

105TH CONGRESS
1ST SESSION

H. R. 1364

To provide grants to States to provide uninsured children with access to health care insurance coverage and to amend the Internal Revenue Code of 1986 to increase the excise taxes on tobacco products for the purpose of funding such grants and reducing the deficit.

IN THE HOUSE OF REPRESENTATIVES

APRIL 17, 1997

Mrs. JOHNSON of Connecticut (for herself, Mr. MATSUI, Mr. RIGGS, Mr. STARK, Mrs. MORELLA, Mrs. ROUKEMA, and Mr. MCGOVERN) introduced the following bill; which was referred to the Committee on Commerce, and in addition to the Committees on Ways and Means, and 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 and to amend the Internal Revenue Code of 1986 to increase the excise taxes on tobacco products for the purpose of funding such grants and reducing the deficit.

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 and Lower Deficit Act of 1997”.

1 (b) TABLE OF CONTENTS.—The table of contents of
 2 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.

PART 3—CONFORMING AMENDMENTS; EFFECTIVE DATE

Sec. 161. Conforming amendments.
 Sec. 162. Effective date.

TITLE II—INCREASE IN EXCISE TAXES ON TOBACCO PRODUCTS

Sec. 201. Increase in excise taxes on tobacco products to fund child health insurance grants and lower the deficit.

3 **SEC. 2. PURPOSES.**

4 It is the purpose of this Act to benefit American fami-
 5 lies by—

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

4 (2) acquiring resources targeted to help reduce
5 the Federal budget deficit that, if unchecked, will re-
6 quire American families to devote an increasing pro-
7 portion of their tax liability to service the debt.

8 **TITLE I—CHILDREN’S HEALTH**
9 **INSURANCE GRANT PROGRAM**
10 **Subtitle A—Voluntary State Grant**
11 **Programs**

12 **SEC. 101. AUTHORITY TO ESTABLISH.**

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

16 (b) STATE PLAN.—

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

23 (2) APPROVAL BY SECRETARY.—The State plan
24 submitted by a State under paragraph (1) must be

1 approved by the Secretary in order for the State to
2 be eligible to receive a grant under this title.

3 (c) USE OF FUNDS.—Under a program under this
4 title, a participating State shall provide subsidies, consist-
5 ent with section 122, for coverage under a qualifying chil-
6 dren’s policy and a qualifying children’s direct service ben-
7 efit option.

8 **SEC. 102. REQUIREMENTS FOR QUALIFYING CHILDREN’S**
9 **POLICY.**

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

11 (1) shall contract with health insurance issuers
12 to make qualifying children’s policies available to
13 subsidy eligible children in the State;

14 (2) shall ensure that qualifying children’s poli-
15 cies are available to all eligible children in the State
16 and that each eligible child has the opportunity to
17 enroll for coverage under such policies;

18 (3) shall ensure that a qualifying children’s poli-
19 cy provides coverage for the care described in sub-
20 sections (b) and (c);

21 (4) shall provide for the payment of premium
22 and cost sharing subsidies (in amounts as defined by
23 the State in accordance with section 122), that may
24 include vouchers, to or on behalf of subsidy eligible

1 children, except that a State electing to participate
2 may not—

3 (A) provide a premium subsidy that is less
4 than 95 percent for a subsidy eligible child in
5 a family with a family income below 185 per-
6 cent of the poverty line for a family of the size
7 involved;

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

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

24 (b) COVERAGE FOR MEDICAL CARE.—For purposes
25 of this title, a qualifying children’s policy is a policy for

1 an eligible child that provides coverage for medical care
2 for such child that either (at the option of the State)—

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

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

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

17 (d) ACCESS.—

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

1 children residing in the State through existing public
2 and private purchasing sponsors.

3 (2) TO TRADITIONAL PROVIDERS.—A partici-
4 pating State shall ensure that a qualifying children’s
5 policy provides access to traditional providers who
6 have experience in serving populations covered under
7 this title and in areas in which such populations re-
8 side.

9 **SEC. 103 REQUIREMENTS FOR QUALIFYING CHILDREN’S DI-**
10 **RECT SERVICE BENEFIT OPTION.**

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

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

18 (2) shall ensure that under a qualifying chil-
19 dren’s direct service benefit option, coverage is pro-
20 vided for the care described in subsections (c) and
21 (d);

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

1 (A) through contracts for direct payment
2 to specific networks of providers; or

3 (B) through the purchase of wraparound
4 insurance; and

5 (4) shall provide for payments in accordance
6 with subsection (b).

