

105TH CONGRESS  
1ST SESSION

# H. R. 16

To provide a program of national health insurance, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 7, 1997

Mr. DINGELL introduced the following bill; which was referred to the Committee on Commerce, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To provide a program of national health insurance, and  
for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That this Act, with the following table of contents, may  
4       be cited as the “National Health Insurance Act”.

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1                   FINDINGS AND DECLARATION OF PURPOSE

2           SEC. 2. (a) The Congress finds that—

3                   (1) the health of the Nation's people is the  
4           foundation of our Nation's strength, productivity,  
5           and wealth;

6                   (2) the assurance of adequate medical care to  
7           all of our people is essential to the general welfare  
8           and to the Nation's security;

9                   (3) since the tremendous advances in medical  
10          science in recent years have necessarily meant great  
11          advances in the cost of health services, our archaic  
12          system of paying for medical care—based on public  
13          and private charity for the poor, on unpredictable  
14          and often unbearable costs to the otherwise self-sup-  
15          porting, and on disproportionate charges for the  
16          well-to-do—has resulted in the following conditions:

17                   (A) the inability of the vast majority of our  
18          people to meet the shattering cost of serious or  
19          chronic illness;

1 (B) the inability of most of our people to  
2 benefit from modern preventive medicine; and

3 (C) wholly inadequate provision for the  
4 health needs of our farm families and agricul-  
5 tural workers;

6 (4) the conditions described in the preceding  
7 paragraph cannot effectively be remedied under the  
8 present system of payment for medical care, or  
9 under any voluntary insurance system; and

10 (5) a medical dole as an answer to this problem  
11 is repugnant to the American people and would cer-  
12 tainly result in a system of state medicine, paid for  
13 from tax funds and rendered by regimented doctors.

14 (b) The Congress declares the purposes of this Act  
15 to be to provide a sound economic foundation for our free  
16 system of medicine and to correct the maldistribution of  
17 health personnel and facilities by establishing a system of  
18 prepaid personal health insurance on the principle of social  
19 insurance.

20 SEC. 3. In establishing a system of national health  
21 insurance, it is the policy of this Act that those persons  
22 and their dependents who are insured under the provisions  
23 of the Act shall be assured full freedom to choose their  
24 physicians and to change their choice as they may desire;  
25 that physicians and other professions furnishing services

1 in accordance with the provisions of this Act shall be as-  
2 sured full freedom in the practice of their professions, in-  
3 cluding the right to accept or reject patients except as this  
4 right may be restricted by their own professional ethics  
5 or by the laws of the several States; and that the adminis-  
6 tration of this Act shall be based upon the American prin-  
7 ciple of decentralization.

8       SEC. 4. In carrying out these policies, it is the inten-  
9 tion of Congress that the major administrative responsibil-  
10 ities be placed in the hands of local bodies representing  
11 both those who pay for and receive services and those who  
12 render services, and operating within the framework of  
13 plans made by the several States, and approved by the  
14 Federal agency; that the National Health Care Trust  
15 Fund created by this Act shall be allotted equitably among  
16 the several States and by the States to their local areas;  
17 that voluntary as well as governmental organizations shall  
18 be recognized and utilized; and that all eligible individuals  
19 and their dependents as specified in this Act shall be enti-  
20 tled to its benefits without discrimination because of race,  
21 color, or creed.

## 22       TITLE I—BENEFITS AND ELIGIBILITY

### 23       CLASSES OF PERSONAL HEALTH SERVICES

24       SEC. 101. (a) The personal health services to be made  
25 available as benefits to eligible individuals as provided in

1 this title are medical services, dental services, podiatric  
2 services, home-nursing services, hospital services, and aux-  
3 iliary services. Each class of services shall be provided by  
4 persons (including individuals, partnerships, corporations,  
5 associations, consumer cooperatives, and other organiza-  
6 tions) who are authorized by applicable State law, and who  
7 are qualified under title II of this Act, to do so.

8 (b) Medical services consist of (1) general medical  
9 services such as can be rendered by a physician engaged  
10 in the general or family practice of medicine, including  
11 preventive, diagnostic, and therapeutic care and periodic  
12 medical examinations; and (2) specialist services rendered  
13 by a physician who is a specialist in the class of services  
14 rendered, as defined in section 201 of this Act. Such  
15 services may be rendered at the office, home, hospital,  
16 or elsewhere, as necessary.

