

105TH CONGRESS
1ST SESSION

H. R. 1363

To provide grants to States to provide uninsured children with access to health care insurance coverage.

IN THE HOUSE OF REPRESENTATIVES

APRIL 17, 1997

Mrs. JOHNSON of Connecticut (for herself, Mr. MATSUI, Mr. RIGGS, Mr. STARK, Mrs. MORELLA, and Mr. SHAYS) introduced the following bill; which was referred to the Committee on Commerce, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To provide grants to States to provide uninsured children with access to health care insurance coverage.

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

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

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Child Health Insurance Act of 1997”.

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

Sec. 1. Short title; table of contents.

Sec. 2. Purposes.

TITLE I—CHILDREN’S HEALTH INSURANCE GRANT PROGRAM

Subtitle A—Voluntary State Grant Programs

- Sec. 101. Authority to establish.
- Sec. 102. Requirements for qualifying children’s policy.
- Sec. 103. Requirements for qualifying children’s direct service benefit option.
- Sec. 104. Other requirements.

SUBTITLE B—ASSISTANCE

PART 1—ASSISTANCE TO FAMILIES

- Sec. 121. Eligibility determinations.
- Sec. 122. Assistance to families.
- Sec. 123. Penalties for material misrepresentation and false information.
- Sec. 124. Aggregate Federal grant payments.
- Sec. 125. Authorization of appropriations and deficit reduction.

PART 2—SERVICES FOR PREGNANT WOMEN, NEW MOTHERS, AND INFANTS

- Sec. 131. Program for pregnant women and infants.

SUBTITLE C—DEFINITIONS AND MISCELLANEOUS PROVISIONS

PART 1—DEFINITIONS

- Sec. 141. Definitions.

PART 2—MISCELLANEOUS PROVISIONS

- Sec. 151. Other contributions to premiums.
- Sec. 152. Maintenance of effort.
- Sec. 153. Application of other requirements and State flexibility.
- Sec. 154. Regulations.

TITLE II—CONFORMING AMENDMENTS; EFFECTIVE DATE

- Sec. 201. Conforming amendments.
- Sec. 202. Effective date.

1 **SEC. 2. PURPOSES.**

2 It is the purpose of this Act to benefit American fami-
 3 lies by—

4 (1) providing grants to States to develop and
 5 implement a voluntary program to help purchase
 6 health coverage for uninsured, needy children; and

7 (2) acquiring resources targeted to help reduce
 8 the Federal budget deficit that, if unchecked, will re-

1 quire American families to devote an increasing pro-
2 portion of their tax liability to service the debt.

3 **TITLE I—CHILDREN’S HEALTH**
4 **INSURANCE GRANT PROGRAM**
5 **Subtitle A—Voluntary State Grant**
6 **Programs**

7 **SEC. 101. AUTHORITY TO ESTABLISH.**

8 (a) STATE ELECTION.—Each State may elect to es-
9 tablish a children’s health insurance program that com-
10 plies with this title.

11 (b) STATE PLAN.—

12 (1) IN GENERAL.—To apply to participate
13 under this subtitle, a State shall, not later than 90
14 days prior to the beginning of the calendar year in
15 which the State program is to begin, prepare and
16 submit to the Secretary a State plan for the oper-
17 ation of the program.

18 (2) APPROVAL BY SECRETARY.—The State plan
19 submitted by a State under paragraph (1) must be
20 approved by the Secretary in order for the State to
21 be eligible to receive a grant under this title.

22 (c) USE OF FUNDS.—Under a program under this
23 title, a participating State shall provide subsidies, consist-
24 ent with section 122, for coverage under a qualifying chil-

1 dren's policy and a qualifying children's direct service ben-
 2 efit option.

3 **SEC. 102. REQUIREMENTS FOR QUALIFYING CHILDREN'S**
 4 **POLICY.**

5 (a) IN GENERAL.—Each participating State—

6 (1) shall contract with health insurance issuers
 7 to make qualifying children's policies available to
 8 subsidy eligible children in the State;

9 (2) shall ensure that qualifying children's poli-
 10 cies are available to all eligible children in the State
 11 and that each eligible child has the opportunity to
 12 enroll for coverage under such policies;

13 (3) shall ensure that a qualifying children's poli-
 14 cy provides coverage for the care described in sub-
 15 sections (b) and (c);

