To provide for reconciliation pursuant to title II of the concurrent resolution on the budget for fiscal year 2017.

IN THE HOUSE OF REPRESENTATIVES

MARCH 20, 2017

Mrs. BLACK from the Committee on the Budget, reported the following bill; which was committed to the Committee of the Whole House on the State of the Union and ordered to be printed
A BILL

To provide for reconciliation pursuant to title II of the concurrent resolution on the budget for fiscal year 2017.
Be it enacted by the Senate and House of Representa-
tives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “American Health Care
Act of 2017”.

SEC. 2. TABLE OF CONTENTS.

The table of contents of this Act is as follows:

Sec. 1. Short title.
Sec. 2. Table of contents.

TITLE I—ENERGY AND COMMERCE

Subtitle A—Patient Access to Public Health Programs
Sec. 101. The Prevention and Public Health Fund.
Sec. 102. Community health center program.
Sec. 103. Federal payments to States.

Subtitle B—Medicaid Program Enhancement
Sec. 111. Repeal of Medicaid provisions.
Sec. 112. Repeal of Medicaid expansion.
Sec. 113. Elimination of DSH cuts.
Sec. 114. Reducing State Medicaid costs.
Sec. 115. Safety net funding for non-expansion States.
Sec. 116. Providing incentives for increased frequency of eligibility redetermina-
tions.

Subtitle C—Per Capita Allotment for Medical Assistance
Sec. 121. Per capita allotment for medical assistance.

Subtitle D—Patient Relief and Health Insurance Market Stability
Sec. 131. Repeal of cost-sharing subsidy.
Sec. 132. Patient and State Stability Fund.
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rates.

TITLE II—COMMITTEE ON WAYS AND MEANS

Subtitle A—Repeal and Replace of Health-Related Tax Policy
Sec. 201. Recapture excess advance payments of premium tax credits.
Sec. 202. Additional modifications to premium tax credit.
Sec. 203. Premium tax credit.
Sec. 204. Small business tax credit.
Sec. 205. Individual mandate.

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Sec. 206. Employer mandate.
Sec. 207. Repeal of the tax on employee health insurance premiums and health plan benefits.
Sec. 208. Repeal of tax on over-the-counter medications.
Sec. 209. Repeal of increase of tax on health savings accounts.
Sec. 210. Repeal of limitations on contributions to flexible spending accounts.
Sec. 211. Repeal of medical device excise tax.
Sec. 212. Repeal of elimination of deduction for expenses allocable to medicare part D subsidy.
Sec. 213. Repeal of increase in income threshold for determining medical care deduction.
Sec. 214. Repeal of Medicare tax increase.
Sec. 215. Refundable tax credit for health insurance coverage.
Sec. 216. Maximum contribution limit to health savings account increased to amount of deductible and out-of-pocket limitation.
Sec. 217. Allow both spouses to make catch-up contributions to the same health savings account.
Sec. 218. Special rule for certain medical expenses incurred before establishment of health savings account.

Subtitle B—Repeal of Certain Consumer Taxes

Sec. 221. Repeal of tax on prescription medications.
Sec. 222. Repeal of health insurance tax.

Subtitle C—Repeal of Tanning Tax

Sec. 231. Repeal of tanning tax.

Subtitle D—Remuneration From Certain Insurers

Sec. 241. Remuneration from certain insurers.

Subtitle E—Repeal of Net Investment Income Tax

Sec. 251. Repeal of net investment income tax.

1 TITLE I—ENERGY AND COMMERCE
2
3 Subtitle A—Patient Access to Public Health Programs
4
5 SEC. 101. THE PREVENTION AND PUBLIC HEALTH FUND.
6 (a) In General.—Subsection (b) of section 4002 of the Patient Protection and Affordable Care Act (42 U.S.C. 300u–11), as amended by section 5009 of the 21st Century Cures Act, is amended—
(1) in paragraph (2), by adding “and” at the end;

(2) in paragraph (3)—

(A) by striking “each of fiscal years 2018 and 2019” and inserting “fiscal year 2018”;

and

(B) by striking the semicolon at the end and inserting a period; and

(3) by striking paragraphs (4) through (8).

(b) Rescission of Unobligated Funds.—Of the funds made available by such section 4002, the unobligated balance at the end of fiscal year 2018 is rescinded.

SEC. 102. COMMUNITY HEALTH CENTER PROGRAM.

Effective as if included in the enactment of the Medicare Access and CHIP Reauthorization Act of 2015 (Public Law 114–10, 129 Stat. 87), paragraph (1) of section 221(a) of such Act is amended by inserting “, and an additional $422,000,000 for fiscal year 2017” after “2017”.

SEC. 103. FEDERAL PAYMENTS TO STATES.

(a) In General.—Notwithstanding section 504(a), 1902(a)(23), 1903(a), 2002, 2005(a)(4), 2102(a)(7), or 2105(a)(1) of the Social Security Act (42 U.S.C. 704(a), 1396a(a)(23), 1396b(a), 1397a, 1397d(a)(4), 1397bb(a)(7), 1397ee(a)(1)), or the terms of any Medicaid waiver in effect on the date of enactment of this Act...
that is approved under section 1115 or 1915 of the Social Security Act (42 U.S.C. 1315, 1396n), for the 1-year period beginning on the date of the enactment of this Act, no Federal funds provided from a program referred to in this subsection that is considered direct spending for any year may be made available to a State for payments to a prohibited entity, whether made directly to the prohibited entity or through a managed care organization under contract with the State.

(b) DEFINITIONS.—In this section:

(1) PROHIBITED ENTITY.—The term “prohibited entity” means an entity, including its affiliates, subsidiaries, successors, and clinics—

(A) that, as of the date of enactment of this Act—

(i) is an organization described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of such Code;

(ii) is an essential community provider described in section 156.235 of title 45, Code of Federal Regulations (as in effect on the date of enactment of this Act), that is primarily engaged in family planning
services, reproductive health, and related medical care; and

(iii) provides for abortions, other than an abortion—

(I) if the pregnancy is the result of an act of rape or incest; or

(II) in the case where a woman suffers from a physical disorder, physical injury, or physical illness that would, as certified by a physician, place the woman in danger of death unless an abortion is performed, including a life-endangering physical condition caused by or arising from the pregnancy itself; and

(B) for which the total amount of Federal and State expenditures under the Medicaid program under title XIX of the Social Security Act in fiscal year 2014 made directly to the entity and to any affiliates, subsidiaries, successors, or clinics of the entity, or made to the entity and to any affiliates, subsidiaries, successors, or clinics of the entity as part of a nationwide health care provider network, exceeded $350,000,000.
(2) **DIRECT SPENDING.**—The term “direct spending” has the meaning given that term under section 250(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 900(c)).

**Subtitle B—Medicaid Program Enhancement**

**SEC. 111. REPEAL OF MEDICAID PROVISIONS.**

The Social Security Act is amended—

(1) in section 1902 (42 U.S.C. 1396a)—

(A) in subsection (a)(47)(B), by inserting “and provided that any such election shall cease to be effective on January 1, 2020, and no such election shall be made after that date” before the semicolon at the end; and

(B) in subsection (l)(2)(C), by inserting “and ending December 31, 2019,” after “January 1, 2014,”;

(2) in section 1915(k)(2) (42 U.S.C. 1396n(k)(2)), by striking “during the period described in paragraph (1)” and inserting “on or after the date referred to in paragraph (1) and before January 1, 2020”; and

(3) in section 1920(e) (42 U.S.C. 1396r–1(e)), by striking “under clause (i)(VIII), clause (i)(IX), or clause (ii)(XX) of subsection (a)(10)(A)” and insert-
SEC. 112. REPEAL OF MEDICAID EXPANSION.

(a) IN GENERAL.—Section 1902(a)(10)(A) of the Social Security Act (42 U.S.C. 1396a(a)(10)(A)) is amended—

(1) in clause (i)(VIII), by inserting “at the option of a State,” after “January 1, 2014,”; and

(2) in clause (ii)(XX), by inserting “and ending December 31, 2019,” after “2014,”.

(b) TERMINATION OF EFMAP FOR NEW ACA EXPANSION ENROLLEES.—Section 1905 of the Social Security Act (42 U.S.C. 1396d) is amended—

(1) in subsection (y)(1), in the matter preceding subparagraph (A), by striking “with respect to” and all that follows through “shall be” and inserting “with respect to amounts expended before January 1, 2020, by such State for medical assistance for newly eligible individuals described in subclause (VIII) of section 1902(a)(10)(A)(i) who are enrolled under the State plan (or a waiver of the plan) before such date and with respect to amounts expended after such date by such State for medical assistance for individuals described in such subclause who were
enrolled under such plan (or waiver of such plan) as of December 31, 2019, and who do not have a break in eligibility for medical assistance under such State plan (or waiver) for more than one month after such date, shall be”; and

(2) in subsection (z)(2)—

(A) in subparagraph (A), by striking “medical assistance for individuals” and all that follows through “shall be” and inserting “amounts expended before January 1, 2020, by such State for medical assistance for individuals described in section 1902(a)(10)(A)(i)(VIII) who are nonpregnant childless adults with respect to whom the State may require enrollment in benchmark coverage under section 1937 and who are enrolled under the State plan (or a waiver of the plan) before such date and with respect to amounts expended after such date by such State for medical assistance for individuals described in such section, who are nonpregnant childless adults with respect to whom the State may require enrollment in benchmark coverage under section 1937, who were enrolled under such plan (or waiver of such plan) as of December 31, 2019, and who do not have a break in
eligibility for medical assistance under such State plan (or waiver) for more than one month after such date, shall be”; and

(B) in subparagraph (B)(ii)—

(i) in subclause (III), by adding “and” at the end; and

(ii) by striking subclauses (IV), (V), and (VI) and inserting the following new subclause:

“(IV) 2017 and each subsequent year is 80 percent.”.

(c) SunSet Of EssentIal Health Benefits Re-quirement.—Section 1937(b)(5) of the Social Security Act (42 U.S.C. 1396u–7(b)(5)) is amended by adding at the end the following: “This paragraph shall not apply after December 31, 2019.”.

SEC. 113. Elimination Of DsH Cuts.

Section 1923(f) of the Social Security Act (42 U.S.C. 1396r–4(f)) is amended—

(1) in paragraph (7)—

(A) in subparagraph (A)—

(i) in clause (i)—

(I) in the matter preceding subclause (I), by striking “2025” and inserting “2019”; and
(ii) in clause (ii)—

(I) in subclause (I), by adding
“and” at the end;

(II) in subclause (II), by striking
the semicolon at the end and inserting
a period; and

(III) by striking subclauses (III)
through (VIII); and

(B) by adding at the end the following new
subparagraph:

“(C) EXEMPTION FROM EXEMPTION FOR
NON-EXPANSION STATES.—

“(i) IN GENERAL.—In the case of a
State that is a non-expansion State for a
fiscal year, subparagraph (A)(i) shall not
apply to the DSH allotment for such State
and fiscal year.

“(ii) NO CHANGE IN REDUCTION FOR
EXPANSION STATES.—In the case of a
State that is an expansion State for a fis-
cal year, the DSH allotment for such State
and fiscal year shall be determined as if
clause (i) did not apply.

“(iii) NON-EXPANSION AND EXPAN-
SION STATE DEFINED.—
“(I) The term ‘expansion State’ means with respect to a fiscal year, a State that, as of July 1 of the preceding fiscal year, provides for eligibility under clause (i)(VIII) or (ii)(XX) of section 1902(a)(10)(A) for medical assistance under this title (or a waiver of the State plan approved under section 1115).

“(II) The term ‘non-expansion State’ means, with respect to a fiscal year, a State that is not an expansion State.”; and

(2) in paragraph (8), by striking “fiscal year 2025” and inserting “fiscal year 2019”.

SEC. 114. REDUCING STATE MEDICAID COSTS.

(a) LETTING STATES DISENROLL HIGH DOLLAR LOTTERY WINNERS.—

(1) IN GENERAL.—Section 1902 of the Social Security Act (42 U.S.C. 1396a) is amended—

(A) in subsection (a)(17), by striking “(e)(14), (e)(15)” and inserting “(e)(14), (e)(15)”;

(B) in subsection (e)—
(i) in paragraph (14) (relating to modified adjusted gross income), by adding at the end the following new subparagraph:

“(J) **Treatment of Certain Lottery Winnings and Income Received as a Lump Sum.—**

“(i) **In General.—** In the case of an individual who is the recipient of qualified lottery winnings (pursuant to lotteries occurring on or after January 1, 2020) or qualified lump sum income (received on or after such date) and whose eligibility for medical assistance is determined based on the application of modified adjusted gross income under subparagraph (A), a State shall, in determining such eligibility, include such winnings or income (as applicable) as income received—

“(I) in the month in which such winnings or income (as applicable) is received if the amount of such winnings or income is less than $80,000;

“(II) over a period of 2 months if the amount of such winnings or in-
come (as applicable) is greater than or
equal to $80,000 but less than
$90,000;

“(III) over a period of 3 months
if the amount of such winnings or in-
come (as applicable) is greater than or
equal to $90,000 but less than
$100,000; and

“(IV) over a period of 3 months
plus 1 additional month for each in-
crement of $10,000 of such winnings
or income (as applicable) received, not
to exceed a period of 120 months (for
winnings or income of $1,260,000 or
more), if the amount of such winnings
or income is greater than or equal to
$100,000.

“(ii) COUNTING IN EQUAL INSTALL-
MENTS.—For purposes of subclauses (II),
(III), and (IV) of clause (i), winnings or
income to which such subclause applies
shall be counted in equal monthly install-
ments over the period of months specified
under such subclause.
“(iii) Hardship Exemption.—An individual whose income, by application of clause (i), exceeds the applicable eligibility threshold established by the State, may continue to be eligible for medical assistance to the extent that the State determines, under procedures established by the State under the State plan (or in the case of a waiver of the plan under section 1115, incorporated in such waiver), or as otherwise established by such State in accordance with such standards as may be specified by the Secretary, that the denial of eligibility of the individual would cause an undue medical or financial hardship as determined on the basis of criteria established by the Secretary.