7 (b) PAYMENTS.—

8 (1) IN GENERAL.—Under a qualifying chil-
9 dren’s direct service benefit option, a State may
10 not—

11 (A) require that a subsidy eligible child in
12 a family with a family income below 185 per-
13 cent of the poverty line for a family of the size
14 involved pay more than 5 percent of the
15 capitated payment rate;

16 (B) allow the imposition of cost-sharing re-
17 quirements for preventive services provided to a
18 subsidy eligible child;

19 (C) enter into a contract that requires that
20 a subsidy eligible child (in a family with a fam-
21 ily income below 150 percent of the poverty line
22 for a family of the size involved) pay more than
23 20 percent of the cost-sharing otherwise applied
24 by the health center, unless the cost-sharing re-
25 quired under the contract involved has been

1 deemed by the Secretary as not being a barrier
2 to care for children of families below 150 per-
3 cent of the poverty line for a family of the size
4 involved.

5 (c) **COVERAGE FOR MEDICAL CARE.**—For purposes
6 of this title, a qualifying children’s direct service benefit
7 option is an option for a eligible child that provides cov-
8 erage for medical care for such child that either (at the
9 option of the State)—

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

14 (2) is comparable to the health benefits plan
15 that is offered under the Federal Employees’ Health
16 Benefits Program (under chapter 89 of title 5, Unit-
17 ed States Code) and that is the plan with the largest
18 enrollment of individuals under such Program.

19 (d) **ACCESS TO SPECIALTY CARE FOR SPECIAL**
20 **NEEDS CHILDREN.**—Each qualified children’s direct serv-
21 ice benefit option shall assure access to pediatric primary
22 and specialty care providers, including centers of pediatric
23 specialized treatment expertise.

24 **SEC. 104. OTHER REQUIREMENTS.**

25 (a) **IN GENERAL.**—A participating State shall—

1 (1) take steps to ensure that information about
2 the availability of the program, requirements for
3 family participation in the program, benefits offered,
4 and the application process are disseminated effec-
5 tively to potential participants;

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

11 (3) ensure that every subsidy eligible children
12 have the opportunity to apply for assistance under
13 the State program under this title pursuant to State
14 law;

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

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

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

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

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

12 **SEC. 122. ASSISTANCE TO FAMILIES.**

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

24 (b) PAYMENTS.—

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

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

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

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

21 (c) SPECIAL RULE.—

22 (1) IN GENERAL.—If a subsidy eligible child en-
23 rolls in a group health plan, a premium subsidy
24 under this title shall be applied only to the amount

1 of the employee contribution for coverage for a sub-
2 sidy eligible child.

3 (2) RULE OF CONSTRUCTION.—Nothing in this
4 section shall be construed to require that an em-
5 ployer provide a qualifying children’s policy to an eli-
6 gible child regardless of whether such child is eligible
7 for a subsidy under this title.

8 (d) LIMITATION.—Nothing in this title shall be con-
9 strued to require that a State provide assistance to sub-
10 sidy eligible children under this subtitle in an amount that
11 exceeds the total amount available to the State under sec-
12 tion 126 (including State matching funds) for carrying out
13 the program under this title. If the State determines that
14 such available amount is not sufficient to provide premium
15 subsidies and other assistance under this subtitle to all
16 subsidy eligible children in the State, the State may adjust
17 the applicable eligibility criteria appropriately or adjust
18 the State program in another manner specified by the Sec-
19 retary prior to the program year.

20 **SEC. 123. PENALTIES FOR MATERIAL MISREPRESENTATION**
21 **AND FALSE INFORMATION.**

22 A participating State shall establish penalties to be
23 applied to any individual who knowingly and willfully
24 makes a material misrepresentation of information or pro-
25 vides false information in an application for assistance

1 under this subtitle, and shall otherwise enforce the provi-
2 sions of this title as determined appropriate by the State.

3 **SEC. 124. AGGREGATE FEDERAL GRANT PAYMENTS.**

4 (a) PAYMENT SCHEDULE.—

5 (1) STATE AMOUNT.—

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

17 (B) STATE ALLOCATION ADJUSTMENTS.—

18 (i) STUDY.—Not later than Septem-
19 ber 30, 1998, the Secretary shall conduct
20 a study, and prepare and submit to the ap-
21 propriate committees of Congress a report,
22 concerning methodology for providing the
23 State allotment under subparagraph (A)
24 that takes into account an equitable ad-

1 justment to the formula based on vari-
2 ations in costs among States.