16 (4) shall provide for the payment of premium
 17 and cost sharing subsidies (in amounts as defined by
 18 the State in accordance with section 122), that may
 19 include vouchers, to or on behalf of subsidy eligible
 20 children, except that a State electing to participate
 21 may not—

22 (A) provide a premium subsidy that is less
 23 than 95 percent for a subsidy eligible child in
 24 a family with a family income below 185 per-

1 cent of the poverty line for a family of the size
2 involved;

3 (B) allow the imposition of cost-sharing re-
4 quirements for preventive services provided to a
5 subsidy eligible child; or

6 (C) enter into a contract with a health in-
7 surance issuer offering a qualifying children's
8 policy that requires that a subsidy eligible child
9 (in a family with a family income below 150
10 percent of the poverty line for a family of the
11 size involved) pay more than 20 percent of the
12 cost-sharing otherwise applied under such con-
13 tract as applied with respect to a particular
14 item or service unless the cost-sharing required
15 under the contract involved has been deemed by
16 the Secretary as not being a barrier to care for
17 children of families below 150 percent of pov-
18 erty line for a family of the size involved.

19 (b) COVERAGE FOR MEDICAL CARE.—For purposes
20 of this title, a qualifying children's policy is a policy for
21 an eligible child that provides coverage for medical care
22 for such child that either (at the option of the State)—

23 (1) is the equivalent of the medical assistance
24 available (other than cost sharing) to children under

1 the State plan under title XIX of the Social Security
2 Act (42 U.S.C. 1396 et seq.), or

3 (2) is comparable to the health benefits plan
4 that is offered under the Federal Employees' Health
5 Benefits Program (under chapter 89 of title 5, United
6 States Code) and that is the plan with the largest
7 enrollment of individuals under such Program.

8 (c) ACCESS TO SPECIALTY CARE FOR SPECIAL
9 NEEDS CHILDREN.—Each participating State shall as-
10 sure that each qualifying children's policy ensure access
11 to pediatric primary and specialty care providers, includ-
12 ing centers of pediatric specialized treatment expertise.

13 (d) ACCESS.—

14 (1) ACCESS TO POLICIES.—In carrying out sub-
15 section (a)(1), a participating State shall, subject to
16 the funding limitation described in section 122(d),
17 ensure that subsidy eligible children have access to
18 a qualifying children's policy provided by a health in-
19 surance issuer serving the area in which the eligible
20 child resides. Such policies may be offered to eligible
21 children residing in the State through existing public
22 and private purchasing sponsors.

23 (2) TO TRADITIONAL PROVIDERS.—A partici-
24 pating State shall ensure that a qualifying children's
25 policy provides access to traditional providers who

1 have experience in serving populations covered under
2 this title and in areas in which such populations re-
3 side.

4 **SEC. 103. REQUIREMENTS FOR QUALIFYING CHILDREN'S**
5 **DIRECT SERVICE BENEFIT OPTION.**

6 (a) IN GENERAL.—Each participating State—

7 (1) for each area of the State served by a
8 health center (as defined in section 330), shall con-
9 tract directly with the health center to provide serv-
10 ices under the program under this title for subsidy
11 eligible children who choose to receive services from
12 the health center;

13 (2) shall ensure that under a qualifying chil-
14 dren's direct service benefit option, coverage is pro-
15 vided for the care described in subsections (c) and
16 (d);

17 (3) shall ensure that services described in sub-
18 section (c) which are not made available by a health
19 center are provided either—

20 (A) through contracts for direct payment
21 to specific networks of providers; or

22 (B) through the purchase of wraparound
23 insurance; and

24 (4) shall provide for payments in accordance
25 with subsection (b).

1 (b) PAYMENTS.—

2 (1) IN GENERAL.—Under a qualifying chil-
3 dren’s direct service benefit option, a State may
4 not—

5 (A) require that a subsidy eligible child in
6 a family with a family income below 185 per-
7 cent of the poverty line for a family of the size
8 involved pay more than 5 percent of the
9 capitated payment rate;

10 (B) allow the imposition of cost-sharing re-
11 quirements for preventive services provided to a
12 subsidy eligible child;

13 (C) enter into a contract that requires that
14 a subsidy eligible child (in a family with a fam-
15 ily income below 150 percent of the poverty line
16 for a family of the size involved) pay more than
17 20 percent of the cost-sharing otherwise applied
18 by the health center, unless the cost-sharing re-
19 quired under the contract involved has been
20 deemed by the Secretary as not being a barrier
21 to care for children of families below 150 per-
22 cent of the poverty line for a family of the size
23 involved.