“(iv) Notifications and Assistance Required in Case of Loss of Eligibility.—A State shall, with respect to an individual who loses eligibility for medical assistance under the State plan (or a waiver of such plan) by reason of clause (i), before the date on which the individual loses such eligibility, inform the individual
of the date on which the individual would no longer be considered ineligible by reason of such clause to receive medical assistance under the State plan or under any waiver of such plan and the date on which the individual would be eligible to reapply to receive such medical assistance.

“(v) QUALIFIED LOTTERY Winnings Defined.—In this subparagraph, the term ‘qualified lottery winnings’ means winnings from a sweepstakes, lottery, or pool described in paragraph (3) of section 4402 of the Internal Revenue Code of 1986 or a lottery operated by a multistate or multi-jurisdictional lottery association, including amounts awarded as a lump sum payment.

“(vi) QUALIFIED LUMP SUM Income Defined.—In this subparagraph, the term ‘qualified lump sum income’ means income that is received as a lump sum from one of the following sources:

“(I) Monetary winnings from gambling (as defined by the Secretary and including monetary winnings from gambling activities described in sec-
tion 1955(b)(4) of title 18, United States Code).

“(II) Income received as liquid assets from the estate (as defined in section 1917(b)(4)) of a deceased individual.”; and

(ii) by striking “(14) EXCLUSION” and inserting “(15) EXCLUSION”.

(2) RULES OF CONSTRUCTION.—

(A) INTERCEPTION OF LOTTERY WINNINGS ALLOWED.—Nothing in the amendment made by paragraph (1)(B)(i) shall be construed as preventing a State from intercepting the State lottery winnings awarded to an individual in the State to recover amounts paid by the State under the State Medicaid plan under title XIX of the Social Security Act for medical assistance furnished to the individual.

(B) APPLICABILITY LIMITED TO ELIGIBILITY OF RECIPIENT OF LOTTERY WINNINGS OR LUMP SUM INCOME.—Nothing in the amendment made by paragraph (1)(B)(i) shall be construed, with respect to a determination of household income for purposes of a determination of eligibility for medical assistance under
the State plan under title XIX of the Social Security Act (42 U.S.C. 1396 et seq.) (or a waiver of such plan) made by applying modified adjusted gross income under subparagraph (A) of section 1902(e)(14) of such Act (42 U.S.C. 1396a(e)(14)), as limiting the eligibility for such medical assistance of any individual that is a member of the household other than the individual (or the individual’s spouse) who received qualified lottery winnings or qualified lump-sum income (as defined in subparagraph (J) of such section 1902(e)(14), as added by paragraph (1)(B)(i) of this subsection).

(b) Repeal of Retroactive Eligibility.—

(1) In general.—

(A) State plan requirements.—Section 1902(a)(34) of the Social Security Act (42 U.S.C. 1396a(a)(34)) is amended by striking “in or after the third month before the month in which he made application” and inserting “in or after the month in which the individual made application”.

(B) Definition of medical assistance.—Section 1905(a) of the Social Security Act (42 U.S.C. 1396d(a)) is amended by strik-
ing “in or after the third month before the month in which the recipient makes application for assistance” and inserting “in or after the month in which the recipient makes application for assistance”.

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall apply to medical assistance with respect to individuals whose eligibility for such assistance is based on an application for such assistance made (or deemed to be made) on or after October 1, 2017.

(c) ENSURING STATES ARE NOT FORCED TO PAY FOR INDIVIDUALS INELIGIBLE FOR THE PROGRAM.—

(1) IN GENERAL.—Section 1137(f) of the Social Security Act (42 U.S.C. 1320b–7(f)) is amended—

(A) by striking “Subsections (a)(1) and (d)” and inserting “(1) Subsections (a)(1) and (d)”;

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

“(2)(A) Subparagraphs (A) and (B)(ii) of subsection (d)(4) shall not apply in the case of an initial determination made on or after the date that is 6 months after the date of the enactment of this paragraph with respect to
the eligibility of an alien described in subparagraph (B) for benefits under the program listed in subsection (b)(2).

“(B) An alien described in this subparagraph is an individual declaring to be a citizen or national of the United States with respect to whom a State, in accordance with section 1902(a)(46)(B), requires—

“(i) pursuant to 1902(ee), the submission of a social security number; or

“(ii) pursuant to 1903(x), the presentation of satisfactory documentary evidence of citizenship or nationality.”.

(2) NO PAYMENTS FOR MEDICAL ASSISTANCE PROVIDED BEFORE PRESENTATION OF EVIDENCE.—Section 1903(i)(22) of the Social Security Act (42 U.S.C. 1396b(i)(22)) is amended—

(A) by striking “with respect to amounts expended” and inserting “(A) with respect to amounts expended”;

(B) by inserting “and” at the end; and

(C) by adding at the end the following new subparagraph:

“(B) in the case of a State that elects to provide a reasonable period to present satisfactory documentary evidence of such citizenship or nationality pursuant to paragraph (2)(C) of section 1902(ee) or
paragraph (4) of subsection (x) of this section, for amounts expended for medical assistance for such an individual (other than an individual described in paragraph (2) of such subsection (x)) during such period;”.

(3) Conforming Amendments.—Section 1137(d)(4) of the Social Security Act (42 U.S.C. 1320b–7(d)(4)) is amended—

(A) in subparagraph (A), in the matter preceding clause (i), by inserting “subject to subsection (f)(2),” before “the State”;

(B) in subparagraph (B)(ii), by inserting “subject to subsection (f)(2),” before “pending such verification”.

(d) Updating Allowable Home Equity Limits in Medicaid.—

(1) In General.—Section 1917(f)(1) of the Social Security Act (42 U.S.C. 1396p(f)(1)) is amended—

(A) in subparagraph (A), by striking “subparagraphs (B) and (C)” and inserting “subparagraph (B)”;

(B) by striking subparagraph (B);

(C) by redesignating subparagraph (C) as subparagraph (B); and
(D) in subparagraph (B), as so redesignated, by striking “dollar amounts specified in this paragraph” and inserting “dollar amount specified in subparagraph (A)”.

(2) Effective date.—

(A) In general.—The amendments made by paragraph (1) shall apply with respect to eligibility determinations made after the date that is 180 days after the date of the enactment of this section.

(B) Exception for state legislation.—In the case of a State plan under title XIX of the Social Security Act that the Secretary of Health and Human Services determines requires State legislation in order for the respective plan to meet any requirement imposed by amendments made by this subsection, the respective plan shall not be regarded as failing to comply with the requirements of such title solely on the basis of its failure to meet such an additional requirement before the first day of the first calendar quarter beginning after the close of the first regular session of the State legislature that begins after the date of the enactment of this Act. For purposes of the
previous sentence, in the case of a State that
has a 2-year legislative session, each year of the
session shall be considered to be a separate reg-
ular session of the State legislature.

SEC. 115. SAFETY NET FUNDING FOR NON-EXPANSION
STATES.

Title XIX of the Social Security Act is amended by
inserting after section 1923 (42 U.S.C. 1396r–4) the fol-
lowing new section:

“ADJUSTMENT IN PAYMENT FOR SERVICES OF SAFETY
NET PROVIDERS IN NON-EXPANSION STATES

“Sec. 1923A. (a) In General.—Subject to the limi-
tations of this section, for each year during the period be-
ingning with 2018 and ending with 2021, each State that
is one of the 50 States or the District of Columbia and
that, as of July 1 of the preceding year, did not provide
for eligibility under clause (i)(VIII) or (ii)(XX) of section
1902(a)(10)(A) for medical assistance under this title (or
a waiver of the State plan approved under section 1115)
(each such State or District referred to in this section for
the year as a ‘non-expansion State’) may adjust the pay-
ment amounts otherwise provided under the State plan
under this title (or a waiver of such plan) to health care
providers that provide health care services to individuals
enrolled under this title (in this section referred to as ‘el-
igible providers’).
“(b) INCREASE IN APPLICABLE FMAP.—Notwithstanding section 1905(b), the Federal medical assistance percentage applicable with respect to expenditures attributable to a payment adjustment under subsection (a) for which payment is permitted under subsection (c) shall be equal to—

“(1) 100 percent for calendar quarters in calendar years 2018, 2019, 2020, and 2021; and

“(2) 95 percent for calendar quarters in calendar year 2022.

“(c) LIMITATIONS; DISQUALIFICATION OF STATES.—

“(1) ANNUAL ALLOTMENT LIMITATION.—Payment under section 1903(a) shall not be made to a State with respect to any payment adjustment made under this section for all calendar quarters in a year in excess of the $2,000,000,000 multiplied by the ratio of—

“(A) the population of the State with income below 138 percent of the poverty line in 2015 (as determined based the table entitled ‘Health Insurance Coverage Status and Type by Ratio of Income to Poverty Level in the Past 12 Months by Age’ for the universe of the civilian noninstitutionalized population for whom poverty status is determined based on the 2015...
American Community Survey 1-Year Estimates, as published by the Bureau of the Census), to

“(B) the sum of the populations under subparagraph (A) for all non-expansion States.

“(2) LIMITATION ON PAYMENT ADJUSTMENT AMOUNT FOR INDIVIDUAL PROVIDERS.—The amount of a payment adjustment under subsection (a) for an eligible provider may not exceed the provider’s costs incurred in furnishing health care services (as determined by the Secretary and net of payments under this title, other than under this section, and by uninsured patients) to individuals who either are eligible for medical assistance under the State plan (or under a waiver of such plan) or have no health insurance or health plan coverage for such services.

“(d) DISQUALIFICATION IN CASE OF STATE COVERAGE EXPANSION.—If a State is a non-expansion for a year and provides eligibility for medical assistance described in subsection (a) during the year, the State shall no longer be treated as a non-expansion State under this section for any subsequent years.”.
SEC. 116. PROVIDING INCENTIVES FOR INCREASED FREQUENCY OF ELIGIBILITY REDETERMINATIONS.

(a) IN GENERAL.—Section 1902(e)(14) of the Social Security Act (42 U.S.C. 1396a(e)(14)) (relating to modified adjusted gross income), as amended by section 114(a)(1), is further amended by adding at the end the following:

“(K) FREQUENCY OF ELIGIBILITY REDETERMINATIONS.—Beginning on October 1, 2017, and notwithstanding subparagraph (H), in the case of an individual whose eligibility for medical assistance under the State plan under this title (or a waiver of such plan) is determined based on the application of modified adjusted gross income under subparagraph (A) and who is so eligible on the basis of clause (i)(VIII) or clause (ii)(XX) of subsection (a)(10)(A), a State shall redetermine such individual’s eligibility for such medical assistance no less frequently than once every 6 months.”.

(b) CIVIL MONETARY PENALTY.—Section 1128A(a) of the Social Security Act (42 U.S.C. 1320a–7a(a)) is amended, in the matter following paragraph (10), by striking “(or, in cases under paragraph (3)” and inserting the following: “(or, in cases under paragraph (1) in which an
individual was knowingly enrolled on or after October 1, 2017, pursuant to section 1902(a)(10)(A)(i)(VIII) for medical assistance under the State plan under title XIX whose income does not meet the income threshold specified in such section or in which a claim was presented on or after October 1, 2017, as a claim for an item or service furnished to an individual described in such section but whose enrollment under such State plan is not made on the basis of such individual’s meeting the income threshold specified in such section, $20,000 for each such individual or claim; in cases under paragraph (3)’’.

(c) **Increased Administrative Matching Percentage.**—For each calendar quarter during the period beginning on October 1, 2017, and ending on December 31, 2019, the Federal matching percentage otherwise applicable under section 1903(a) of the Social Security Act (42 U.S.C. 1396b(a)) with respect to State expenditures during such quarter that are attributable to meeting the requirement of section 1902(e)(14) (relating to determinations of eligibility using modified adjusted gross income) of such Act shall be increased by 5 percentage points with respect to State expenditures attributable to activities carried out by the State (and approved by the Secretary) to increase the frequency of eligibility redeterminations required by subparagraph (K) of such section (relating to...
eligibility redeterminations made on a 6-month basis) (as added by subsection (a)).

Subtitle C—Per Capita Allotment for Medical Assistance

SEC. 121. PER CAPITA ALLOTMENT FOR MEDICAL ASSISTANCE.

Title XIX of the Social Security Act is amended—

(1) in section 1903 (42 U.S.C. 1396b)—

(A) in subsection (a), in the matter before paragraph (1), by inserting “and section 1903A(a)” after “except as otherwise provided in this section”; and

(B) in subsection (d)(1), by striking “to which” and inserting “to which, subject to section 1903A(a),”; and

(2) by inserting after such section 1903 the following new section:

“SEC. 1903A. PER CAPITA-BASED CAP ON PAYMENTS FOR MEDICAL ASSISTANCE.

“(a) Application of Per Capita Cap on Payments for Medical Assistance Expenditures.—

“(1) In general.—If a State has excess aggregate medical assistance expenditures (as defined in paragraph (2)) for a fiscal year (beginning with fiscal year 2020), the amount of payment to the
State under section 1903(a)(1) for each quarter in the following fiscal year shall be reduced by ¼ of the excess aggregate medical assistance payments (as defined in paragraph (3)) for that previous fiscal year. In this section, the term ‘State’ means only the 50 States and the District of Columbia.

“(2) Excess aggregate medical assistance expenditures.—In this subsection, the term ‘excess aggregate medical assistance expenditures’ means, for a State for a fiscal year, the amount (if any) by which—

“(A) the amount of the adjusted total medical assistance expenditures (as defined in subsection (b)(1)) for the State and fiscal year; exceeds

“(B) the amount of the target total medical assistance expenditures (as defined in subsection (c)) for the State and fiscal year.

“(3) Excess aggregate medical assistance payments.—In this subsection, the term ‘excess aggregate medical assistance payments’ means, for a State for a fiscal year, the product of—

“(A) the excess aggregate medical assistance expenditures (as defined in paragraph (2)) for the State for the fiscal year; and
“(B) the Federal average medical assistance matching percentage (as defined in paragraph (4)) for the State for the fiscal year.

