
13 the Internal Revenue Code of 1986)—

14 (A) determined without regard to sections
15 135, 162(l), 911, 931, and 933 of such Code;
16 and

17 (B) increased by—

18 (i) the amount of interest received or
19 accrued which is exempt from tax, plus

20 (ii) the amount of social security ben-
21 efits (described in section 86(d) of such
22 Code) which is not includible in gross in-
23 come under section 86 of such Code.

24 (2) FAMILY INCOME.—The term “family in-
25 come” means, with respect to a family, the sum of

1 the income for all members of the family, not includ-
 2 ing the income of a dependent child with respect to
 3 which no return is required under the Internal Reve-
 4 nue Code of 1986.

5 (d) PROHIBITION ON REMITTING FUNDS.—A health
 6 insurance issuer may not in any manner remit any portion
 7 of the premium that a family is responsible for under this
 8 title.

9 **SEC. 104. LIMITATION ON PREEXISTING CONDITION EXCLU-**
 10 **SION PERIOD AND PROHIBITION ON DIS-**
 11 **CRIMINATION.**

12 (a) PREEXISTING CONDITIONS.—

13 (1) IN GENERAL.—No preexisting condition ex-
 14 clusion shall be imposed by a certified health plan or
 15 an employer-sponsored health plan, with respect to
 16 the enrollment and coverage of any premium subsidy
 17 eligible child.

18 (2) DEFINITION.—As used in this subsection,
 19 the term “preexisting condition exclusion” shall have
 20 the meaning given such term by section 2701(b)(1)
 21 of the Public Health Service Act (as added by sec-
 22 tion 102 of the Health Insurance Portability and Ac-
 23 countability Act of 1996).

24 (b) PROHIBITION OF DISCRIMINATION ON BASIS OF
 25 HEALTH STATUS.—

1 (1) IN ELIGIBILITY TO ENROLL.—

2 (A) IN GENERAL.—Subject to subpara-
3 graph (B), a health insurance issuer may not
4 establish rules for eligibility (including contin-
5 ued eligibility) of any premium subsidy eligible
6 child to enroll in a certified health plan or em-
7 ployer-sponsored health plan based on any of
8 the following factors in relation to the premium
9 subsidy eligible child:

10 (i) Health status.

11 (ii) Medical condition (including both
12 physical and mental illnesses).

13 (iii) Claims experience.

14 (iv) Receipt of health care.

15 (v) Medical history.

16 (vi) Genetic information.

17 (vii) Evidence of insurability (includ-
18 ing conditions arising out of acts of domes-
19 tic violence).

20 (viii) Disability.

21 (B) NO APPLICATION TO BENEFITS OR EX-
22 CLUSIONS.—Subparagraph (A) shall not be con-
23 strued—

24 (i) to require a certified health plan or
25 employer-sponsored health plan to provide

1 particular benefits other than those pro-
2 vided under the terms of the coverage, or

3 (ii) to prevent such plan from estab-
4 lishing limitations or restrictions on the
5 amount, level, extent, or nature of the ben-
6 efits or coverage for similarly situated chil-
7 dren enrolled in the plan.

8 (2) IN PREMIUM CONTRIBUTIONS.—

9 (A) IN GENERAL.—With respect to a cer-
10 tified health plan or employer-sponsored health
11 plan, a health insurance issuer may not require
12 that any premium subsidy eligible child (as a
13 condition of enrollment or continued enrollment
14 under the certified or employer-sponsored
15 health plan involved) to pay a premium or con-
16 tribution that is greater than such premium or
17 contribution for a similarly situated child en-
18 rolled in the plan on the basis of any factor de-
19 scribed in paragraph (1)(A) in relation to the
20 child.

21 (B) CONSTRUCTION.—Nothing in subpara-
22 graph (A) shall be construed—

23 (i) to restrict the amount that an em-
24 ployer may be charged for coverage under
25 a plan; or

1 (ii) to prevent a health insurance is-
 2 suer from establishing premium discounts
 3 or rebates or modifying otherwise applica-
 4 ble copayments or deductibles in return for
 5 adherence to programs of health promotion
 6 and disease prevention.