24 (c) COVERAGE FOR MEDICAL CARE.—For purposes
25 of this title, a qualifying children’s direct service benefit

1 option is an option for a eligible child that provides cov-
2 erage for medical care for such child that either (at the
3 option of the State)—

4 (1) is the equivalent of the medical assistance
5 available (other than cost sharing) to children under
6 the State plan under title XIX of the Social Security
7 Act (42 U.S.C. 1396 et seq.), or

8 (2) is comparable to the health benefits plan
9 that is offered under the Federal Employees' Health
10 Benefits Program (under chapter 89 of title 5, Unit-
11 ed States Code) and that is the plan with the largest
12 enrollment of individuals under such Program.

13 (d) ACCESS TO SPECIALTY CARE FOR SPECIAL
14 NEEDS CHILDREN.—Each qualified children's direct serv-
15 ice benefit option shall assure access to pediatric primary
16 and specialty care providers, including centers of pediatric
17 specialized treatment expertise.

18 **SEC. 104. OTHER REQUIREMENTS.**

19 (a) IN GENERAL.—A participating State shall—

20 (1) take steps to ensure that information about
21 the availability of the program, requirements for
22 family participation in the program, benefits offered,
23 and the application process are disseminated effec-
24 tively to potential participants;

1 (2) have in effect an outreach system under
2 which families eligible for assistance under this title
3 are assisted in enrolling in the State program and
4 are enrolled at a wide variety of locations, including
5 through traditional providers of care;

6 (3) ensure that every subsidy eligible child have
7 the opportunity to apply for assistance under the
8 State program under this title pursuant to State
9 law;

10 (4) if the State determines that a child is eligi-
11 ble for cost-sharing assistance under this title, notify
12 the health plan in which such child is participating
13 in a timely manner of such eligibility;

14 (5) provide to any subsidy eligible child whose
15 claim for assistance under the State program is de-
16 nied or is not acted on within a reasonable period
17 of time, an opportunity under State law for an ad-
18 ministrative hearing on such denial or inaction be-
19 fore the State agency;

20 (6) provide to the public, a general description
21 of the rules (including the objective criteria used) es-
22 tablished by the State for making decisions concern-
23 ing eligibility for assistance under the State pro-
24 gram; and

1 (7) use funds received under this title only in
2 accordance with the provisions of this title.

3 (b) DESIGNATION OF STATE AGENCY.—A participat-
4 ing State may designate an appropriate State agency to
5 administer the State program under this title.

6 SUBTITLE B—ASSISTANCE

7 PART 1—ASSISTANCE TO FAMILIES

8 **SEC. 121. ELIGIBILITY DETERMINATIONS.**

9 (a) IN GENERAL.—The following requirements shall
10 apply with respect to eligibility determinations for assist-
11 ance under this title:

12 (1) APPLICATIONS.—A State program shall
13 provide that an individual may file an application for
14 assistance in any manner determined appropriate by
15 the State. Such applications shall—

16 (A) be in an understandable form and gen-
17 erally accessible to individuals;

18 (B) require the provision of information
19 necessary to make a determination as to wheth-
20 er a child is eligible for assistance; and

21 (C) require attachment of such documenta-
22 tion as deemed necessary by the Secretary in
23 order to verify eligibility for assistance.

1 (2) TERM.—The State program may provide
2 for a determination of eligibility under this section
3 to be effective for a 6-month period or longer.

4 (b) COORDINATION.—Eligibility determinations made
5 pursuant to this section may be coordinated with deter-
6 minations of eligibility for State-administered health pro-
7 grams to the extent that such coordination brings about
8 administrative efficiencies.

9 **SEC. 122. ASSISTANCE TO FAMILIES.**

10 (a) STATE APPLICABLE INCOME CRITERIA.—For
11 purposes of this title, the applicable income criteria used
12 by the State for purposes of determining whether a child
13 is a subsidy eligible child, shall be based on the income
14 of the family of the subsidy eligible child expressed as a
15 percentage of the poverty line for a family of the size in-
16 volved. In establishing the applicable eligibility criteria and
17 subsidy level, the State shall give priority to families in
18 the State with the lowest family incomes, except that the
19 State shall establish a higher income criterion for families
20 with a disabled child.