“(4) FEDERAL AVERAGE MEDICAL ASSISTANCE MATCHING PERCENTAGE.—In this subsection, the term ‘Federal average medical assistance matching percentage’ means, for a State for a fiscal year, the ratio (expressed as a percentage) of—

“(A) the amount of the Federal payments that would be made to the State under section 1903(a)(1) for medical assistance expenditures for calendar quarters in the fiscal year if paragraph (1) did not apply; to

“(B) the amount of the medical assistance expenditures for the State and fiscal year.

“(b) ADJUSTED TOTAL MEDICAL ASSISTANCE EXPENDITURES.—Subject to subsection (g), the following shall apply:

“(1) IN GENERAL.—In this section, the term ‘adjusted total medical assistance expenditures’ means, for a State—

“(A) for fiscal year 2016, the product of—

“(i) the amount of the medical assistance expenditures (as defined in paragraph (2)) for the State and fiscal year, reduced
by the amount of any excluded expenditures (as defined in paragraph (3)) for the State and fiscal year otherwise included in such medical assistance expenditures; and

“(ii) the 1903A FY16 population percentage (as defined in paragraph (4)) for the State; or

“(B) for fiscal year 2019 or a subsequent fiscal year, the amount of the medical assistance expenditures (as defined in paragraph (2)) for the State and fiscal year that is attributable to 1903A enrollees, reduced by the amount of any excluded expenditures (as defined in paragraph (3)) for the State and fiscal year otherwise included in such medical assistance expenditures.

“(2) Medical assistance expenditures.—In this section, the term ‘medical assistance expenditures’ means, for a State and fiscal year, the medical assistance payments as reported by medical service category on the Form CMS-64 quarterly expense report (or successor to such a report form, and including enrollment data and subsequent adjustments to any such report, in this section referred to collectively as a ‘CMS-64 report’) that directly re-
result from providing medical assistance under the State plan (including under a waiver of the plan) for which payment is (or may otherwise be) made pursuant to section 1903(a)(1).

“(3) EXCLUDED EXPENDITURES.—In this section, the term ‘excluded expenditures’ means, for a State and fiscal year, expenditures under the State plan (or under a waiver of such plan) that are attributable to any of the following:

“(A) DSH.—Payment adjustments made for disproportionate share hospitals under section 1923.

“(B) MEDICARE COST-SHARING.—Payments made for medicare cost-sharing (as defined in section 1905(p)(3)).

“(C) SAFETY NET PROVIDER PAYMENT ADJUSTMENTS IN NON-EXPANSION STATES.—Payment adjustments under subsection (a) of section 1923A for which payment is permitted under subsection (c) of such section.

“(4) 1903A FY 16 POPULATION PERCENTAGE.—In this subsection, the term ‘1903A FY16 population percentage’ means, for a State, the Secretary’s calculation of the percentage of the actual medical assistance expenditures, as reported by the
State on the CMS–64 reports for calendar quarters in fiscal year 2016, that are attributable to 1903A enrollees (as defined in subsection (e)(1)).

“(c) Target Total Medical Assistance Expenditures.—

“(1) Calculation.—In this section, the term ‘target total medical assistance expenditures’ means, for a State for a fiscal year, the sum of the products, for each of the 1903A enrollee categories (as defined in subsection (e)(2)), of—

“(A) the target per capita medical assistance expenditures (as defined in paragraph (2)) for the enrollee category, State, and fiscal year; and

“(B) the number of 1903A enrollees for such enrollee category, State, and fiscal year, as determined under subsection (e)(4).

“(2) Target Per Capita Medical Assistance Expenditures.—In this subsection, the term ‘target per capita medical assistance expenditures’ means, for a 1903A enrollee category, State, and a fiscal year, an amount equal to—

“(A) the provisional FY19 target per capita amount for such enrollee category (as cal-
culated under subsection (d)(5)) for the State;
increased by
“(B) the percentage increase in the med-
cical care component of the consumer price index
for all urban consumers (U.S. city average)
from September of 2019 to September of the
fiscal year involved.
“(d) CALCULATION OF FY19 PROVISIONAL TARGET
AMOUNT FOR EACH 1903A ENROLLEE CATEGORY.—Sub-
ject to subsection (g), the following shall apply:
“(1) CALCULATION OF BASE AMOUNTS FOR FIS-
CIAL YEAR 2016.—For each State the Secretary shall
calculate (and provide notice to the State not later
than April 1, 2018, of) the following:
“(A) The amount of the adjusted total
medical assistance expenditures (as defined in
subsection (b)(1)) for the State for fiscal year
2016.
“(B) The number of 1903A enrollees for
the State in fiscal year 2016 (as determined
under subsection (e)(4)).
“(C) The average per capita medical as-
sistance expenditures for the State for fiscal
year 2016 equal to—
“(i) the amount calculated under sub-
paragraph (A); divided by
“(ii) the number calculated under sub-
paragraph (B).
“(2) FISCAL YEAR 2019 AVERAGE PER CAPITA
AMOUNT BASED ON INFLATING THE FISCAL YEAR
2016 AMOUNT TO FISCAL YEAR 2019 BY CPI-MED-
ICAL.—The Secretary shall calculate a fiscal year
2019 average per capita amount for each State
equal to—
“(A) the average per capita medical assist-
ance expenditures for the State for fiscal year
2016 (calculated under paragraph (1)(C)); in-
creased by
“(B) the percentage increase in the med-
ical care component of the consumer price index
for all urban consumers (U.S. city average)
from September, 2016 to September, 2019.
“(3) AGGREGATE AND AVERAGE EXPENDI-
TURES PER CAPITA FOR FISCAL YEAR 2019.—The
Secretary shall calculate for each State the fol-
lowing:
“(A) The amount of the adjusted total
medical assistance expenditures (as defined in
subsection (b)(1)) for the State for fiscal year 2019.

“(B) The number of 1903A enrollees for the State in fiscal year 2019 (as determined under subsection (e)(4)).

“(4) Per capita expenditures for fiscal year 2019 for each 1903A enrollee category.— The Secretary shall calculate (and provide notice to each State not later than January 1, 2020, of) the following:

“(A)(i) For each 1903A enrollee category, the amount of the adjusted total medical assistance expenditures (as defined in subsection (b)(1)) for the State for fiscal year 2019 for individuals in the enrollee category, calculated by excluding from medical assistance expenditures those expenditures attributable to expenditures described in clause (iii) or non-DSH supplemental expenditures (as defined in clause (ii)).

“(ii) In this paragraph, the term ‘non-DSH supplemental expenditure’ means a payment to a provider under the State plan (or under a waiver of the plan) that—

“(I) is not made under section 1923;
“(II) is not made with respect to a specific item or service for an individual;

“(III) is in addition to any payments made to the provider under the plan (or waiver) for any such item or service; and

“(IV) complies with the limits for additional payments to providers under the plan (or waiver) imposed pursuant to section 1902(a)(30)(A), including the regulations specifying upper payment limits under the State plan in part 447 of title 42, Code of Federal Regulations (or any successor regulations).

“(iii) An expenditure described in this clause is an expenditure that meets the criteria specified in subclauses (I), (II), and (III) of clause (ii) and is authorized under section 1115 for the purposes of funding a delivery system reform pool, uncompensated care pool, a designated state health program, or any other similar expenditure (as defined by the Secretary).

“(B) For each 1903A enrollee category, the number of 1903A enrollees for the State in
fiscal year 2019 in the enrollee category (as determined under subsection (e)(4)).

“(C) For fiscal year 2016, the State’s non-DSH supplemental payment percentage is equal to the ratio (expressed as a percentage) of—

“(i) the total amount of non-DSH supplemental expenditures (as defined in subparagraph (A)(ii)) for the State for fiscal year 2016; to

“(ii) the amount described in subsection (b)(1)(A) for the State for fiscal year 2016.

“(D) For each 1903A enrollee category an average medical assistance expenditures per capita for the State for fiscal year 2019 for the enrollee category equal to—

“(i) the amount calculated under subparagraph (A) for the State, increased by the non-DSH supplemental payment percentage for the State (as calculated under subparagraph (C)); divided by

“(ii) the number calculated under subparagraph (B) for the State for the enrollee category.
“(5) Provisional FY19 per capita target amount for each 1903A enrollee category.—

Subject to subsection (f)(2), the Secretary shall calculate for each State a provisional FY19 per capita target amount for each 1903A enrollee category equal to the average medical assistance expenditures per capita for the State for fiscal year 2019 (as calculated under paragraph (4)(D)) for such enrollee category multiplied by the ratio of—

“(A) the product of—

“(i) the fiscal year 2019 average per capita amount for the State, as calculated under paragraph (2); and

“(ii) the number of 1903A enrollees for the State in fiscal year 2019, as calculated under paragraph (3)(B); to

“(B) the amount of the adjusted total medical assistance expenditures for the State for fiscal year 2019, as calculated under paragraph (3)(A).

“(e) 1903A enrollee; 1903A enrollee category.—Subject to subsection (g), for purposes of this section, the following shall apply:

“(1) 1903A enrollee.—The term ‘1903A enrollee’ means, with respect to a State and a month,
any Medicaid enrollee (as defined in paragraph (3)) for the month, other than such an enrollee who for such month is in any of the following categories of excluded individuals:

“(A) CHIP.—An individual who is provided, under this title in the manner described in section 2101(a)(2), child health assistance under title XXI.

“(B) IHS.—An individual who receives any medical assistance under this title for services for which payment is made under the third sentence of section 1905(b).

“(C) Breast and cervical cancer services eligible individual.—An individual who is entitled to medical assistance under this title only pursuant to section 1902(a)(10)(A)(ii)(XVIII).

“(D) Partial-benefit enrollees.—An individual who—

“(i) is an alien who is entitled to medical assistance under this title only pursuant to section 1903(v)(2);

“(ii) is entitled to medical assistance under this title only pursuant to subclause (XII) or (XXI) of section
1902(a)(10)(A)(ii) (or pursuant to a waiver that provides only comparable benefits);

“(iii) is a dual eligible individual (as defined in section 1915(h)(2)(B)) and is entitled to medical assistance under this title (or under a waiver) only for some or all of medicare cost-sharing (as defined in section 1905(p)(3)); or

“(iv) is entitled to medical assistance under this title and for whom the State is providing a payment or subsidy to an employer for coverage of the individual under a group health plan pursuant to section 1906 or section 1906A (or pursuant to a waiver that provides only comparable benefits).

“(2) 1903A ENROLLEE CATEGORY.—The term ‘1903A enrollee category’ means each of the following:

“(A) ELDERLY.—A category of 1903A enrollees who are 65 years of age or older.

“(B) BLIND AND DISABLED.—A category of 1903A enrollees (not described in the previous subparagraph) who are eligible for med-
ical assistance under this title on the basis of being blind or disabled.

“(C) CHILDREN.—A category of 1903A enrollees (not described in a previous subpara-

graph) who are children under 19 years of age.

“(D) EXPANSION ENROLLEES.—A category of 1903A enrollees (not described in a previous subparagraph) for whom the amounts expended for medical assistance are subject to an increase or change in the Federal medical assistance percentage under subsection (y) or (z)(2), respectively, of section 1905.

“(E) OTHER NONELDERLY, NONDISABLED, NON-EXPANSION ADULTS.—A category of 1903A enrollees who are not described in any previous subparagraph.

“(3) MEDICAID ENROLLEE.—The term ‘Med-
icaid enrollee’ means, with respect to a State for a month, an individual who is eligible for medical as-
sistance for items or services under this title and enrolled under the State plan (or a waiver of such plan) under this title for the month.

“(4) DETERMINATION OF NUMBER OF 1903A ENROLLEES.—The number of 1903A enrollees for a State and fiscal year, and, if applicable, for a 1903A
enrollee category, is the average monthly number of
Medicaid enrollees for such State and fiscal year
(and, if applicable, in such category) that are re-
ported through the CMS–64 report under (and sub-
ject to audit under) subsection (h).

“(f) Special Payment Rules.—

“(1) Application in Case of Research and
Demonstration Projects and Other Waivers.—
In the case of a State with a waiver of the State
plan approved under section 1115, section 1915, or
another provision of this title, this section shall
apply to medical assistance expenditures and medical
assistance payments under the waiver, in the same
manner as if such expenditures and payments had
been made under a State plan under this title and
the limitations on expenditures under this section
shall supersede any other payment limitations or
provisions (including limitations based on a per cap-
ita limitation) otherwise applicable under such a
waiver.

“(2) Treatment of States Expanding Cov-
erage After Fiscal Year 2016.—In the case of a
State that did not provide for medical assistance for
the 1903A enrollee category described in subsection
(e)(2)(D) during fiscal year 2016 but which provides
for such assistance for such category in a subse-
quently year, the provisional FY19 per capita target
amount for such enrollee category under subsection
(d)(5) shall be equal to the provisional FY19 per
capita target amount for the 1903A enrollee cat-
egory described in subsection (e)(2)(E).

“(3) IN CASE OF STATE FAILURE TO REPORT
NECESSARY DATA.—If a State for any quarter in a
fiscal year (beginning with fiscal year 2019) fails to
satisfactorily submit data on expenditures and en-
rrollees in accordance with subsection (h)(1), for such
fiscal year and any succeeding fiscal year for which
such data are not satisfactorily submitted—

“(A) the Secretary shall calculate and
apply subsections (a) through (e) with respect
to the State as if all 1903A enrollee categories
for which such expenditure and enrollee data
were not satisfactorily submitted were a single
1903A enrollee category; and

“(B) the growth factor otherwise applied
under subsection (c)(2)(B) shall be decreased
by 1 percentage point.