7 (c) EMPLOYER MAY NOT DISCRIMINATE AGAINST
 8 INDIVIDUALS ELIGIBLE FOR A SUBSIDY.—

9 (1) GENERAL RULE.—An employer that elects
 10 to make employer contributions on behalf of an indi-
 11 vidual who is an employee of such employer, or who
 12 is a dependent of such employee, for health insur-
 13 ance coverage of the type described in section
 14 101(b)(1)(A) shall not condition, or vary such con-
 15 tributions with respect to any such individual by rea-
 16 son of such individual's or dependent's status as an
 17 child eligible for a premium subsidy under this title.

18 (2) ELIMINATION OF CONTRIBUTIONS.—An em-
 19 ployer shall not be treated as failing to meet the re-
 20 quirements of paragraph (1) if the employer ceases
 21 to make employer contributions for health insurance
 22 coverage for all its employees.

23 **SEC. 105. MAINTENANCE OF EFFORT.**

24 A State may not modify the eligibility requirements
 25 for children under the State program under title XIX of

1 the Social Security Act, as in effect on July 1, 1996, in
2 any manner that would have the effect of reducing the
3 eligibility of children for coverage under such program.

4 **SEC. 106. OVERSIGHT BY SECRETARY.**

5 In the case of a determination by the Secretary that
6 a State has failed to carry out or substantially enforce a
7 provision (or provisions) of this title, the Secretary shall
8 carry out or enforce such provision (or provisions) with
9 respect to the coverage of eligible children in such State.

10 **SEC. 107. RULES OF CONSTRUCTION.**

11 Nothing in this title shall be construed—

12 (1) as establishing premiums for health plans
13 or otherwise limiting the competitive health insur-
14 ance market within a State;

15 (2) as limiting the ability of a State to establish
16 health insurance purchasing pools, initiate a com-
17 petitive bidding process with respect to certified
18 health plans, or pursue other innovative strategies
19 aimed at maximizing the potential of market forces
20 to achieve quality and cost effectiveness; or

21 (3) as superseding any provision of State law
22 which—

23 (A) provides for the application of criteria,
24 in addition to those described in section
25 101(b)(1), for the certification of health plans

1 so long as such criteria do not directly conflict
2 with the goals of the criteria described in such
3 section; or

4 (B) establishes, implements, or continues
5 in effect any standard or requirement relating
6 solely to health insurance issuers in connection
7 with certified health plans or the coverage of el-
8 igible children, except to the extent that such
9 standard or requirement prevents the applica-
10 tion of a requirement of this title.

11 **SEC. 108. MISCELLANEOUS PROVISIONS.**

12 (a) **TRANSITION RULE.**—With respect to the 12-
13 month period described in section 2(6)(E), such period
14 shall be reduced as follows:

15 (1) For premium subsidy eligible children desir-
16 ing to enroll in a certified plan during the first full
17 month after the date on which this Act becomes ef-
18 fective, the period shall be 6 months.

19 (2) For premium subsidy eligible children desir-
20 ing to enroll in a certified plan during the second
21 full month after the date on which this Act becomes
22 effective, the period shall be 7 months.

23 (3) For premium subsidy eligible children desir-
24 ing to enroll in a certified plan during the third full

1 month after the date on which this Act becomes ef-
2 fective, the period shall be 8 months.

3 (4) For premium subsidy eligible children desir-
4 ing to enroll in a certified plan during the fourth full
5 month after the date on which this Act becomes ef-
6 fective, the period shall be 9 months.

7 (5) For premium subsidy eligible children desir-
8 ing to enroll in a certified plan during the fifth full
9 month after the day on which this Act becomes ef-
10 fective, the period shall be 10 months.

11 (6) For premium subsidy eligible children desir-
12 ing to enroll in a certified plan during the sixth full
13 month after the day on which this Act becomes ef-
14 fective, the period shall be 11 months.

15 **TITLE II—HEALTH INSURANCE**
16 **COVERAGE FOR PREGNANT**
17 **WOMEN**

18 **SEC. 201. EXPANDING HEALTH INSURANCE COVERAGE FOR**
19 **PREGNANT WOMEN.**

20 (a) ESTABLISHMENT OF GRANT PROGRAM.—The
21 Secretary shall establish a program to provide grants to
22 States to enable such States to assist pregnant women in
23 obtaining appropriate prenatal, perinatal and postnatal
24 care.