21 (b) PAYMENTS.—

22 (1) IN GENERAL.—The amount of the assist-
23 ance available to a subsidy eligible child shall be
24 paid directly to—

1 (A) in the case of a child enrolled in a
2 qualifying children's policy, the health insur-
3 ance issuer offering the qualifying children's
4 policy (unless such plan is a group health plan
5 in which case such payment may be made di-
6 rectly to the group health plan or the health in-
7 surance issuer offering health insurance cov-
8 erage through the group health plan, or to the
9 individual); or

10 (B) in the case of an individual receiving
11 benefits under a qualifying children's direct
12 service benefit option, to the provider and the
13 health insurance issuer if applicable with whom
14 the State has contracted under section 103.

15 (2) INDIVIDUAL RESPONSIBILITY.—An individ-
16 ual shall be responsible for any portion of the pre-
17 mium or cost sharing not subsidized by the State.

18 (c) SPECIAL RULE.—

19 (1) IN GENERAL.—If a subsidy eligible child en-
20 rolls in a group health plan, a premium subsidy
21 under this title shall be applied only to the amount
22 of the employee contribution for coverage for a sub-
23 sidy eligible child.

24 (2) RULE OF CONSTRUCTION.—Nothing in this
25 section shall be construed to require that an em-

16 SEC. 123. PENALTIES FOR MATERIAL MISREPRESENTATION
17 AND FALSE INFORMATION.

24 SEC. 124. AGGREGATE FEDERAL GRANT PAYMENTS.

•HR 1363 IH

1 (1) STATE AMOUNT.—

2 (A) IN GENERAL.—A participating State
3 shall be eligible to receive a grant in an amount
4 under this title that bears the same relationship
5 to the amount appropriated for such year under
6 section 125 (and available after the reservation
7 under paragraph (7)), as the total number of
8 uninsured eligible children in the State in a
9 base year as determined appropriate by the Sec-
10 retary bears to the total number of uninsured
11 eligible children in all participating States in
12 such base year.

13 (B) STATE ALLOCATION ADJUSTMENTS.—

14 (i) STUDY.—Not later than Septem-
15 ber 30, 1998, the Secretary shall conduct
16 a study, and prepare and submit to the ap-
17 propriate committees of Congress a report,
18 concerning methodology for providing the
19 State allotment under subparagraph (A)
20 that takes into account an equitable ad-
21 justment to the formula based on vari-
22 ations in costs among States.

23 (ii) IMPLEMENTATION OF METHODOLOGY.—If determined appropriate and fea-
24 sible by the Secretary, the Secretary shall,
25

1 not later than January 1, 1999, implement
2 by regulation a methodology for the deter-
3 mination of the maximum amount under
4 subparagraph (A) that takes into account
5 the relative number of uninsured eligible
6 children in a State in the base year de-
7 scribed in subparagraph (A) and the rel-
8 ative cost of the delivery of services to
9 those children.

10 (2) PAYMENT.—Subject to paragraph (1), the
11 Secretary shall provide for payment under a grant to
12 each participating State for each calendar quarter,
13 beginning with any quarter beginning on or after
14 April 1, 1998, of an amount equal to—

15 (A)(i) 100 percent of the total amount es-
16 timated by the Secretary to have been expended
17 by the State during such prior quarter for pre-
18 mium and cost-sharing assistance under this
19 title for enrollment in qualifying children’s poli-
20 cies and for coverage under the qualifying chil-
21 dren’s direct service benefit option through the
22 programs operated under subtitle A; less

23 (ii) the State matching amount as deter-
24 mined under paragraph (3) for such prior quar-
25 ter; and

1 (B) 50 percent of the total amount esti-
2 mated by the Secretary to be expended by the
3 State during such prior quarter for the proper
4 and efficient administration of the program de-
5 scribed in this subtitle.

6 (3) STATE MATCHING PERCENTAGE.—

7 (A) IN GENERAL.—With respect to the cal-
8 endar quarter for which the payment is to be
9 made under this section, the State will be re-
10 sponsible for contributing an amount equal to
11 40 percent of the percentage of the amount the
12 State is responsible for expending for medical
13 assistance under title XIX of the Social Secu-
14 rity Act, based on the State percentage deter-
15 mined under section 1905(b) of such Act (42
16 U.S.C. 1396d(b)), for the State for the calendar
17 quarter involved.