“(g) RECALCULATION OF CERTAIN AMOUNTS FOR
DATA ERRORS.—The amounts and percentage calculated
under paragraphs (1) and (4)(C) of subsection (d) for a
State for fiscal year 2016, and the amounts of the adjusted total medical assistance expenditures calculated under subsection (b) and the number of Medicaid enrollees and 1903A enrollees determined under subsection (e)(4) for a State for fiscal year 2016, fiscal year 2019, and any subsequent fiscal year, may be adjusted by the Secretary based upon an appeal (filed by the State in such a form, manner, and time, and containing such information relating to data errors that support such appeal, as the Secretary specifies) that the Secretary determines to be valid, except that any adjustment by the Secretary under this subsection for a State may not result in an increase of the target total medical assistance expenditures exceeding 2 percent.

“(h) REQUIRED REPORTING AND AUDITING OF CMS–64 DATA; TRANSITIONAL INCREASE IN FEDERAL MATCHING PERCENTAGE FOR CERTAIN ADMINISTRATIVE EXPENSES.—

“(1) REPORTING.—In addition to the data required on form Group VIII on the CMS–64 report form as of January 1, 2017, in each CMS-64 report required to be submitted (for each quarter beginning on or after October 1, 2018), the State shall include data on medical assistance expenditures within such categories of services and categories of enrollees (in-
including each 1903A enrollee category and each category of excluded individuals under subsection (e)(1)) and the numbers of enrollees within each of such enrollee categories, as the Secretary determines are necessary (including timely guidance published as soon as possible after the date of the enactment of this section) in order to implement this section and to enable States to comply with the requirement of this paragraph on a timely basis.

“(2) AUDITING.—The Secretary shall conduct for each State an audit of the number of individuals and expenditures reported through the CMS–64 report for fiscal year 2016, fiscal year 2019, and each subsequent fiscal year, which audit may be conducted on a representative sample (as determined by the Secretary).

“(3) TEMPORARY INCREASE IN FEDERAL MATCHING PERCENTAGE TO SUPPORT IMPROVED DATA REPORTING SYSTEMS FOR FISCAL YEARS 2018 AND 2019.—For amounts expended during calendar quarters beginning on or after October 1, 2017, and before October 1, 2019—

“(A) the Federal matching percentage applied under section 1903(a)(3)(A)(i) shall be increased by 10 percentage points to 100 percent;
“(B) the Federal matching percentage applied under section 1903(a)(3)(B) shall be increased by 25 percentage points to 100 percent; and

“(C) the Federal matching percentage applied under section 1903(a)(7) shall be increased by 10 percentage points to 60 percent but only with respect to amounts expended that are attributable to a State’s additional administrative expenditures to implement the data requirements of paragraph (1).”.

Subtitle D—Patient Relief and Health Insurance Market Stability

SEC. 131. REPEAL OF COST-SHARING SUBSIDY.

(a) In General.—Section 1402 of the Patient Protection and Affordable Care Act is repealed.

(b) Effective Date.—The repeal made by subsection (a) shall apply to cost-sharing reductions (and payments to issuers for such reductions) for plan years beginning after December 31, 2019.

SEC. 132. PATIENT AND STATE STABILITY FUND.

The Social Security Act (42 U.S.C. 301 et seq.) is amended by adding at the end the following new title:
“TITLE XXII—PATIENT AND STATE STABILITY FUND

“SEC. 2201. ESTABLISHMENT OF PROGRAM.

“There is hereby established the ‘Patient and State Stability Fund’ to be administered by the Secretary of Health and Human Services, acting through the Administrator of the Centers for Medicare & Medicaid Services (in this section referred to as the ‘Administrator’), to provide funding, in accordance with this title, to the 50 States and the District of Columbia (each referred to in this section as a ‘State’) during the period, subject to section 2204(c), beginning on January 1, 2018, and ending on December 31, 2026, for the purposes described in section 2202.

“SEC. 2202. USE OF FUNDS.

“A State may use the funds allocated to the State under this title for any of the following purposes:

“(1) Helping, through the provision of financial assistance, high-risk individuals who do not have access to health insurance coverage offered through an employer enroll in health insurance coverage in the individual market in the State, as such market is defined by the State (whether through the establishment of a new mechanism or maintenance of an existing mechanism for such purpose).
“(2) Providing incentives to appropriate entities to enter into arrangements with the State to help stabilize premiums for health insurance coverage in the individual market, as such markets are defined by the State.

“(3) Reducing the cost for providing health insurance coverage in the individual market and small group market, as such markets are defined by the State, to individuals who have, or are projected to have, a high rate of utilization of health services (as measured by cost).

“(4) Promoting participation in the individual market and small group market in the State and increasing health insurance options available through such market.

“(5) Promoting access to preventive services; dental care services (whether preventive or medically necessary); vision care services (whether preventive or medically necessary); prevention, treatment, or recovery support services for individuals with mental or substance use disorders; or any combination of such services.

“(6) Providing payments, directly or indirectly, to health care providers for the provision of such
health care services as are specified by the Administrator.

“(7) Providing assistance to reduce out-of-pocket costs, such as copayments, coinsurance, premiums, and deductibles, of individuals enrolled in health insurance coverage in the State.

“SEC. 2203. STATE ELIGIBILITY AND APPROVAL; DEFAULT SAFEGUARD.

“(a) ENCOURAGING STATE OPTIONS FOR ALLOCATIONS.—

“(1) In general.—To be eligible for an allocation of funds under this title for a year during the period described in section 2201 for use for one or more purposes described in section 2202, a State shall submit to the Administrator an application at such time (but, in the case of allocations for 2018, not later than 45 days after the date of the enactment of this title and, in the case of allocations for a subsequent year, not later than March 31 of the previous year) and in such form and manner as specified by the Administrator and containing—

“(A) a description of how the funds will be used for such purposes;

“(B) a certification that the State will make, from non-Federal funds, expenditures for
such purposes in an amount that is not less
than the State percentage required for the year
under section 2204(e)(1); and

“(C) such other information as the Admin-
istrator may require.

“(2) AUTOMATIC APPROVAL.—An application so
submitted is approved unless the Administrator noti-
fies the State submitting the application, not later
than 60 days after the date of the submission of
such application, that the application has been de-
nied for not being in compliance with any require-
ment of this title and of the reason for such denial.

“(3) ONE-TIME APPLICATION.—If an applica-
tion of a State is approved for a year, with respect
to a purpose described in section 2202, such applica-
tion shall be treated as approved, with respect to
such purpose, for each subsequent year through
2026.

“(4) TREATMENT AS A STATE HEALTH CARE
PROGRAM.—Any program receiving funds from an
allocation for a State under this title, including pur-
suant to subsection (b), shall be considered to be a
‘State health care program’ for purposes of sections
1128, 1128A, and 1128B.

“(b) DEFAULT FEDERAL SAFEGUARD.—
“(1) IN GENERAL.—

“(A) 2018.—For allocations made under this title for 2018, in the case of a State that does not submit an application under subsection (a) by the 45-day submission date applicable to such year under subsection (a)(1) and in the case of a State that does submit such an application by such date that is not approved, subject to section 2204(e), the Administrator, in consultation with the State insurance commissioner, shall use the allocation that would otherwise be provided to the State under this title for such year, in accordance with paragraph (2), for such State.

“(B) 2019 THROUGH 2026.—In the case of a State that does not have in effect an approved application under this section for 2019 or a subsequent year beginning during the period described in section 2201, subject to section 2204(e), the Administrator, in consultation with the State insurance commissioner, shall use the allocation that would otherwise be provided to the State under this title for such year, in accordance with paragraph (2), for such State.
“(2) Required use for market stabilization payments to issuers.—Subject to section 2204(a), an allocation for a State made pursuant to paragraph (1) for a year shall be used to carry out the purpose described in section 2202(2) in such State by providing payments to appropriate entities described in such section with respect to claims that exceed $50,000 (or, with respect to allocations made under this title for 2020 or a subsequent year during the period specified in section 2201, such dollar amount specified by the Administrator), but do not exceed $350,000 (or, with respect to allocations made under this title for 2020 or a subsequent year during such period, such dollar amount specified by the Administrator), in an amount equal to 75 percent (or, with respect to allocations made under this title for 2020 or a subsequent year during such period, such percentage specified by the Administrator) of the amount of such claims.

“SEC. 2204. ALLOCATIONS.

“(a) Appropriation.—For the purpose of providing allocations for States (including pursuant to section 2203(b)) under this title there is appropriated, out of any money in the Treasury not otherwise appropriated—

“(1) for 2018, $15,000,000,000;
“(2) for 2019, $15,000,000,000;
“(3) for 2020, $10,000,000,000;
“(4) for 2021, $10,000,000,000;
“(5) for 2022, $10,000,000,000;
“(6) for 2023, $10,000,000,000;
“(7) for 2024, $10,000,000,000;
“(8) for 2025, $10,000,000,000; and
“(9) for 2026, $10,000,000,000.

“(b) ALLOCATIONS.—

“(1) PAYMENT.—

“(A) IN GENERAL.—From amounts appropriated under subsection (a) for a year, the Administrator shall, with respect to a State and not later than the date specified under subparagraph (B) for such year, allocate, subject to subsection (e), for such State (including pursuant to section 2203(b)) the amount determined for such State and year under paragraph (2).

“(B) SPECIFIED DATE.—For purposes of subparagraph (A), the date specified in this subparagraph is—

“(i) for 2018, the date that is 45 days after the date of the enactment of this title; and
“(ii) for 2019 and subsequent years, January 1 of the respective year.

“(2) ALLOCATION AMOUNT DETERMINATIONS.—

“(A) FOR 2018 AND 2019.—

“(i) IN GENERAL.—For purposes of paragraph (1), the amount determined under this paragraph for 2018 and 2019 for a State is an amount equal to the sum of—

“(I) the relative incurred claims amount described in clause (ii) for such State and year; and

“(II) the relative uninsured and issuer participation amount described in clause (iv) for such State and year.

“(ii) RELATIVE INCURRED CLAIMS AMOUNT.—For purposes of clause (i), the relative incurred claims amount described in this clause for a State for 2018 and 2019 is the product of—

“(I) 85 percent of the amount appropriated under subsection (a) for the year; and
“(II) the relative State incurred claims proportion described in clause (iii) for such State and year.

“(iii) Relative State Incurred Claims Proportion.—The relative State incurred claims proportion described in this clause for a State and year is the amount equal to the ratio of—

“(I) the adjusted incurred claims by the State, as reported through the medical loss ratio annual reporting under section 2718 of the Public Health Service Act for the third previous year; to

“(II) the sum of such adjusted incurred claims for all States, as so reported, for such third previous year.

“(iv) Relative Uninsured and Issuer Participation Amount.—For purposes of clause (i), the relative uninsured and issuer participation amount described in this clause for a State for 2018 and 2019 is the product of—
“(I) 15 percent of the amount appropriated under subsection (a) for the year; and

“(II) the relative State uninsured and issuer participation proportion described in clause (v) for such State and year.

“(v) RELATIVE STATE UNINSURED AND ISSUER PARTICIPATION PROPORTION.—The relative State uninsured and issuer participation proportion described in this clause for a State and year is—

“(I) in the case of a State not described in clause (vi) for such year, 0; and

“(II) in the case of a State described in clause (vi) for such year, the amount equal to the ratio of—

“(aa) the number of individuals residing in such State who for the third preceding year were not enrolled in a health plan or otherwise did not have health insurance coverage (including through a Federal or State
health program) and whose income is below 100 percent of the poverty line applicable to a family of the size involved; to

“(bb) the sum of the number of such individuals for all States described in clause (vi) for the third preceding year.

“(vi) STATES DESCRIBED.—For purposes of clause (v), a State is described in this clause, with respect to 2018 and 2019, if the State satisfies either of the following criterion:

“(I) The number of individuals residing in such State and described in clause (v)(II)(aa) was higher in 2015 than 2013.

“(II) The State have fewer than three health insurance issuers offering qualified health plans through the Exchange for 2017.

“(B) FOR 2020 THROUGH 2026.—For purposes of paragraph (1), the amount determined under this paragraph for a year (beginning with 2020) during the period described in section
2201 for a State is an amount determined in accordance with an allocation methodology specified by the Administrator which—

“(i) takes into consideration the adjusted incurred claims of such State, the number of residents of such State who for the previous year were not enrolled in a health plan or otherwise did not have health insurance coverage (including through a Federal or State health program) and whose income is below 100 percent of the poverty line applicable to a family of the size involved, and the number of health insurance issuers participating in the insurance market in such State for such year;

“(ii) is established after consultation with health care consumers, health insurance issuers, State insurance commissioners, and other stakeholders and after taking into consideration additional cost and risk factors that may inhibit health care consumer and health insurance issuer participation; and
“(iii) reflects the goals of improving the health insurance risk pool, promoting a more competitive health insurance market, and increasing choice for health care consumers.

“(c) Annual Distribution of Previous Year’s Remaining Funds.— In carrying out subsection (b), the Administrator shall, with respect to a year (beginning with 2020 and ending with 2027), not later than March 31 of such year—

“(1) determine the amount of funds, if any, from the amounts appropriated under subsection (a) for the previous year but not allocated for such previous year; and

“(2) if the Administrator determines that any funds were not so allocated for such previous year, allocate such remaining funds, in accordance with the allocation methodology specified pursuant to subsection (b)(2)(B)—

“(A) to States that have submitted an application approved under section 2203(a) for such previous year for any purpose for which such an application was approved; and

“(B) for States for which allocations were made pursuant to section 2203(b) for such pre-
vious year, to be used by the Administrator for such States, to carry out the purpose described in section 2202(2) in such States by providing payments to appropriate entities described in such section with respect to claims that exceed $1,000,000;

with, respect to a year before 2027, any remaining funds being made available for allocations to States for the subsequent year.

“(d) AVAILABILITY.—Amounts appropriated under subsection (a) for a year and allocated to States in accordance with this section shall remain available for expenditure through December 31, 2027.