1 (b) APPLICATION.—To be eligible to receive a grant
2 under this section, a State shall prepare and submit to
3 the Secretary an application at such time, in such manner,
4 and containing such information as the Secretary may re-
5 quire.

6 (c) AMOUNT OF GRANT.—

7 (1) IN GENERAL.—From the amount available
8 for grants under subsection (e) for a fiscal year, the
9 Secretary shall award a grant to each State in an
10 amount that is equal to an amount which bears the
11 same relationship to such amount as the pregnancy
12 coverage amount of the State as determined under
13 paragraph (2) bears to the pregnancy coverage
14 amount for all States.

15 (2) PREGNANCY COVERAGE AMOUNT.—For pur-
16 poses of paragraph (1), the pregnancy coverage
17 amount of a State shall be equal to—

18 (A) the number of estimated uninsured
19 pregnant women in the State the family income
20 of which does not exceed 300 percent of the
21 poverty line for a family of the size involved;
22 and

23 (B) the average per capita cost of provid-
24 ing pregnancy benefits to such women.

1 (3) GUIDELINES.—The Secretary, in consulta-
2 tion with the National Association of Insurance
3 Commissioners and the American Academy of Actu-
4 aries, shall establish guidelines for the determination
5 of the amounts described in subparagraphs (A) and
6 (B) of paragraph (2).

7 (d) USE OF AMOUNTS.—A State shall use amounts
8 received under a grant provided under this section to as-
9 sist pregnant women in obtaining appropriate prenatal,
10 perinatal and postnatal care as approved by the Secretary.

11 (e) AUTHORIZATION OF APPROPRIATIONS.—There is
12 authorized to be appropriated such sums as may be nec-
13 essary to carry out this section.

14 **SEC. 202. GRANTS FOR INNOVATIVE OUTREACH.**

15 (a) ESTABLISHMENT OF GRANT PROGRAM.—The
16 Secretary shall establish a program to provide categorical
17 grants to States to assist children and pregnant women
18 in obtaining health care services and coverage for which
19 they are eligible.

20 (b) APPLICATION.—To be eligible to receive a grant
21 under this section, a State shall prepare and submit to
22 the Secretary an application at such time, in such manner,
23 and containing such information as the Secretary may re-
24 quire.

1 (c) AMOUNT OF GRANT.—The Secretary shall deter-
2 mine the amount of a grant provided under this section.

3 (d) USE OF AMOUNTS.—A State shall use amounts
4 received under a grant provided under this section to carry
5 out innovative outreach activities to promote the timely
6 enrollment of pregnant women and children in health
7 plans or other programs that provide prenatal care and
8 other pregnancy-related services or comprehensive care for
9 children.

10 (e) AUTHORIZATION OF APPROPRIATIONS.—There is
11 authorized to be appropriated such sums as may be nec-
12 essary to carry out this section.

13 **TITLE III—CHILDREN’S HEALTH**
14 **COVERAGE SUBSIDY CREDITS**

15 **SEC. 301. HEALTH COVERAGE PROVIDED TO PREMIUM SUB-**
16 **SIDY ELIGIBLE CHILDREN THROUGH A TAX**
17 **CREDIT FOR INSURERS.**

18 (a) IN GENERAL.—Subpart B of part IV of sub-
19 chapter A of chapter 1 of the Internal Revenue Code of
20 1986 (relating to other credits) is amended by adding at
21 the end the following:

1 **“SEC. 30B. CHILDREN’S HEALTH COVERAGE SUBSIDY CRED-**
 2 **IT FOR INSURERS.**

3 “(a) DETERMINATION OF AMOUNT.—There shall be
 4 allowed as a credit against the applicable tax for the tax-
 5 able year an amount equal to the eligible premium sub-
 6 sidies provided by a health insurance issuer for coverage
 7 under 1 or more certified health plans during the taxable
 8 year under the Children’s Health Coverage Act.

9 “(b) APPLICABLE TAX.—For purposes of this sec-
 10 tion, the term ‘applicable tax’ means the excess (if any)
 11 of—

12 “(1) the sum of—

13 “(A) the tax imposed under this chapter
 14 (other than the taxes imposed under the provi-
 15 sions described in subparagraphs (C) through
 16 (O) of section 26(b)(1)), plus

17 “(B) the tax imposed under chapter 21,
 18 over

19 “(2) the credits allowable under subparts B and
 20 D of this part.