18 (B) LIMITATION.—In no case shall the
19 State responsibility under subparagraph (A) for
20 a calendar quarter be less than an amount
21 equal to 10 percent of the amount determined
22 under paragraph (2)(A)(i) for the State for the
23 calendar quarter involved.

24 (C) TERRITORIES.—In the case of Puerto
25 Rico, the Virgin Islands, Guam, American

1 Samoa, and the Northern Mariana Islands, the
2 State percentage for purposes of determining
3 the State matching amount under subpara-
4 graph (A) shall be 20 percent.

5 (4) AVAILABILITY OF FUNDS.—Except as pro-
6 vided in paragraph (5), amounts provided to a State
7 under this section shall remain available until ex-
8 pended by the State.

9 (5) REDISTRIBUTION.—The Secretary shall es-
10 tablish a procedure for the redistribution of any
11 funds—

12 (A) not expended by a State under this
13 title; and

14 (B) as determined by the Secretary, after
15 consultation with the governor of the State,
16 that are unlikely to be used in the future by the
17 State.

18 (6) STATE REQUEST FOR REDUCTION IN
19 FUNDS.—Nothing in this section shall be construed
20 to prohibit a State from requesting only a portion of
21 the amount allotted to the State under this section.

22 (7) RESERVATION.—

23 (A) IN GENERAL.—Of the amount appro-
24 priated to carry out this title for a fiscal year,
25 the Secretary shall reserve .15 percent of such

1 amount for allocation among the territories de-
2 scribed in paragraph (2)(C).

3 (B) ALLOCATION.—A territory described in
4 paragraph (2)(C) shall be eligible to receive an
5 amount that bears the same relationship to the
6 amount reserved for such year under subpara-
7 graph (A), as the total number of uninsured eli-
8 gible children in the territory in a base year as
9 determined appropriate by the Secretary bears
10 to the total number of uninsured eligible chil-
11 dren in all participating territories in such base
12 year.

13 (b) REDUCTION IN PAYMENTS FOR ADMINISTRATIVE
14 ERRORS.—

15 (1) IN GENERAL.—In the case of administrative
16 errors described in paragraph (2), matching pay-
17 ments available to a State under subsection (a) shall
18 be reduced by an amount determined appropriate by
19 the Secretary.

20 (2) ADMINISTRATIVE ERRORS DESCRIBED.—
21 The administrative errors described in this para-
22 graph include the following:

23 (A) An eligibility error rate for premium
24 assistance to the extent the applicable error

1 rate exceeds the maximum permissible error
2 rate specified by the Secretary.

3 (B) Misappropriations or other expendi-
4 tures that the Secretary finds are attributable
5 to malfeasance or misfeasance.

6 (c) AUDITS.—The Secretary shall conduct regular
7 audits of the activities conducted under this subtitle.

8 (d) BUDGETARY TREATMENT.—Subject to section
9 125, this section constitutes budget authority in advance
10 of appropriations Acts, and represents the obligation of
11 the Federal Government to provide payments to the States
12 in accordance with this section.

13 (e) NONENTITLEMENT.—Nothing in this title shall be
14 construed as providing an individual with an entitlement
15 to assistance under this title.

16 **SEC. 125. AUTHORIZATION OF APPROPRIATIONS AND DEFICI-**
17 **CIT REDUCTION.**

18 (a) AUTHORIZATION OF APPROPRIATIONS.—There is
19 authorized to be appropriated to make Federal payments
20 under this title—

21 (1) for fiscal year 1998, \$3,000,000,000;

22 (2) for fiscal year 1999, \$3,000,000,000;

23 (3) for fiscal year 2000, \$4,000,000,000;

24 (4) for fiscal year 2001, \$5,000,000,000; and

25 (5) for fiscal year 2002, \$5,000,000,000.

1 (b) DEFICIT REDUCTION TARGETS.—For purposes
2 of this section, the deficit reduction target shall be—

3 (1) for fiscal year 1998, \$3,000,000,000;

4 (2) for fiscal year 1999, \$3,000,000,000;

5 (3) for fiscal year 2000, \$2,000,000,000;

6 (4) for fiscal year 2001, \$1,000,000,000; and

7 (5) for fiscal year 2002, \$1,000,000,000.

8 Any amount of revenue available under this subsection
9 shall be deposited into the Treasury and used for deficit
10 reduction.