“(e) CONDITIONS FOR AND LIMITATIONS ON RECEIPT OF FUNDS.—The Secretary may not make an allocation under this title for a State, with respect to a purpose described in section 2202—

“(1) in the case of an allocation that would be made to a State pursuant to section 2203(a), if the State does not agree that the State will make available non-Federal contributions towards such purpose in an amount equal to—

“(A) for 2020, 7 percent of the amount allocated under this subsection to such State for such year and purpose;
“(B) for 2021, 14 percent of the amount allocated under this subsection to such State for such year and purpose;

“(C) for 2022, 21 percent of the amount allocated under this subsection to such State for such year and purpose;

“(D) for 2023, 28 percent of the amount allocated under this subsection to such State for such year and purpose;

“(E) for 2024, 35 percent of the amount allocated under this subsection to such State for such year and purpose;

“(F) for 2025, 42 percent of the amount allocated under this subsection to such State for such year and purpose; and

“(G) for 2026, 50 percent of the amount allocated under this subsection to such State for such year and purpose;

“(2) in the case of an allocation that would be made for a State pursuant to section 2203(b), if the State does not agree that the State will make available non-Federal contributions towards such purpose in an amount equal to—
“(A) for 2020, 10 percent of the amount allocated under this subsection to such State for such year and purpose;

“(B) for 2021, 20 percent of the amount allocated under this subsection to such State for such year and purpose; and

“(C) for 2022, 30 percent of the amount allocated under this subsection to such State for such year and purpose;

“(D) for 2023, 40 percent of the amount allocated under this subsection to such State for such year and purpose;

“(E) for 2024, 50 percent of the amount allocated under this subsection to such State for such year and purpose;

“(F) for 2025, 50 percent of the amount allocated under this subsection to such State for such year and purpose; and

“(G) for 2026, 50 percent of the amount allocated under this subsection to such State for such year and purpose; or

“(3) if such an allocation for such purpose would not be permitted under subsection (c)(7) of section 2105 if such allocation were payment made under such section.”.
1 SEC. 133. CONTINUOUS HEALTH INSURANCE COVERAGE INCENTIVE.

Subpart I of part A of title XXVII of the Public Health Service Act is amended—

(1) in section 2701(a)(1)(B), by striking “such rate” and inserting “subject to section 2710A, such rate”;

(2) by redesignating the second section 2709 as section 2710; and

(3) by adding at the end the following new section:

“SEC. 2710A. ENCOURAGING CONTINUOUS HEALTH INSURANCE COVERAGE.

“(a) PENALTY APPLIED.—

“(1) IN GENERAL.—Notwithstanding section 2701, subject to the succeeding provisions of this section, a health insurance issuer offering health insurance coverage in the individual or small group market shall, in the case of an individual who is an applicable policyholder of such coverage with respect to an enforcement period applicable to enrollments for a plan year beginning with plan year 2019 (or, in the case of enrollments during a special enrollment period, beginning with plan year 2018), increase the monthly premium rate otherwise applicable to such individual for such coverage during each
month of such period, by an amount determined under paragraph (2).

“(2) AMOUNT OF PENALTY.—The amount determined under this paragraph for an applicable policyholder enrolling in health insurance coverage described in paragraph (1) for a plan year, with respect to each month during the enforcement period applicable to enrollments for such plan year, is the amount that is equal to 30 percent of the monthly premium rate otherwise applicable to such applicable policyholder for such coverage during such month.

“(b) DEFINITIONS.—For purposes of this section:

“(1) APPLICABLE POLICYHOLDER.—The term ‘applicable policyholder’ means, with respect to months of an enforcement period and health insurance coverage, an individual who—

“(A) is a policyholder of such coverage for such months;

“(B) cannot demonstrate (through presentation of certifications described in section 2704(e) or in such other manner as may be specified in regulations, such as a return or statement made under section 6055(d) or 36C of the Internal Revenue Code of 1986), during the look-back period that is with respect to such
enforcement period, there was not a period of
at least 63 continuous days during which the
individual did not have creditable coverage (as
defined in paragraph (1) of section 2704(c) and
credited in accordance with paragraphs (2) and
(3) of such section); and

“(C) in the case of an individual who had
been enrolled under dependent coverage under a
group health plan or health insurance coverage
by reason of section 2714 and such dependent
coverage of such individual ceased because of
the age of such individual, is not enrolling dur-
ing the first open enrollment period following
the date on which such coverage so ceased.

“(2) LOOK-BACK PERIOD.—The term ‘look-back
period’ means, with respect to an enforcement period
applicable to an enrollment of an individual for a
plan year beginning with plan year 2019 (or, in the
case of an enrollment of an individual during a spe-
cial enrollment period, beginning with plan year
2018) in health insurance coverage described in sub-
section (a)(1), the 12-month period ending on the
date the individual enrolls in such coverage for such
plan year.
“(3) Enforcement period.—The term ‘enforcement period’ means—

“(A) with respect to enrollments during a special enrollment period for plan year 2018, the period beginning with the first month that is during such plan year and that begins subsequent to such date of enrollment, and ending with the last month of such plan year; and

“(B) with respect to enrollments for plan year 2019 or a subsequent plan year, the 12-month period beginning on the first day of the respective plan year.”.

SEC. 134. INCREASING COVERAGE OPTIONS.

Section 1302 of the Patient Protection and Affordable Care Act (42 U.S.C. 18022) is amended—

(1) in subsection (a)(3), by inserting “and with respect to a plan year before plan year 2020’’ after “subsection (e)’’; and

(2) in subsection (d), by adding at the end the following:

“(5) Sunset.—The provisions of this subsection shall not apply after December 31, 2019, and after such date any reference to this subsection or level of coverage or plan described in this subsection and any requirement under law applying
such a level of coverage or plan shall have no force
or effect (and such a requirement shall be applied as
if this section had been repealed).”.

SEC. 135. CHANGE IN PERMISSIBLE AGE VARIATION IN
HEALTH INSURANCE PREMIUM RATES.

Section 2701(a)(1)(A)(iii) of the Public Health Serv-
ice Act (42 U.S.C. 300gg(a)(1)(A)(iii)), as inserted by sec-
tion 1201(4) of the Patient Protection and Affordable
Care Act, is amended by inserting after “(consistent with
section 2707(c))” the following: “or, for plan years begin-
ing on or after January 1, 2018, as the Secretary may
implement through interim final regulation, 5 to 1 for
adults (consistent with section 2707(c)) or such other
ratio for adults (consistent with section 2707(c)) as the
State involved may provide”.

TITLE II—COMMITTEE ON WAYS
AND MEANS

Subtitle A—Repeal and Replace of
Health-Related Tax Policy

SEC. 201. RECAPTURE EXCESS ADVANCE PAYMENTS OF
PREMIUM TAX CREDITS.

Subparagraph (B) of section 36B(f)(2) of the Inter-
nal Revenue Code of 1986 is amended by adding at the
end the following new clause:
“(iii) Nonapplicability of limitation.—This subparagraph shall not apply
to taxable years beginning after December
31, 2017, and before January 1, 2020.”.

SEC. 202. ADDITIONAL MODIFICATIONS TO PREMIUM TAX
CREDIT.

(a) Modification of Definition of Qualified
Health Plan.—

(1) In general.—Section 36B(c)(3)(A) of the
Internal Revenue Code of 1986 is amended—

(A) by inserting “(determined without re-

gard to subparagraphs (A), (C)(ii), and (C)(iv)
of paragraph (1) thereof and without regard to
whether the plan is offered on an Exchange)”
after “1301(a) of the Patient Protection and
Affordable Care Act”, and

(B) by striking “shall not include” and all

that follows and inserting “shall not include any
health plan that—

“(i) is a grandfathered health plan or

a grandmothered health plan, or

“(ii) includes coverage for abortions

(other than any abortion necessary to save
the life of the mother or any abortion with
respect to a pregnancy that is the result of an act of rape or incest.’’

(2) Definition of Grandmothered Health Plan.—Section 36B(c)(3) of such Code is amended by adding at the end the following new subparagraph:

‘‘(C) Grandmothered Health Plan.—

‘‘(i) In general.—The term ‘grandmothered health plan’ means health insurance coverage which is offered in the individual health insurance market as of October 1, 2013, and is permitted to be offered in such market after January 1, 2014, as a result of CCIIO guidance.

‘‘(ii) CCIIO Guidance Defined.—

The term ‘CCIIO guidance’ means the letter issued by the Centers for Medicare & Medicaid Services on November 14, 2013, to the State Insurance Commissioners outlining a transitional policy for non-grandfathered coverage in the individual health insurance market, as subsequently extended and modified (including by a communication entitled ‘Insurance Standards Bulletin Series—INFORMATION—Ex-
tension of Transitional Policy through Calendar Year 2017’ issued on February 29, 2016, by the Director of the Center for Consumer Information & Insurance Oversight of such Centers).

“(iii) Individual health insurance market.—The term ‘individual health insurance market’ means the market for health insurance coverage (as defined in section 9832(b)) offered to individuals other than in connection with a group health plan (within the meaning of section 5000(b)(1)).”.

(3) Conforming amendment related to abortion coverage.—Section 36B(c)(3) of such Code, as amended by paragraph (2), is amended by adding at the end the following new subparagraph:

“(D) Certain rules related to abortion.—

“(i) Option to purchase separate coverage or plan.—Nothing in subparagraph (A) shall be construed as prohibiting any individual from purchasing separate coverage for abortions described in such subparagraph, or a health plan that in-
cludes such abortions, so long as no credit
is allowed under this section with respect
to the premiums for such coverage or plan.

“(ii) Option to offer coverage or
plan.—Nothing in subparagraph (A) shall
restrict any health insurance issuer offering
a health plan from offering separate
coverage for abortions described in such
paragraph, or a plan that includes such
abortions, so long as premiums for such
separate coverage or plan are not paid for
with any amount attributable to the credit
allowed under this section (or the amount
of any advance payment of the credit
under section 1412 of the Patient Protec-
tion and Affordable Care Act).

“(iii) Other treatments.—The
treatment of any infection, injury, disease,
or disorder that has been caused by or ex-
acerbated by the performance of an abor-
tion shall not be treated as an abortion for
purposes of subparagraph (A).”.

(4) Conforming amendments related to
off-exchange coverage.—
(A) ADVANCE PAYMENT NOT APPLICABLE.—Section 1412 of the Patient Protection
and Affordable Care Act is amended by adding
at the end the following new subsection:

“(f) EXCLUSION OF OFF-EXCHANGE COVERAGE.—
Advance payments under this section, and advance deter-
minations under section 1411, with respect to any credit
allowed under section 36B shall not be made with respect
to any health plan which is not enrolled in through an
Exchange.”.

(B) REPORTING.—Section 6055(b) of the
Internal Revenue Code of 1986 is amended by
adding at the end the following new paragraph:

“(3) INFORMATION RELATING TO OFF-EX-
CHANGE PREMIUM CREDIT ELIGIBLE COVERAGE.—If
minimum essential coverage provided to an indi-
vidual under subsection (a) consists of a qualified
health plan (as defined in section 36B(c)(3)) which
is not enrolled in through an Exchange established
under title I of the Patient Protection and Afford-
able Care Act, a return described in this subsection
shall include—

“(A) a statement that such plan is a qual-
fied health plan (as defined in section
36B(c)(3)),

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“(B) the premiums paid with respect to such coverage,

“(C) the months during which such coverage is provided to the individual,

“(D) the adjusted monthly premium for the applicable second lowest cost silver plan (as defined in section 36B(b)(3)) for each such month with respect to such individual, and

“(E) such other information as the Secretary may prescribe.

This paragraph shall not apply with respect to coverage provided for any month beginning after December 31, 2019.”.

(C) OTHER CONFORMING AMENDMENTS.—

(i) Section 36B(b)(2)(A) is amended by striking “and which were enrolled” and all that follows and inserting “, or”.

(ii) Section 36B(b)(3)(B)(i) is amended by striking “the same Exchange” and all that follows and inserting “the Exchange through which such taxpayer is permitted to obtain coverage, and”.

(b) MODIFICATION OF APPLICABLE PERCENTAGE.—

Section 36B(b)(3)(A) of such Code is amended to read as follows:
“(A) APPLICABLE PERCENTAGE.—

“(i) IN GENERAL.—The applicable percentage for any taxable year shall be the percentage such that the applicable percentage for any taxpayer whose household income is within an income tier specified in the following table shall increase, on a sliding scale in a linear manner, from the initial percentage to the final percentage specified in such table for such income tier with respect to a taxpayer of the age involved:

<table>
<thead>
<tr>
<th>In the case of household income (expressed as a percent of the poverty line) within the following income tier:</th>
<th>Up to Age 29</th>
<th>Age 30-39</th>
<th>Age 40-49</th>
<th>Age 50-59</th>
<th>Over Age 59</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial</td>
<td>Final</td>
<td>Initial</td>
<td>Final</td>
<td>Initial</td>
<td>Final</td>
</tr>
<tr>
<td>Up to 133%</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>133%-150%</td>
<td>3</td>
<td>4</td>
<td>3</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>150%-200%</td>
<td>4</td>
<td>4.3</td>
<td>4</td>
<td>5.3</td>
<td>4</td>
</tr>
<tr>
<td>200%-250%</td>
<td>4.3</td>
<td>4.3</td>
<td>5.3</td>
<td>5.9</td>
<td>6.3</td>
</tr>
<tr>
<td>250%-300%</td>
<td>4.3</td>
<td>4.3</td>
<td>5.9</td>
<td>5.9</td>
<td>8.05</td>
</tr>
<tr>
<td>300%-400%</td>
<td>4.3</td>
<td>4.3</td>
<td>5.9</td>
<td>5.9</td>
<td>8.35</td>
</tr>
</tbody>
</table>

“(ii) AGE DETERMINATIONS.—

“(I) IN GENERAL.—For purposes of clause (i), the age of the taxpayer taken into account under clause (i) with respect to any taxable year is the age attained by such taxpayer before the close of such taxable year.
“(II) JOINT RETURNS.—In the case of a joint return, the age of the older spouse shall be taken into account under clause (i).