21 “(c) ELIGIBLE PREMIUM SUBSIDIES.—The term ‘eli-
 22 gible premium subsidies’ means premium subsidies for
 23 premium subsidy eligible children (as defined in section
 24 2(6) of the Children’s Health Coverage Act).

25 “(d) OTHER DEFINITIONS.—For purposes of this
 26 section, the terms ‘health insurance issuer’ and ‘certified

1 health plan' have the meaning given those terms by section
2 2 of the Children's Health Coverage Act.".

3 (b) TRANSFER TO TRUST FUNDS.—The Secretary of
4 the Treasury shall transfer from the general fund to the
5 Old-Age, Survivors, and Disability Insurance Trust Fund
6 and to the Hospital Insurance Trust Fund amounts equiv-
7 alent to the amount of the reduction in taxes imposed by
8 section 3111 of the Internal Revenue Code of 1986 by rea-
9 son of the credit determined under section 30B (relating
10 to the children's health coverage subsidy credit for insur-
11 ers). Any such transfer shall be made at the same time
12 the reduced taxes would have been deposited in either such
13 Trust Fund.

14 (c) CONFORMING AMENDMENT.—The table of sec-
15 tions for subpart B of part IV of subchapter A of chapter
16 1 of the Internal Revenue Code of 1986 is amended by
17 adding at the end the following:

“Sec. 30B. Children's health coverage subsidy credit for insurers.”.

18 (e) EFFECTIVE DATE.—The amendments made by
19 this section apply to taxable years beginning after Decem-
20 ber 31, 1997.

21 **SEC. 302. HEALTH COVERAGE PROVIDED TO PREMIUM SUB-**
22 **SIDY ELIGIBLE CHILDREN THROUGH A RE-**
23 **FUNDABLE INCOME TAX CREDIT.**

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

1 1986 (relating to refundable personal credits) is amended
 2 by inserting after section 34 the following:

3 **“SEC. 34A. CHILDREN’S HEALTH COVERAGE.**

4 “(a) ALLOWANCE OF CREDIT.—In the case of a pre-
 5 mium subsidy eligible individual, there shall be allowed as
 6 a credit against the tax imposed by this subtitle for the
 7 taxable year an amount equal to the premium subsidy de-
 8 termined under section 103(b)(3) of the Children’s Health
 9 Coverage Act for such individual for the taxable year.

10 “(b) PREMIUM SUBSIDY ELIGIBLE INDIVIDUAL.—
 11 For purposes of this section, the term ‘premium subsidy
 12 eligible individual’ means, with respect to any period, an
 13 individual who has as a dependent for the taxable year
 14 1 or more premium subsidy eligible children described in
 15 section 103(b)(2) of the Children’s Health Coverage Act.

16 “(c) REGULATIONS.—The Secretary shall prescribe
 17 such regulations as may be necessary to carry out the pur-
 18 poses of this section.”.

19 (b) COORDINATION WITH DEDUCTIONS FOR HEALTH
 20 INSURANCE EXPENSES.—

21 (1) SELF-EMPLOYED INDIVIDUALS.—Section
 22 162(l) of the Internal Revenue Code of 1986 (relat-
 23 ing to special rules for health insurance costs of self-
 24 employed individuals) is amended by adding after
 25 paragraph (5) the following:

1 “(6) COORDINATION WITH CHILDREN’S
2 HEALTH COVERAGE CREDIT.—Paragraph (1) shall
3 not apply to any amount taken into account in com-
4 puting the amount of the credit allowed under sec-
5 tion 34A.”.

6 (2) MEDICAL, DENTAL, ETC., EXPENSES.—Sec-
7 tion 213(e) of such Code (relating to exclusion of
8 amounts allowed for care of certain dependents) is
9 amended by inserting “or section 34A” after “sec-
10 tion 21”.

11 (c) CONFORMING AMENDMENT.—The table of sec-
12 tions for subpart A of part IV of subchapter A of chapter
13 1 of the Internal Revenue Code of 1986 is amended by
14 inserting after the item relating to section 34 the follow-
15 ing:

“Sec. 34A. Children’s health coverage.”.

16 (d) EFFECTIVE DATE.—The amendments made by
17 this section apply to taxable years beginning after Decem-
18 ber 31, 1997.

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