11 (c) REDUCTION IN AUTHORIZED AMOUNT.—

12 (1) IN GENERAL.—If, with respect to a fiscal
13 year, the total estimated amount of revenue derived
14 for the financing of the program under this title is
15 less than the total target amount determined under
16 paragraph (2), then the amount referred to for the
17 following fiscal year under subsection (a) shall be re-
18 duced by the amount by which the amount of such
19 estimated revenue is less than the total target
20 amount determined under paragraph (2) for such
21 fiscal year multiplied by $\frac{2}{3}$.

22 (2) TOTAL TARGET AMOUNT.—For purposes of
23 paragraph (1), the total target amount for a fiscal
24 year shall be equal to the sum of—

1 (A) the amount authorized to be appro-
 2 priated for such year under subsection (a); and

3 (B) the deficit reduction target for such
 4 fiscal year under subsection (b).

5 (3) REVENUE IN EXCESS OF ESTIMATES.—If
 6 the estimated amount of revenue described in para-
 7 graph (1) for a fiscal year is greater than the total
 8 target amount under paragraph (2) for such fiscal
 9 year, then the amount authorized for the following
 10 fiscal year under subsection (a) shall be increased in
 11 the same manner as the reduction described in para-
 12 graph (1).

13 PART 2—SERVICES FOR PREGNANT WOMEN, NEW
 14 MOTHERS, AND INFANTS

15 **SEC. 131. PROGRAM FOR PREGNANT WOMEN AND INFANTS.**

16 (a) ESTABLISHMENT OF PROGRAM.—A participating
 17 State may use up to 5 percent of the amount of the allot-
 18 ment to the State for a fiscal year under section 125 to
 19 establish a program to meet the needs identified by the
 20 State in the statewide needs assessments prepared by the
 21 States under section 505(a)(1)(A) of the Social Security
 22 Act (42 U.S.C. 705(a)(1)(A)).

23 (b) COORDINATION.—A State shall take actions to
 24 ensure that the program established under this section is

1 coordinated with the programs operated by the State
 2 under title V of the Social Security Act (42 U.S.C. 705).

3 (c) MAINTENANCE OF EFFORT.—With respect to a
 4 State that carries out a program under this section, funds
 5 made available under this title for such program shall be
 6 used to supplement and not supplant current State spend-
 7 ing for the needs described in subsection (a).

8 SUBTITLE C—DEFINITIONS AND MISCELLANEOUS
 9 PROVISIONS

10 PART 1—DEFINITIONS

11 **SEC. 141. DEFINITIONS.**

12 (a) IN GENERAL.—In this title:

13 (1) ELIGIBLE CHILD.—The term “eligible
 14 child” means an individual who is 18 years of age
 15 or younger.

16 (2) PARTICIPATING STATE.—The term “partici-
 17 pating State” means any State that elects to estab-
 18 lish a program under subtitle A.

19 (3) POVERTY LINE.—The term “poverty line”
 20 means the income official poverty line (as defined by
 21 the Office of Management and Budget, and revised
 22 annually in accordance with section 673(2) of the
 23 Omnibus Budget Reconciliation Act of 1981) that is
 24 applicable to a family of the size involved.

1 (4) QUALIFYING CHILDREN’S POLICY.—The
2 term “qualifying children’s policy” means a policy
3 that meets the standards described in section 102.

4 (5) QUALIFYING CHILDREN’S DIRECT SERVICE
5 BENEFIT OPTION.—The term “qualifying children’s
6 direct service benefit option” means the provision of
7 direct medical assistance under the standards de-
8 scribed in section 103.

9 (6) STATE.—The term “State” means each of
10 the several States, the District of Columbia, Puerto
11 Rico, the Virgin Islands, Guam, American Samoa,
12 and the Northern Mariana Islands.

13 (7) SUBSIDY ELIGIBLE CHILD.—The term
14 “subsidy eligible child” means a child who—

15 (A) meets reasonable eligibility criteria es-
16 tablished by the State, and has a family income
17 that falls within the applicable income criteria
18 (as defined in section 122), for purposes of pro-
19 viding subsidies under the State program;

20 (B) is an eligible child;

21 (C) is a citizen or qualified alien (as de-
22 fined in section 431(b) of the Personal Respon-
23 sibility and Work Opportunity Reconciliation
24 Act of 1996 (8 U.S.C. 1641(b));

1 (D) is not eligible for medical assistance
2 under the State plan under title XIX of the So-
3 cial Security Act, except that nothing in this
4 title shall be construed to require that an indi-
5 vidual be denied medical assistance under a
6 State plan under title XIX of the Social Secu-
7 rity Act (42 U.S.C. 1396 et seq.) in order for
8 that child to be eligible to receive assistance
9 under the State program under this title; and

10 (E) has not been covered under a group
11 health plan (unless such coverage was termi-
12 nated as a result of a change in employment
13 status) during the 6-month period ending on
14 the date on which the individual applies for
15 subsidy-eligible health coverage under this title.