“(iii) INDEXING.—In the case of any taxable year beginning in calendar year 2019, the initial and final percentages contained in clause (i) shall be adjusted to reflect—

“(I) the excess (if any) of the rate of premium growth for the period beginning with calendar year 2013 and ending with calendar year 2018, over the rate of income growth for such period, and

“(II) in addition to any adjustment under subclause (I), the excess (if any) of the rate of premium growth for calendar year 2018, over the rate of growth in the consumer price index for calendar year 2018.

“(iv) FAILSAFE.—Clause (iii)(II) shall apply only if the aggregate amount of premium tax credits under this section and cost-sharing reductions under section 1402...
of the Patient Protection and Affordable Care Act for calendar year 2018 exceeds an amount equal to 0.504 percent of the gross domestic product for such calendar year.”.

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years beginning after December 31, 2017.

(2) ADVANCE PAYMENT NOT APPLICABLE TO OFF-EXCHANGE COVERAGE.—The amendment made by subsection (a)(4)(A) shall take effect on January 1, 2018.

(3) REPORTING.—The amendment made by subsection (a)(4)(B) shall apply to coverage provided for months beginning after December 31, 2017.

(4) MODIFICATION OF APPLICABLE PERCENTAGE.—The amendment made by subsection (b) shall apply to taxable years beginning after December 31, 2018.

SEC. 203. PREMIUM TAX CREDIT.

(a) REPEAL OF PREMIUM TAX CREDIT.—Section 36B of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:
“(h) **Termination.**—No credit shall be allowed under this section with respect to any coverage month which begins after December 31, 2019.”.

(b) **Repeal of Advance Payment of, and Eligibility Determination for, Premium Tax Credit.**—Section 1412 of the Patient Protection and Affordable Care Act, as amended by the preceding provisions of this subtitle, is amended by adding at the end the following new subsection:

““(g) **Termination With Respect to Premium Tax Credit.**—Effective January 1, 2020, no provision of this section or section 1411 shall apply to the credit allowed under section 36B of the Internal Revenue Code of 1986 (or to the advance payment of, or determination of eligibility for, such credit or payment).”.

(c) **Effective Dates.**—

(1) **Premium Tax Credit.**—The amendment made by subsection (a) shall apply to months beginning after December 31, 2019, in taxable years ending after such date.

(2) **Eligibility Determinations.**—The amendment made by subsection (b) shall take effect on January 1, 2020.
SEC. 204. SMALL BUSINESS TAX CREDIT.

(a) IN GENERAL.—Section 45R of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

“(j) SHALL NOT APPLY.—This section shall not apply with respect to amounts paid or incurred in taxable years beginning after December 31, 2019.”.

(b) DISALLOWANCE OF SMALL EMPLOYER HEALTH INSURANCE EXPENSE CREDIT FOR PLAN WHICH INCLUDES COVERAGE FOR ABORTION.—Subsection (h) of section 45R of the Internal Revenue Code of 1986 is amended—

(1) by striking “Any term” and inserting the following:

“(1) IN GENERAL.—Any term”; and

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

“(2) EXCLUSION OF HEALTH PLANS INCLUDING COVERAGE FOR ABORTION.—

“(A) IN GENERAL.—The term ‘qualified health plan’ does not include any health plan that includes coverage for abortions (other than any abortion necessary to save the life of the mother or any abortion with respect to a pregnancy that is the result of an act of rape or incest).
“(B) Certain rules related to abortion.—

“(i) Option to purchase separate coverage or plan.—Nothing in subparagraph (A) shall be construed as prohibiting any employer from purchasing for its employees separate coverage for abortions described in such subparagraph, or a health plan that includes such abortions, so long as no credit is allowed under this section with respect to the employer contributions for such coverage or plan.

“(ii) Option to offer coverage or plan.—Nothing in subparagraph (A) shall restrict any health insurance issuer offering a health plan from offering separate coverage for abortions described in such subparagraph, or a plan that includes such abortions, so long as such separate coverage or plan is not paid for with any employer contribution eligible for the credit allowed under this section.

“(iii) Other treatments.—The treatment of any infection, injury, disease, or disorder that has been caused by or ex-
acerbated by the performance of an abortion shall not be treated as an abortion for purposes of subparagraph (A).”.

(c) Effective Dates.—

(1) In General.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2019.

(2) Disallowance of Small Employer Health Insurance Expense Credit for Plan Which Includes Coverage for Abortion.—The amendments made by subsection (b) shall apply to taxable years beginning after December 31, 2017.

SEC. 205. INDIVIDUAL MANDATE.

(a) In General.—Section 5000A(c) of the Internal Revenue Code of 1986 is amended—

(1) in paragraph (2)(B)(iii), by striking “2.5 percent” and inserting “Zero percent”, and

(2) in paragraph (3)—

(A) by striking “$695” in subparagraph (A) and inserting “$0”, and

(B) by striking subparagraph (D).

(b) Effective Date.—The amendments made by this section shall apply to months beginning after December 31, 2015.
SEC. 206. EMPLOYER MANDATE.

(a) IN GENERAL.—

(1) Paragraph (1) of section 4980H(e) of the Internal Revenue Code of 1986 is amended by inserting “($0 in the case of months beginning after December 31, 2015)” after “$2,000”.

(2) Paragraph (1) of section 4980H(b) of the Internal Revenue Code of 1986 is amended by inserting “($0 in the case of months beginning after December 31, 2015)” after “$3,000”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to months beginning after December 31, 2015.

SEC. 207. REPEAL OF THE TAX ON EMPLOYEE HEALTH INSURANCE PREMIUMS AND HEALTH PLAN BENEFITS.

Section 4980I of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

“(h) SHALL NOT APPLY.—No tax shall be imposed under this section with respect to any taxable period beginning after December 31, 2019, and before January 1, 2025.”.
SEC. 208. REPEAL OF TAX ON OVER-THE-COUNTER MEDICATIONS.

(a) HSAs.—Subparagraph (A) of section 223(d)(2) of the Internal Revenue Code of 1986 is amended by striking “Such term” and all that follows through the period.

(b) Archer MSAs.—Subparagraph (A) of section 220(d)(2) of the Internal Revenue Code of 1986 is amended by striking “Such term” and all that follows through the period.

(c) Health Flexible Spending Arrangements and Health Reimbursement Arrangements.—Section 106 of the Internal Revenue Code of 1986 is amended by striking subsection (f) and by redesignating subsection (g) as subsection (f).

(d) Effective Dates.—

(1) Distributions from Savings Accounts.—The amendments made by subsections (a) and (b) shall apply to amounts paid with respect to taxable years beginning after December 31, 2017.

(2) Reimbursements.—The amendment made by subsection (c) shall apply to expenses incurred with respect to taxable years beginning after December 31, 2017.
SEC. 209. REPEAL OF INCREASE OF TAX ON HEALTH SAVINGS ACCOUNTS.

(a) HSAs.—Section 223(f)(4)(A) of the Internal Revenue Code of 1986 is amended by striking “20 percent” and inserting “10 percent”.

(b) Archer MSAs.—Section 220(f)(4)(A) of the Internal Revenue Code of 1986 is amended by striking “20 percent” and inserting “15 percent”.

(c) Effective Date.—The amendments made by this section shall apply to distributions made after December 31, 2017.

SEC. 210. REPEAL OF LIMITATIONS ON CONTRIBUTIONS TO FLEXIBLE SPENDING ACCOUNTS.

(a) In General.—Section 125 of the Internal Revenue Code of 1986 is amended by striking subsection (i).

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 211. REPEAL OF MEDICAL DEVICE EXCISE TAX.

Section 4191 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

“(d) Applicability.—The tax imposed under subsection (a) shall not apply to sales after December 31, 2017.”.
SEC. 212. REPEAL OF ELIMINATION OF DEDUCTION FOR
EXPENSES ALLOCABLE TO MEDICARE PART D SUBSIDY.

(a) IN GENERAL.—Section 139A of the Internal Revenue Code of 1986 is amended by adding at the end the following new sentence: “This section shall not be taken into account for purposes of determining whether any deduction is allowable with respect to any cost taken into account in determining such payment.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 213. REPEAL OF INCREASE IN INCOME THRESHOLD FOR DETERMINING MEDICAL CARE DEDUCTION.

(a) IN GENERAL.—Subsection (a) of section 213 of the Internal Revenue Code of 1986 is amended by striking “10 percent” and inserting “7.5 percent”.

(b) EXTENSION OF SPECIAL RULE.—Subsection (f) of section 213 of such Code is amended—

(1) by striking “2017” and inserting “2018”,

and

(2) by striking “AND 2016” and inserting “2016, AND 2017”.

(c) EFFECTIVE DATE.—
(1) IN GENERAL.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2017.

(2) EXTENSION OF SPECIAL RULE.—The amendments made by subsection (b) shall apply to taxable years beginning after December 31, 2016.

SEC. 214. REPEAL OF MEDICARE TAX INCREASE.

(a) IN GENERAL.—Subsection (b) of section 3101 of the Internal Revenue Code of 1986 is amended to read as follows:

“(b) HOSPITAL INSURANCE.—In addition to the tax imposed by the preceding subsection, there is hereby imposed on the income of every individual a tax equal to 1.45 percent of the wages (as defined in section 3121(a)) received by such individual with respect to employment (as defined in section 3121(b)).”.

(b) SECA.—Subsection (b) of section 1401 of the Internal Revenue Code of 1986 is amended to read as follows:

“(b) HOSPITAL INSURANCE.—In addition to the tax imposed by the preceding subsection, there shall be imposed for each taxable year, on the self-employment income of every individual, a tax equal to 2.9 percent of the amount of the self-employment income for such taxable year.”.
(c) Effective Date.—The amendments made by this section shall apply with respect to remuneration received after, and taxable years beginning after, December 31, 2017.

SEC. 215. REFUNDABLE TAX CREDIT FOR HEALTH INSURANCE COVERAGE.

(a) In General.—Subpart C of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 36B the following new section:

"SEC. 36C. HEALTH INSURANCE COVERAGE.

"(a) In General.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this subtitle for the taxable year the sum of the monthly credit amounts with respect to such taxpayer for calendar months during such taxable year.

"(b) Monthly Credit Amounts.—

"(1) In General.—The monthly credit amount with respect to any taxpayer for any calendar month is the lesser of—

"(A) the sum of the monthly limitation amounts determined under subsection (c) with respect to the taxpayer and the taxpayer’s qualifying family members for such month, or
“(B) the amount paid for eligible health
insurance for the taxpayer and the taxpayer’s
qualifying family members for such month.

“(2) **Eligible Coverage Month Requirement.**—No amount shall be taken into account
under subparagraph (A) or (B) of paragraph (1)
with respect to any individual for any month unless
such month is an eligible coverage month with re-
spect to such individual.

“(c) **Monthly Limitation Amounts.**—

“(1) **In General.**—The monthly limitation
amount with respect to any individual for any eligi-
ble coverage month during any taxable year is \( \frac{1}{12} \)
of—

“(A) $2,000 in the case of an individual
who has not attained age 30 as of the begin-
ing of such taxable year,

“(B) $2,500 in the case of an individual
who has attained age 30 but who has not at-
tained age 40 as of such time,

“(C) $3,000 in the case of an individual
who has attained age 40 but who has not at-
tained age 50 as of such time,
“(D) $3,500 in the case of an individual who has attained age 50 but who has not attained age 60 as of such time, and

“(E) $4,000 in the case of an individual who has attained age 60 as of such time.

“(2) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—

“(A) IN GENERAL.—The amount otherwise determined under subsection (b)(1)(A) (without regard to this subparagraph but after any other adjustment of such amount under this section) for the taxable year shall be reduced (but not below zero) by 10 percent of the excess (if any) of—

“(i) the taxpayer’s modified adjusted gross income for such taxable year, over

“(ii) $75,000 (twice such amount in the case of a joint return).

“(B) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this paragraph, the term ‘modified adjusted gross income’ means adjusted gross income increased by—

“(i) any amount excluded from gross income under section 911,
“(ii) any amount of interest received or accrued by the taxpayer during the taxable year which is exempt from tax, and

“(iii) an amount equal to the portion of the taxpayer’s social security benefits (as defined in section 86(d)) which is not included in gross income under section 86 for the taxable year.

“(3) OTHER LIMITATIONS.—

“(A) AGGREGATE DOLLAR LIMITATION.—

The sum of the monthly limitation amounts taken into account under this section with respect to any taxpayer for any taxable year shall not exceed $14,000.

“(B) MAXIMUM NUMBER OF INDIVIDUALS TAKEN INTO ACCOUNT.—With respect to any taxpayer for any month, monthly limitation amounts shall be taken into account under this section only with respect to the 5 oldest individuals with respect to whom monthly limitation amounts could (without regard to this subparagraph) otherwise be so taken into account.

“(d) ELIGIBLE COVERAGE MONTH.—For purposes of this section, the term ‘eligible coverage month’ means,
with respect to any individual, any month if, as of the first
day of such month, the individual—

“(1) is covered by eligible health insurance,

“(2) is not eligible for other specified coverage,

“(3) is either—

“(A) a citizen or national of the United States, or

“(B) a qualified alien (within the meaning of section 431 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1641)), and

“(4) is not incarcerated, other than incarceration pending the disposition of charges.

“(e) QUALIFYING FAMILY MEMBER.—For purposes of this section, the term ‘qualifying family member’ means—

“(1) in the case of a joint return, the taxpayer’s spouse,

“(2) any dependent of the taxpayer, and

“(3) with respect to any eligible coverage month, any child (as defined in section 152(f)(1)) of the taxpayer who as of the end of the taxable year has not attained age 27 if such child is covered for such month under eligible health insurance which
also covers the taxpayer (in the case of a joint return, either spouse).