3 (ii) IMPLEMENTATION OF METHODOL-
4 OGY.—If determined appropriate and fea-
5 sible by the Secretary, the Secretary shall,
6 not later than January 1, 1999, implement
7 by regulation a methodology for the deter-
8 mination of the maximum amount under
9 subparagraph (A) that takes into account
10 the relative number of uninsured eligible
11 children in a State in the base year de-
12 scribed in subparagraph (A) and the rel-
13 ative cost of the delivery of services to
14 those children.

15 (2) PAYMENT.—Subject to paragraph (1), the
16 Secretary shall provide for payment under a grant to
17 each participating State for each calendar quarter,
18 beginning with any quarter beginning on or after
19 April 1, 1998, of an amount equal to—

20 (A)(i) 100 percent of the total amount es-
21 timated by the Secretary to have been expended
22 by the State during such prior quarter for pre-
23 mium and cost-sharing assistance under this
24 title for enrollment in qualifying children's poli-
25 cies and for coverage under the qualifying chil-

1 dren's direct service benefit option through the
2 programs operated under subtitle A; less

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

6 (B) 50 percent of the total amount esti-
7 mated by the Secretary to be expended by the
8 State during such prior quarter for the proper
9 and efficient administration of the program de-
10 scribed in this subtitle.

11 (3) STATE MATCHING PERCENTAGE.—

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

23 (B) LIMITATION.—In no case shall the
24 State responsibility under subparagraph (A) for
25 a calendar quarter be less than an amount

1 equal to 10 percent of the amount determined
2 under paragraph (2)(A)(i) for the State for the
3 calendar quarter involved.

4 (C) TERRITORIES.—In the case of Puerto
5 Rico, the Virgin Islands, Guam, American
6 Samoa, and the Northern Mariana Islands, the
7 State percentage for purposes of determining
8 the State matching amount under subpara-
9 graph (A) shall be 20 percent.

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

14 (5) REDISTRIBUTION.—The Secretary shall es-
15 tablish a procedure for the redistribution of any
16 funds—

17 (A) not expended by a State under this
18 title; and

19 (B) as determined by the Secretary, after
20 consultation with the governor of the State,
21 that are unlikely to be used in the future by the
22 State.

23 (6) STATE REQUEST FOR REDUCTION IN
24 FUNDS.—Nothing in this section shall be construed

1 to prohibit a State from requesting only a portion of
2 the amount allotted to the State under this section.

3 (7) RESERVATION.—

4 (A) IN GENERAL.—Of the amount appro-
5 priated to carry out this title for a fiscal year,
6 the Secretary shall reserve .15 percent of such
7 amount for allocation among the territories de-
8 scribed in paragraph (2)(C).

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

19 (b) REDUCTION IN PAYMENTS FOR ADMINISTRATIVE
20 ERRORS.—

21 (1) IN GENERAL.—In the case of administrative
22 errors described in paragraph (2), matching pay-
23 ments available to a State under subsection (a) shall
24 be reduced by an amount determined appropriate by
25 the Secretary.

- 1 (1) for fiscal year 1998, \$3,000,000,000;
- 2 (2) for fiscal year 1999, \$3,000,000,000;
- 3 (3) for fiscal year 2000, \$4,000,000,000;
- 4 (4) for fiscal year 2001, \$5,000,000,000; and
- 5 (5) for fiscal year 2002, \$5,000,000,000.

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

- 8 (1) for fiscal year 1998, \$3,000,000,000;
- 9 (2) for fiscal year 1999, \$3,000,000,000;
- 10 (3) for fiscal year 2000, \$2,000,000,000;
- 11 (4) for fiscal year 2001, \$1,000,000,000; and
- 12 (5) for fiscal year 2002, \$1,000,000,000.

13 Any amount of revenue available under this subsection
14 shall be deposited into the Treasury and used for deficit
15 reduction.

16 (c) REDUCTION IN AUTHORIZED AMOUNT.—

17 (1) IN GENERAL.—If, with respect to a fiscal
18 year, the total estimated amount of revenue derived
19 for the financing of the program under this title is
20 less than the total target amount determined under
21 paragraph (2), then the amount referred to for the
22 following fiscal year under subsection (a) shall be re-
23 duced by the amount by which the amount of such
24 estimated revenue is less than the total target

1 amount determined under paragraph (2) for such
2 fiscal year multiplied by $\frac{2}{3}$.