16 For purposes of subparagraph (E), enrollment in a
17 health plan under a COBRA continuation provision
18 (as defined in section 2791(d)(4) of the Public
19 Health Service Act) shall not constitute enrollment
20 in a group health plan.

21 (b) DEFINITIONS RELATING TO INCOME.—In this
22 title:

23 (1) FAMILY INCOME.—The term “family in-
24 come” means, with respect to an individual who—

1 (A) is not a dependent of another individ-
2 ual, the sum of the modified adjusted gross in-
3 comes for the individual, the individual's
4 spouse, and children who are dependents of the
5 individual; or

6 (B) is a dependent of another individual,
7 the sum of the modified adjusted gross incomes
8 for the other individual, the other individual's
9 spouse, and children who are dependents of the
10 other individual.

11 The Secretary may promulgate rules under which
12 spousal income may be disregarded in instances
13 where a spouse is not part of a family unit.

14 (2) DEPENDENT.—The term “dependent” has
15 the meaning given such term under section 152 of
16 the Internal Revenue Code of 1986. For purposes of
17 this paragraph, a child who is placed in foster care
18 by a State agency shall not be considered a depend-
19 ent of another individual.

20 (3) MODIFIED ADJUSTED GROSS INCOME.—The
21 term “modified adjusted gross income” means ad-
22 justed gross income (as defined in section 62(a) of
23 the Internal Revenue Code of 1986)—

1 (A) determined without regard to sections
2 135, 162(l), 911, 931, and 933 of such Code,
3 and

4 (B) increased by—

5 (i) the amount of interest received or
6 accrued by the individual during the tax-
7 able year which is exempt from tax, and

8 (ii) the amount of the social security
9 benefits (as defined in section 86(d) of
10 such Code) received during the taxable
11 year to the extent not included in gross in-
12 come under section 86 of such Code.

13 The determination under the preceding sentence
14 shall be made without regard to any carryover or
15 carryback.

16 (c) OTHER DEFINITIONS.—The term—

17 (1) “group health plan” has the meaning given
18 the term in section 2791(a) of the Public Health
19 Service Act;

20 (2) “health insurance coverage” has the mean-
21 ing given the term in section 2791(b)(1) of such Act;

22 (3) “health insurance issuer” has the meaning
23 given the term in section 2791(b)(2) of such Act;

1 (4) “health maintenance organization” has the
2 meaning given the term in section 2791(b)(3) of
3 such Act; and

4 (5) “network plan” has the meaning given the
5 term in section 2791(B)(10) of such Act.

6 (d) REFERENCES TO INDIVIDUAL.—For purposes of
7 this title, any reference to an individual shall include a
8 reference to the parent or guardian of such individual.

9 PART 2—MISCELLANEOUS PROVISIONS

10 **SEC. 151. OTHER CONTRIBUTIONS TO PREMIUMS.**

11 (a) GENERAL RULE.—Any employer which elects to
12 make employer contributions on behalf of an individual
13 who is an employee of such employer, or who is a depend-
14 ent of such employee, for health insurance coverage shall
15 not condition, or vary, such contributions with respect to
16 any such individual by reason of such individual’s status
17 as an individual eligible for assistance under subtitle B.

18 (b) ELIMINATION OF CONTRIBUTIONS.—An employer
19 shall not be treated as failing to meet the requirements
20 of subsection (a) if the employer ceases to make employer
21 contributions for health insurance coverage for all its em-
22 ployees.

23 (c) ENFORCEMENT.—The enforcement provisions ap-
24 plicable to group health insurance coverage under the
25 amendments made by section 101(e)(2) of the Health In-

1 surance Portability and Accountability Act of 1996 shall
2 apply with respect to an employer that violates the provi-
3 sions of this section in the same manner as such provisions
4 apply to employers under such amendments.