“(f) **Eligible Health Insurance.**—For purposes of this section—

“(1) **In General.**—The term ‘eligible health insurance’ means any health insurance coverage (as defined in section 9832(b)) if—

“(A) such coverage is either—

“(i) offered in the individual health insurance market within a State, or

“(ii) is unsubsidized COBRA continuation coverage,

“(B) such coverage is not a grandfathered health plan (as defined in section 1251 of the Patient Protection and Affordable Care Act) or a grandmothered health plan,

“(C) substantially all of such coverage is not of excepted benefits described in section 9832(c),

“(D) such coverage does not include coverage for abortions (other than any abortion necessary to save the life of the mother or any abortion with respect to a pregnancy that is the result of an act of rape or incest),
“(E) such coverage does not consist of short-term limited duration insurance (as defined by the Secretary), and

“(F) the State in which such insurance is offered certifies that such coverage meets the requirements of this paragraph.

“(2) RULES RELATED TO STATE CERTIFICATION.—

“(A) CERTIFICATION MADE AVAILABLE TO PUBLIC.—A certification shall not be taken into account under paragraph (1)(E) unless such certification is made available to the public and meets such other requirements as the Secretary may provide.

“(B) SPECIAL RULE FOR UNSUBSIDIZED COBRA CONTINUATION COVERAGE.—In the case of unsubsidized COBRA continuation coverage—

“(i) paragraph (1)(E) shall be applied by substituting ‘the plan administrator (as defined in section 414(g)) of the health plan’ for ‘the State in which such insurance is offered’, and

“(ii) the requirements of subparagraph (A) shall be treated as satisfied if
the certification meets such requirements
as the Secretary may provide.

“(3) GRANDMOTHERED HEALTH PLAN.—

“(A) IN GENERAL.—The term
‘grandmothered health plan’ means health ins-
urance coverage which is offered in the indi-
vidual health insurance market as of January 1,
2013, and is permitted to be offered in such
market after January 1, 2014, as a result of
CCIIO guidance.

“(B) CCIIO GUIDANCE DEFINED.—The
term ‘CCIIO guidance’ means the letter issued
by the Centers for Medicare & Medicaid Serv-
ces on November 14, 2013, to the State Insur-
ance Commissioners outlining a transitional pol-
icy for non-grandfathered coverage in the indi-
vidual health insurance market, as subsequently
extended and modified (including by a commu-
nication entitled ‘Insurance Standards Bulletin
Series—INFORMATION—Extension of Trans-
sitional Policy through Calendar Year 2017’
issued on February 29, 2016, by the Director
of the Center for Consumer Information & In-
surance Oversight of such Centers).
“(4) **Individual health insurance market.**—The term ‘individual health insurance market’ means the market for health insurance coverage (as defined in section 9832(b)) offered to individuals other than in connection with a group health plan (within the meaning of section 5000(b)(1)).

“(g) **Other specified coverage.**—For purposes of this section—

“(1) **In general.**—The term ‘other specified coverage’ means any of the following:

“(A) Coverage under a group health plan (within the meaning of section 5000(b)(1)) other than—

“(i) coverage under a plan substantially all of the coverage of which is of excepted benefits described in section 9832(c), and

“(ii) COBRA continuation coverage.

“(B) Coverage under the Medicare program under part A of title XVIII of the Social Security Act.

“(C) Coverage under the Medicaid program under title XIX of the Social Security Act.
“(D) Coverage under the CHIP program under title XXI of the Social Security Act.

“(E) Medical coverage under chapter 55 of title 10, United States Code, including coverage under the TRICARE program.

“(F) Coverage under a health care program under chapter 17 or 18 of title 38, United States Code, as determined by the Secretary of Veterans Affairs, in coordination with the Secretary of Health and Human Services and the Secretary of the Treasury.

“(G) Coverage under a health plan under section 2504(e) of title 22, United States Code (relating to Peace Corps volunteers).


“(2) SPECIAL RULE WITH RESPECT TO VETERANS HEALTH PROGRAMS.—In the case of other specified coverage described in paragraph (1)(F), an individual shall not be treated as eligible for such
coverage unless such individual is enrolled in such coverage.

“(h) UNSUBSIDIZED COBRA CONTINUATION COVERAGE.—For purposes of this section—

“(1) IN GENERAL.—The term ‘unsubsidized COBRA continuation coverage’ means COBRA continuation coverage no portion of the premiums for which are subsidized by the employer.

“(2) COBRA CONTINUATION COVERAGE.—The term ‘COBRA continuation coverage’ means continuation coverage provided pursuant to part 6 of subtitle B of title I of the Employee Retirement Income Security Act of 1974 (other than under section 609), title XXII of the Public Health Service Act, section 4980B of the Internal Revenue Code of 1986 (other than subsection (f)(1) of such section insofar as it relates to pediatric vaccines), or section 8905a of title 5, United States Code, or under a State program that provides comparable continuation coverage. Such term shall not include coverage under a health flexible spending arrangement.

“(i) SPECIAL RULES.—

“(1) MARRIED COUPLES MUST FILE JOINT RETURN.—If the taxpayer is married (within the meaning of section 7703) at the close of the taxable year,
no credit shall be allowed under this section to such
taxpayer unless such taxpayer and the taxpayer's
spouse file a joint return for such taxable year.

“(2) Denial of credit to dependents.—

“(A) In general.—No credit shall be al-
lowed under this section to any individual who
is a dependent with respect to another taxpayer
for a taxable year beginning in the calendar
year in which such individual’s taxable year be-
gins.

“(B) Coordination with rule for
older children.—In the case of any indi-
vidual who is a qualifying family member de-
scribed in subsection (e)(3) with respect to an-
other taxpayer for any month, in determining
the amount of any credit allowable to such indi-
vidual under this section for any taxable year of
such individual which includes such month, the
monthly limitation amount with respect to such
individual for such month shall be zero and no
amount paid for eligible health insurance with
respect to such individual for such month shall
be taken into account.

“(3) Coordination with medical expense
deduction.—Amounts described in subsection
(b)(1)(B) with respect to any month shall not be taken into account in determining the deduction allowed under section 213 except to the extent that such amounts exceed the amount described in subsection (b)(1)(A) with respect to such month.

“(4) INSURANCE WHICH COVERS OTHER INDIVIDUALS.—For purposes of this section, rules similar to the rules of section 213(d)(6) shall apply with respect to any contract for eligible health insurance under which amounts are payable for coverage of an individual other than the taxpayer and the taxpayer’s qualifying family members.

“(5) COORDINATION WITH ADVANCE PAYMENTS OF CREDIT.—With respect to any taxable year—

“(A) the amount which would (but for this subsection) be allowed as a credit to the taxpayer under subsection (a) shall be reduced (but not below zero) by the aggregate amount paid on behalf of such taxpayer under section 7529 for months beginning in such taxable year, and

“(B) the tax imposed by section 1 for such taxable year shall be increased by the excess (if any) of—
“(i) the aggregate amount paid on behalf of such taxpayer under section 7529 for months beginning in such taxable year, over

“(ii) the amount which would (but for this subsection) be allowed as a credit to the taxpayer under subsection (a).

“(6) Special rules for qualified small employer health reimbursement arrangements.—

“(A) In general.—If the taxpayer or any qualifying family member of the taxpayer is provided a qualified small employer health reimbursement arrangement for any eligible coverage month, the sum determined under subsection (b)(1)(A) with respect to the taxpayer for such month shall be reduced (but not below zero) by 1⁄12 of the permitted benefit (as defined in section 9831(d)(3)(C)) under such arrangement.

“(B) Qualified small employer health reimbursement arrangement.—

For purposes of this paragraph, the term ‘qualified small employer health reimbursement
arrangement’ has the meaning given such term
by section 9831(d)(2).

“(C) Coverage for less than entire
year.—In the case of an employee who is pro-
vided a qualified small employer health reim-
bursement arrangement for less than an entire
year, subparagraph (A) shall be applied by sub-
stituting ‘the number of months during the year
for which such arrangement was provided’ for
‘12’.

“(7) Certain rules related to abor-
tion.—

“(A) Option to purchase separate
coverage or plan.—Nothing in subsection
(f)(1)(D) shall be construed as prohibiting any
individual from purchasing separate coverage
for abortions described in such subparagraph,
or a health plan that includes such abortions, so
long as no credit is allowed under this section
with respect to the premiums for such coverage
or plan.

“(B) Option to offer coverage or
plan.—Nothing in subsection (f)(1)(D) shall
restrict any health insurance issuer offering a
health plan from offering separate coverage for
abortions described in such clause, or a plan
that includes such abortions, so long as pre-
miums for such separate coverage or plan are
not paid for with any amount attributable to
the credit allowed under this section.

“(C) OTHER TREATMENTS.—The treat-
ment of any infection, injury, disease, or dis-
order that has been caused by or exacerbated
by the performance of an abortion shall not be
treated as an abortion for purposes of sub-
section (f)(1)(D).

“(8) INFLATION ADJUSTMENT.—

“(A) IN GENERAL.—In the case of any
taxable year beginning in a calendar year after
2020, each dollar amount in subsection (c)(1),
the $75,000 amount in subsection (c)(2)(A)(ii),
and the dollar amount in subsection (c)(3)(A),
shall be increased by an amount equal to—

“(i) such dollar amount, multiplied by

“(ii) the cost-of-living adjustment de-
determined under section 1(f)(3) for the cal-
endar year in which the taxable year be-
gins, determined—
“(I) by substituting ‘calendar year 2019’ for ‘calendar year 1992’ in subparagraph (B) thereof, and

“(II) by substituting for the CPI referred to section 1(f)(3)(A) the amount that such CPI would have been if the annual percentage increase in CPI with respect to each year after 2019 had been one percentage point greater.

“(B) TERMS RELATED TO CPI.—

“(i) ANNUAL PERCENTAGE INCREASE.—For purposes of subparagraph (A)(ii)(II), the term ‘annual percentage increase’ means the percentage (if any) by which CPI for any year exceeds CPI for the prior year.

“(ii) OTHER TERMS.—Terms used in this paragraph which are also used in section 1(f)(3) shall have the same meanings as when used in such section.

“(C) ROUNDING.—Any increase determined under subparagraph (A) shall be rounded to the nearest multiple of $50.
“(9) REGULATIONS.—The Secretary may pre-
scribe such regulations and other guidance as may
be necessary or appropriate to carry out this section,
section 6050X, and section 7529.”.

(b) ADVANCE PAYMENT OF CREDIT; EXCESS
HEALTH INSURANCE COVERAGE CREDIT PAYABLE TO
HEALTH SAVINGS ACCOUNT.—Chapter 77 of such Code
is amended by adding at the end the following:

“SEC. 7529. ADVANCE PAYMENT OF HEALTH INSURANCE
COVERAGE CREDIT.

“(a) GENERAL RULE.—Not later than January 1,
2020, the Secretary, in consultation with the Secretary of
Health and Human Services, the Secretary of Homeland
Security, and the Commissioner of Social Security, shall
establish a program (hereafter in this section referred to
as the ‘advance payment program’) for making payments
to providers of eligible health insurance on behalf of tax-
payers eligible for the credit under section 36C.

“(b) LIMITATION.—The aggregate payments made
under this section with respect to any taxpayer, deter-
mined as of any time during any calendar year, shall not
exceed the monthly credit amounts determined with re-
spect to such taxpayer under section 36C for months dur-
ing such calendar year which have ended as of such time.

“(c) ADMINISTRATION.—
“(1) IN GENERAL.—The advance payment pro-
gram shall, to the greatest extent practicable, use
the methods and procedures used to administer the
programs created under sections 1411 and 1412 of
the Patient Protection and Affordable Care Act (de-
termined without regard to section 1412(f) of such
Act) and each entity that is authorized to take any
actions under the programs created under such sec-
tions (as so determined) shall, at the request of the
Secretary, take such actions to the extent necessary
to carry out this section.

“(2) APPLICATION TO OFF-EXCHANGE COV-
ERAGE.—Except as otherwise provided by the Sec-
retary, for purposes of applying this subsection in
the case of eligible health insurance which is not en-
rolled in through an Exchange established under
title I of the Patient Protection and Affordable Care
Act, the sections referred to in paragraph (1) shall
be applied by treating references in such sections to
an Exchange as references to the provider of such
eligible health insurance (or, as the Secretary deter-
mines appropriate, to the licensed agent or broker
with respect to such insurance), except that the Sec-
retary of Health and Human Services shall carry out
the responsibilities of the Exchange under section
1411(e)(4) of the Patient Protection and Affordable
Care Act (determined without regard to section
1412(f) of such Act) in the case of such insurance.

“(3) DOCUMENTATION REGARDING OTHER
SPECIFIED COVERAGE.—

“(A) IN GENERAL.—The advance payment
program shall provide that any individual ap-
plying to have payments made on their behalf
under such program shall, if such individual (or
any qualifying family member of such individual
taken into account in determining the amount
of the credit allowable under section 36C) is
employed, submit a written statement from
each employer of such individual or such quali-
fying family member stating whether such indi-
vidual or qualifying family member (as the case
may be) is eligible for other specified coverage
in connection with such employment.

“(B) ISSUANCE OF STATEMENTS.—An em-
ployer shall, at the request of any employee,
 provide the statement under subparagraph (A)
at such time, and in such form and manner, as
the Secretary may provide.

“(d) DEFINITIONS.—For purposes of this section,
terms used in this section which are also used in section
36C shall have the same meaning as when used in section 36C.

“SEC. 7530. EXCESS HEALTH INSURANCE COVERAGE CRED-
IT PAYABLE TO HEALTH SAVINGS ACCOUNT.
“(a) IN GENERAL.—At the request of an eligible tax-
payer, the Secretary shall make a payment to the trustee
of the designated health savings account with respect to
such taxpayer in an amount equal to the sum of the ex-
cesses (if any) described in subsection (c)(2) with respect
to months in the taxable year.
“(b) DESIGNATED HEALTH SAVINGS ACCOUNT.—
The term ‘designated health savings account’ means a
health savings account of an individual described in sub-
section (c)(3) which is identified by the eligible taxpayer
for purposes of this section.
“(c) ELIGIBLE TAXPAYER.—The term ‘eligible tax-
payer’ means, with respect to any taxable year, any tax-
payer if—
“(1) such taxpayer is allowed a credit under
section 36C for such taxable year,
“(2) the amount described in subparagraph (A)
of section 36C(b)(1) exceeds the amount described
in subparagraph (B) of such section with respect to
such taxpayer applied with respect to any month
during such taxable year, and
“(3) the taxpayer or one or more of the taxpayer’s qualifying family members (as defined in section 36C(e)) were eligible individuals (as defined in section 223(e)(1)) for one or more months during such taxable year.