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

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

8 (B) the deficit reduction target for such
9 fiscal year under subsection (b).

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

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

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

21 (a) ESTABLISHMENT OF PROGRAM.—A participating
22 State may use up to 5 percent of the amount of the allot-
23 ment to the State for a fiscal year under section 125 to
24 establish a program to meet the needs identified by the
25 State in the statewide needs assessments prepared by the

1 States under section 505(a)(1)(A) of the Social Security
2 Act (42 U.S.C. 705(a)(1)(A)).

3 (b) COORDINATION.—A State shall take actions to
4 ensure that the program established under this section is
5 coordinated with the programs operated by the State
6 under title V of the Social Security Act (42 U.S.C. 705).

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

12 SUBTITLE C—DEFINITIONS AND MISCELLANEOUS

13 PROVISIONS

14 PART 1—DEFINITIONS

15 **SEC. 141. DEFINITIONS.**

16 (a) IN GENERAL.—In this title:

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

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

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

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

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

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

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

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

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

23 (B) is an eligible child;

24 (C) is a citizen or qualified alien (as de-
25 fined in section 431(b) of the Personal Respon-

1 sibility and Work Opportunity Reconciliation
2 Act of 1996 (8 U.S.C. 1641(b));

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

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

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

23 (b) DEFINITIONS RELATING TO INCOME.—In this
24 title:

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

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

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

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

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

22 (3) MODIFIED ADJUSTED GROSS INCOME.—The
23 term “modified adjusted gross income” means ad-
24 justed gross income (as defined in section 62(a) of
25 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 **PART 3—CONFORMING AMENDMENTS; EFFECTIVE DATE**

7 **SEC. 161. CONFORMING AMENDMENTS.**

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

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

16 (b) PUBLIC HEALTH SERVICE ACT.—

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

22 “(K) A qualifying children’s policy under
23 title I of the Child Health Insurance and Lower
24 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. 162. EFFECTIVE DATE.**

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

16 **TITLE II—INCREASE IN EXCISE**
17 **TAXES ON TOBACCO PRODUCTS**

18 **SEC. 201. INCREASE IN EXCISE TAXES ON TOBACCO PROD-**
19 **UCTS TO FUND CHILD HEALTH INSURANCE**
20 **GRANTS AND LOWER THE DEFICIT.**

21 (a) CIGARETTES.—Section 5701(b) of the Internal
22 Revenue Code of 1986 is amended—

23 (1) in paragraph (1), by striking “\$12 per
24 thousand (\$10 per thousand on cigarettes removed

1 during 1991 or 1992)” and inserting “\$33.50 per
2 thousand”, and

3 (2) in paragraph (2), by striking “\$25.20 per
4 thousand (\$21 per thousand on cigarettes removed
5 during 1991 or 1992)” and inserting “\$70.35 per
6 thousand”.

7 (b) CIGARS.—Section 5701(a) of the Internal Reve-
8 nue Code of 1986 is amended—

9 (1) in paragraph (1), by striking “\$1.125 cents
10 per thousand (93.75 cents per thousand on cigars
11 removed during 1991 or 1992)” and inserting
12 “\$3.141 cents per thousand”, and

13 (2) by striking “equal to” and all that follows
14 in paragraph (2) and inserting “equal to 35.59 per-
15 cent of the price for which sold but not more than
16 \$83.75 per thousand.”

17 (c) CIGARETTE PAPERS.—Section 5701(c) of the In-
18 ternal Revenue Code of 1986 is amended by striking “0.75
19 cent (0.625 cent on cigarette papers removed during 1991
20 or 1992)” and inserting “2.09 cents”.

21 (d) CIGARETTE TUBES.—Section 5701(d) of the In-
22 ternal Revenue Code of 1986 is amended by striking “1.5
23 cents (1.25 cents on cigarette tubes removed during 1991
24 or 1992)” and inserting “4.18 cents”.

1 (e) SMOKELESS TOBACCO.—Section 5701(e) of the
2 Internal Revenue Code of 1986 is amended—

3 (1) in paragraph (1), by striking “36 cents (30
4 cents on snuff removed during 1991 or 1992)” and
5 inserting “\$1.00”, and

6 (2) by striking “12 cents (10 cents on chewing
7 tobacco removed during 1991 or 1992)” in para-
8 graph (2) and inserting “33.5 cents”.