5 **SEC. 152. MAINTENANCE OF EFFORT.**

6 (a) MEDICAID.—A State that elects to participate
7 under this title may not modify the eligibility requirements
8 for children under the State program under title XIX of
9 the Social Security Act, as in effect on January 1, 1997
10 (except that such requirements may be modified pursuant
11 to an application for a waiver under section 1115 of the
12 Social Security Act (42 U.S.C. 1315) submitted prior to
13 January 1, 1997), in any manner that would have the ef-
14 fect of reducing the eligibility of children for coverage
15 under such program.

16 (b) MAINTENANCE OF EFFORT.—Funds appro-
17 priated pursuant to the authority of this title shall be used
18 to supplement and not supplant other Federal and State
19 funds expended to provide services for disabled individ-
20 uals.

21 **SEC. 153. APPLICATION OF OTHER REQUIREMENTS AND**
22 **STATE FLEXIBILITY.**

23 (a) APPLICATION OF INSURANCE REQUIREMENTS
24 UNDER TITLE XXVII.—For purposes of applying sections
25 2701(a) through (e) and (g) of the Public Health Service

1 Act (relating to limitations on preexisting conditions and
 2 increased portability) except those provisions relating to
 3 late enrollees, waiting periods, and election of alternative
 4 methods under sections 2701(c)(3)(B), 2702(a)(1) and (b)
 5 (relating to eligibility to enroll), 2711(a)(1)(A) (relating
 6 to guaranteed availability for eligible individuals), and
 7 2711(c) and (d)(1) (relating to special rules for network
 8 plans and financial capacity) of such Act to health insur-
 9 ance issuers offering a qualifying children’s policy and
 10 health insurance issuers offering wrap-around insurance
 11 under this title, a qualifying children’s policy shall be
 12 deemed to be health insurance coverage offered by a health
 13 insurance issuer in the small group market, in connection
 14 with a group health plan, and an eligible individual shall
 15 be considered a small employer for the purposes of section
 16 2711(a)(1)(A), (c) and (d)(1) of such Act, except that sec-
 17 tion 2701(b) of such Act shall apply to a qualifying chil-
 18 dren’s policy offered to a subsidy eligible child.

19 (b) STATE FLEXIBILITY.—Nothing in this section
 20 shall be construed to prevent a State from establishing
 21 or implementing standards or requirements—

22 (1) not prescribed in this title; or

23 (2) related to the issuance, renewal or port-
 24 ability of health insurance under a qualifying chil-
 25 dren’s policy or a qualifying children’s direct service

1 benefit option that provide greater protection or ben-
 2 efit to an eligible child.

3 **SEC. 154. REGULATIONS.**

4 The Secretary may issue regulations to implement
 5 the program established under this title.

6 **TITLE II—CONFORMING**
 7 **AMENDMENTS; EFFECTIVE DATE**

8 **SEC. 201. CONFORMING AMENDMENTS.**

9 (a) ERISA.—Section 701(c)(1) of the Employee Re-
 10 tirement Income Security Act of 1974 (as added by section
 11 101(a) of the Health Insurance Portability and Account-
 12 ability Act of 1996) is amended by adding at the end the
 13 following:

14 (K) A qualifying children’s policy under
 15 title I of the Child Health Insurance and Lower
 16 Deficit Act of 1997.’’.

17 (b) PUBLIC HEALTH SERVICE ACT.—

18 (1) Section 2701(c)(1) of the Public Health
 19 Service Act (as added by section 102(a) of the
 20 Health Insurance Portability and Accountability Act
 21 of 1996) is amended by adding at the end the fol-
 22 lowing:

23 “(K) A qualifying children’s policy under
 24 title I of the Child Health Insurance and Lower
 25 Deficit Act of 1997.’’.

1 (2) Section 2761(b)(1)(A) of the Public Health
2 Service Act (as added by section 102(a) of the
3 Health Insurance Portability and Accountability Act
4 of 1996) is amended—

5 (A) by striking “or church plan” and in-
6 serting “church plan”; and

7 (B) by inserting before the semicolon the
8 following: “, qualifying children’s policy, or
9 qualifying children’s direct service benefit op-
10 tion”.

11 **SEC. 202. EFFECTIVE DATE.**

12 This Act shall become effective on the date of enact-
13 ment of this Act, except that funds to carry out programs
14 under title I shall not be available prior to January 1,
15 1998.

○