“(d) Contributions Treated as Rollovers, etc.—

“(1) In general.—Any amount paid the Secretary to a health savings account under this section shall be treated for purposes of this title in the same manner as a rollover contribution described in section 223(f)(5).

“(2) Coordination with limitation on rollovers.—Any amount described in paragraph (1) shall not be taken into account in applying section 223(f)(5)(B) with respect to any other amount and the limitation of section 223(f)(5)(B) shall not apply with respect to the application of paragraph (1).

“(e) Form and Manner of Request.—The request referred to in subsection (a) shall be made at such time and in such form and manner as the Secretary may provide. To the extent that the Secretary determines feasible, such request may identify more than one designated health savings account (and the amount to be paid to each
such account) provided that the aggregate of such pay-
ments with respect to any taxpayer for any taxable year
do not exceed the excess described in subsection (c)(2).

“(f) TAXPAYERS WITH SERIOUSLY DELINQUENT
TAX DEBT.—In the case of an individual who has a seri-
ously delinquent tax debt (as defined in section 7345(b))
which has not been fully satisfied—

“(1) if such individual is the eligible taxpayer
(or, in the case of a joint return, either spouse), the
Secretary shall not make any payment under this
section with respect to such taxpayer, and

“(2) if such individual is the account bene-
iciary (as defined in section 223(d)(3)) of any
health savings account, the Secretary shall not make
any payment under this section to such health sav-
ings account.

“(g) ADVANCE PAYMENT.—To the extent that the
Secretary determines feasible, payment under this section
may be made in advance on a monthly basis under rules
similar to the rules of sections 7529 and 36C(i)(5)(B).”.

(c) INFORMATION REPORTING.—

(1) REPORTING BY HEALTH INSURANCE PRO-
VIDERS.—Subpart B of part III of subchapter A of
chapter 61 of such Code is amended by adding at
“SEC. 6050X. RETURNS BY HEALTH INSURANCE PROVIDERS RELATING TO HEALTH INSURANCE COVERAGE CREDIT.

“(a) Requirement of Reporting.—Every person who provides eligible health insurance for any month of any calendar year with respect to any individual shall, at such time as the Secretary may prescribe, make the return described in subsection (b) with respect to each such individual. With respect to any individual with respect to whom payments under section 7529 are made by the Secretary, the reporting under subsection (b) shall be made on a monthly basis.

“(b) Form and Manner of Returns.—A return is described in this subsection if such return—

“(1) is in such form as the Secretary may prescribe, and

“(2) contains, with respect to each policy of eligible health insurance—

“(A) the name, address, and TIN of each individual covered under such policy,

“(B) the premiums paid with respect to such policy,

“(C) the amount of advance payments made on behalf of the individual under section 7529,
“(D) the months during which such health insurance is provided to the individual,

“(E) whether such policy constitutes a high deductible health plan (as defined in section 223(c)(2)), and

“(F) such other information as the Secretary may prescribe.

“(c) Statements to Be Furnished to Individuals With Respect to Whom Information Is Required.—Every person required to make a return under subsection (a) shall furnish to each individual whose name is required to be set forth in such return a written statement showing—

“(1) the name and address of the person required to make such return and the phone number of the information contact for such person, and

“(2) the information required to be shown on the return with respect to such individual.

The written statement required under the preceding sentence shall be furnished on or before January 31 of the year following the calendar year to which such statement relates.

“(d) Definitions.—For purposes of this section, terms used in this section which are also used in section
36C shall have the same meaning as when used in section 36C.”.

(2) Reporting by employers.—Section 6051(a) of such Code is amended by striking “and” at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting “, and”, and by inserting after paragraph (15) the following new paragraph:

“(16) each month with respect to which the employee is eligible for other specified coverage (as defined in section 36C(g)) in connection with employment with the employer.”.

(3) Assessable penalties.—

(A) Section 6724(d)(1)(B) of such Code is amended by striking “or” at the end of clause (xxiv), by inserting “or” at the end of clause (xxv), and by inserting after clause (xxv) the following new clause:

“(xxvi) section 6050X (relating to returns relating to health insurance coverage credit),”.

(B) Section 6724(d)(2) of such Code is amended by striking “or” at the end of subparagraph (HH), by striking the period at the end of subparagraph (II) and inserting a
comma, and by adding after subparagraph (II) the following new subparagraphs:

“(JJ) section 6050X (relating to returns relating to health insurance coverage credit), or

“(KK) section 7529(c)(3) (relating to documentation regarding other specified coverage).”.

(d) DISCLOSURES.—Paragraph (21) of section 6103(l) of the Internal Revenue Code of 1986 is amend-
ed—

(1) in subparagraph (A)—

(A) by striking “any premium tax credit under section 36B or any cost-sharing reduc-
tion under section 1402 of the Patient Protec-
tion and Affordable Care Act or” and inserting “any credit under section 36C”,

(B) by striking “, a State’s children’s health insurance program under title XXI of the Social Security Act, or a basic health pro-
gram under section 1331 of Patient Protection and Affordable Care Act” and inserting “or a State’s children’s health insurance program under title XXI of the Social Security Act”,

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(C) by striking “(as defined in section 36B)” in clause (iv) and inserting “(as defined in section 36C(e)(2)(B))”, and
(D) by striking “or reduction” in clause (v),
(2) in subparagraph (B)—
(A) by striking “may disclose to an Ex-
change” and inserting “may disclose—
“(i) to an Exchange”, and
(B) by striking the period at the end and
inserting “, and”, and
(C) by adding at the end the following new
clause:
“(ii) in the case of any credit under
section 36C with respect to any health in-
surance, the amount of such credit (or the
amount of any advance payment of such
credit) to the provider of such insurance
(or, as the Secretary determines appro-
priate, the licensed agent or broker with
respect to such insurance).”, and
(3) in subparagraph (C)(i), by striking “amount
of, any credit or reduction” and inserting “amount
of any credit”.

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(e) INCREASED PENALTY ON ERRONEOUS CLAIMS OF CREDIT.—Section 6676(a) of such Code is amended by inserting “(25 percent in the case of a claim for refund or credit relating to the health insurance coverage credit under section 36C)” after “20 percent”.

(f) CONFORMING AMENDMENTS.—

(1) Section 35(g) of such Code is amended by adding at the end the following new paragraph:

“(14) COORDINATION WITH HEALTH INSURANCE COVERAGE CREDIT.—

“(A) IN GENERAL.—An eligible coverage month to which the election under paragraph (11) applies shall not be treated as an eligible coverage month (as defined in section 36C(d)) for purposes of section 36C with respect to the taxpayer or any of the taxpayer’s qualifying family members (as defined in section 36C(e)).

“(B) COORDINATION WITH ADVANCE PAYMENTS OF HEALTH INSURANCE COVERAGE CREDIT.—In the case of a taxpayer who makes the election under paragraph (11) with respect to any eligible coverage month in a taxable year or on behalf of whom any advance payment is made under section 7527 with respect to any month in such taxable year—
“(i) the tax imposed by this chapter for the taxable year shall be increased by the excess, if any, of—

“(I) the sum of any advance payments made on behalf of the taxpayer under sections 7527 and 7529 for months during such taxable year, over

“(II) the sum of the credits allowed under this section (determined without regard to paragraph (1)) and section 36C (determined without regard to subsection (i)(5)(A) thereof) for such taxable year, and

“(ii) section 36C(i)(5)(B) shall not apply with respect to such taxpayer for such taxable year.”.

(2) Section 162(l) of such Code is amended by adding at the end the following new paragraph:

“(6) COORDINATION WITH HEALTH INSURANCE COVERAGE CREDIT.—The deduction otherwise allowable to a taxpayer under paragraph (1) for any taxable year shall be reduced (but not below zero) by the sum of—

“(A) the amount of the credit allowable to such taxpayer under section 36C (determined
without regard to subsection (i)(5)(A) thereof
for such taxable year, plus

“(B) the aggregate payments made with
respect to the taxpayer under section 7530 for
months during such taxable year.”.

(3) Section 1324(b)(2) of title 31, United
States Code is amended—

(A) by inserting “36C,” after “36B,”, and

(B) by striking “or 6431” and inserting

“6431, or 7530”.

(4) The table of sections for subpart C of part
IV of subchapter A of chapter 1 of the Internal Rev-

venue Code of 1986 is amended by inserting after the
item relating to section 36B the following new item:

“Sec. 36C. Health insurance coverage.”.

(5) The table of sections for subpart B of part
III of subchapter A of chapter 61 of such Code is
amended by adding at the end the following new
item:

“Sec. 6050X. Returns by health insurance providers relating to health insur-
ance coverage credit.”.

(6) The table of sections for chapter 77 of such
Code is amended by adding at the end the following
new items:

“Sec. 7529. Advance payment of health insurance coverage credit.
“Sec. 7530. Excess health insurance coverage credit payable to health savings account.”.
(g) Effective Date.—The amendments made by this section shall apply to months beginning after December 31, 2019, in taxable years ending after such date.

SEC. 216. MAXIMUM CONTRIBUTION LIMIT TO HEALTH SAVINGS ACCOUNT INCREASED TO AMOUNT OF DEDUCTIBLE AND OUT-OF-POCKET LIMITATION.

(a) Self-Only Coverage.—Section 223(b)(2)(A) of the Internal Revenue Code of 1986 is amended by striking “$2,250” and inserting “the amount in effect under subsection (e)(2)(A)(ii)(I)”.

(b) Family Coverage.—Section 223(b)(2)(B) of such Code is amended by striking “$4,500” and inserting “the amount in effect under subsection (e)(2)(A)(ii)(II)”.

(c) Conforming Amendments.—Section 223(g)(1) of such Code is amended—

(1) by striking “subsections (b)(2) and” both places it appears and inserting “subsection”, and

(2) in subparagraph (B), by striking “determined by” and all that follows through “‘calendar year 2003’.” and inserting “determined by substituting ‘calendar year 2003’ for ‘calendar year 1992’ in subparagraph (B) thereof.”.
(d) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 217. ALLOW BOTH SPOUSES TO MAKE CATCH-UP CONTRIBUTIONS TO THE SAME HEALTH SAVINGS ACCOUNT.

(a) In General.—Section 223(b)(5) of the Internal Revenue Code of 1986 is amended to read as follows:

“(5) Special rule for married individuals with family coverage.—

“(A) In general.—In the case of individuals who are married to each other, if both spouses are eligible individuals and either spouse has family coverage under a high deductible health plan as of the first day of any month—

“(i) the limitation under paragraph (1) shall be applied by not taking into account any other high deductible health plan coverage of either spouse (and if such spouses both have family coverage under separate high deductible health plans, only one such coverage shall be taken into account),
“(ii) such limitation (after application of clause (i)) shall be reduced by the aggregate amount paid to Archer MSAs of such spouses for the taxable year, and

“(iii) such limitation (after application of clauses (i) and (ii)) shall be divided equally between such spouses unless they agree on a different division.

“(B) Treatment of Additional Contribution Amounts.—If both spouses referred to in subparagraph (A) have attained age 55 before the close of the taxable year, the limitation referred to in subparagraph (A)(iii) which is subject to division between the spouses shall include the additional contribution amounts determined under paragraph (3) for both spouses. In any other case, any additional contribution amount determined under paragraph (3) shall not be taken into account under subparagraph (A)(iii) and shall not be subject to division between the spouses.”.

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.
SEC. 218. SPECIAL RULE FOR CERTAIN MEDICAL EXPENSES INCURRED BEFORE ESTABLISHMENT OF HEALTH SAVINGS ACCOUNT.

(a) In General.—Section 223(d)(2) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

“(D) Treatment of certain medical expenses incurred before establishment of account.—If a health savings account is established during the 60-day period beginning on the date that coverage of the account beneficiary under a high deductible health plan begins, then, solely for purposes of determining whether an amount paid is used for a qualified medical expense, such account shall be treated as having been established on the date that such coverage begins.”.

(b) Effective Date.—The amendment made by this section shall apply with respect to coverage beginning after December 31, 2017.
Subtitle B—Repeal of Certain Consumer Taxes

SEC. 221. REPEAL OF TAX ON PRESCRIPTION MEDICATIONS.

Section 9008 of the Patient Protection and Affordable Care Act is amended by adding at the end the following new subsection:

“(l) TERMINATION.—No fee shall be imposed under subsection (a)(1) with respect to any calendar year beginning after December 31, 2017.”.

SEC. 222. REPEAL OF HEALTH INSURANCE TAX.

Section 9010 of the Patient Protection and Affordable Care Act is amended by adding at the end the following new subsection:

“(k) TERMINATION.—No fee shall be imposed under subsection (a)(1) with respect to any calendar year beginning after December 31, 2017.”.

Subtitle C—Repeal of Tanning Tax

SEC. 231. REPEAL OF TANNING TAX.

(a) In General.—The Internal Revenue Code of 1986 is amended by striking chapter 49.

(b) Effective Date.—The amendment made by this section shall apply to services performed after December 31, 2017.
Subtitle D—Remuneration From Certain Insurers

SEC. 241. REMUNERATION FROM CERTAIN INSURERS.

Paragraph (6) of section 162(m) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

“(I) TERMINATION.—This paragraph shall not apply to taxable years beginning after December 31, 2017.”

Subtitle E—Repeal of Net Investment Income Tax

SEC. 251. REPEAL OF NET INVESTMENT INCOME TAX.

(a) IN GENERAL.—Subtitle A of the Internal Revenue Code of 1986 is amended by striking chapter 2A.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.
A BILL

[Report No. 115-22]

H. R. 1628

115TH CONGRESS

To provide for reconciliation pursuant to title II of the concurrent resolution on the budget for fiscal year 2017.