9 (f) PIPE TOBACCO.—Section 5701(f) of the Internal
10 Revenue Code of 1986 is amended by striking “67.5 cents
11 (56.25 cents on pipe tobacco removed during 1991 or
12 1992)” and inserting “\$1.88”.

13 (g) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to articles removed (as defined in
15 section 5702(k) of the Internal Revenue Code of 1986)
16 after September 30, 1997.

17 (h) FLOOR STOCKS TAXES.—

18 (1) IMPOSITION OF TAX.—On tobacco products
19 and cigarette papers and tubes manufactured in or
20 imported into the United States which are removed
21 before October 1, 1997, and held on such date for
22 sale by any person, there is hereby imposed a tax in
23 an amount equal to the excess of—

24 (A) the tax which would be imposed under
25 section 5701 of the Internal Revenue Code of

1 1986 on the article if the article had been re-
2 moved on such date, over

3 (B) the prior tax (if any) imposed under
4 section 5701 or 7652 of such Code on such ar-
5 ticle.

6 (2) AUTHORITY TO EXEMPT CIGARETTES HELD
7 IN VENDING MACHINES.—To the extent provided in
8 regulations prescribed by the Secretary, no tax shall
9 be imposed by paragraph (1) on cigarettes held for
10 retail sale on October 1, 1997, by any person in any
11 vending machine. If the Secretary provides such a
12 benefit with respect to any person, the Secretary
13 may reduce the \$500 amount in paragraph (3) with
14 respect to such person.

15 (3) CREDIT AGAINST TAX.—Each person shall
16 be allowed as a credit against the taxes imposed by
17 paragraph (1) an amount equal to \$500. Such credit
18 shall not exceed the amount of taxes imposed by
19 paragraph (1) on October 1, 1997, for which such
20 person is liable.

21 (4) LIABILITY FOR TAX AND METHOD OF PAY-
22 MENT.—

23 (A) LIABILITY FOR TAX.—A person hold-
24 ing cigarettes on October 1, 1997, to which any

1 tax imposed by paragraph (1) applies shall be
2 liable for such tax.

3 (B) METHOD OF PAYMENT.—The tax im-
4 posed by paragraph (1) shall be paid in such
5 manner as the Secretary shall prescribe by reg-
6 ulations.

7 (C) TIME FOR PAYMENT.—The tax im-
8 posed by paragraph (1) shall be paid on or be-
9 fore January 1, 1998.

10 (5) ARTICLES IN FOREIGN TRADE ZONES.—
11 Notwithstanding the Act of June 18, 1934 (48 Stat.
12 998, 19 U.S.C. 81a) and any other provision of law,
13 any article which is located in a foreign trade zone
14 on October 1, 1997, shall be subject to the tax im-
15 posed by paragraph (1) if—

16 (A) internal revenue taxes have been deter-
17 mined, or customs duties liquidated, with re-
18 spect to such article before such date pursuant
19 to a request made under the 1st proviso of sec-
20 tion 3(a) of such Act, or

21 (B) such article is held on such date under
22 the supervision of a customs officer pursuant to
23 the 2d proviso of such section 3(a).

24 (6) DEFINITIONS.—For purposes of this sub-
25 section—

1 (A) IN GENERAL.—Terms used in this sub-
2 section which are also used in section 5702 of
3 the Internal Revenue Code of 1986 shall have
4 the respective meanings such terms have in
5 such section, as amended by this Act.

6 (B) SECRETARY.—The term “Secretary”
7 means the Secretary of the Treasury or the
8 Secretary’s delegate.

9 (7) CONTROLLED GROUPS.—Rules similar to
10 the rules of section 5061(e)(3) of such Code shall
11 apply for purposes of this subsection.

12 (8) OTHER LAWS APPLICABLE.—All provisions
13 of law, including penalties, applicable with respect to
14 the taxes imposed by section 5701 of such Code
15 shall, insofar as applicable and not inconsistent with
16 the provisions of this subsection, apply to the floor
17 stocks taxes imposed by paragraph (1), to the same
18 extent as if such taxes were imposed by such section
19 5701. The Secretary may treat any person who bore
20 the ultimate burden of the tax imposed by para-
21 graph (1) as the person to whom a credit or refund
22 under such provisions may be allowed or made.

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