17 (c) Dental services consist of (1) general dental serv-  
18 ices rendered by a dentist engaged in the general practice  
19 of dentistry, including preventive, diagnostic, and thera-  
20 peutic care, and periodic dental examinations; and (2) spe-  
21 cialist services rendered by a dentist who is a specialist  
22 in the class of services rendered, as defined in section 201  
23 of this Act. Such services may be rendered at the office,  
24 home, hospital, or elsewhere, as necessary.

1 (d) Podiatric services consist of those professional  
2 services of a podiatrist who is legally authorized to per-  
3 form such services in the State in which he practices.

4 (e) Home-nursing services consist of nursing care of  
5 the sick rendered in the home by a registered professional  
6 nurse or a qualified practical nurse.

7 (f) Hospital services consist of hospitalization, includ-  
8 ing necessary nursing services, and such physician, labora-  
9 tory, ambulance, and other services in connection with  
10 hospitalization as the National Health Insurance Board  
11 (hereinafter in this Act referred to as the “Board”), after  
12 consultation with the National Advisory Medical Policy  
13 Council (hereinafter in this Act referred to as the “Advi-  
14 sory Council”), by regulation designates as essential to  
15 good hospital care, for a maximum of sixty days in any  
16 benefit year; but hospital services shall not include hos-  
17 pitalization in a mental disease hospital or institution, or  
18 hospitalization for any day more than thirty days following  
19 the diagnosis of a psychosis. Whenever the Board, after  
20 consultation with the Advisory Council, finds that moneys  
21 in the account (established by section 701) are adequate  
22 and that facilities are available, it may by regulation in-  
23 crease the maximum days of hospitalization in any benefit  
24 year.

1 (g) Auxiliary services consist of such chemical, bac-  
2 teriological, pathological, diagnostic X-ray and related lab-  
3 oratory services; X-ray, radium, and related therapy; phys-  
4 iotherapy; services of optometrists; and prescribed drugs  
5 which are unusually expensive, special appliances, and eye-  
6 glasses; as the Board, after consultation with the Advisory  
7 Council, by regulation designates as auxiliary services on  
8 the basis of its finding that their provision under this Act  
9 is practicable and is essential to good health care.

10 AVAILABILITY OF BENEFITS

11 SEC. 102. (a) Medical services, hospital services, and,  
12 except as otherwise provided in subsection (b) of this sec-  
13 tion, all other personal health services specified in section  
14 101 shall be made available (subject to section 701) as  
15 benefits to eligible individuals in all health-service areas  
16 within the United States as rapidly and as completely as  
17 possible having regard for the availability of the profes-  
18 sional and technical personnel and the hospital and other  
19 facilities needed to provide such services. To this end the  
20 resources and needs of each State shall be surveyed and  
21 a program developed in each State to assure the maximum  
22 participation and use of health personnel and facilities in  
23 the provision of benefits, and to encourage improvement  
24 in the number and distribution of such personnel and fa-  
25 cilities throughout the State. Additional surveys shall be



1 undertaken as required, and the program in the State  
2 from time to time modified on the basis thereof.

3 (b) If the Board, after consultation with the Advisory  
4 Council, finds that the personnel or facilities or funds that  
5 are or can be made available are inadequate to insure the  
6 provision of all services included as dental, home-nursing,  
7 or auxiliary services under section 101 of this Act, it may  
8 by regulation limit for a specified period the services which  
9 may be provided as benefits, or modify the extent to which,  
10 or the circumstances under which, they will be provided  
11 to eligible individuals. Any such restriction or limitation  
12 shall be reduced or withdrawn as rapidly as may be prac-  
13 ticable; and, in the case of dental services, priority in the  
14 reduction or withdrawal of any such restriction or limita-  
15 tion shall be given to children.

16 (c) The Board shall have the duty of studying and  
17 making recommendations as to needed services and facili-  
18 ties for the care of the chronic sick afflicted with physical  
19 ailments, and for the care of individuals afflicted with  
20 mental or nervous diseases, and as to needed provisions  
21 for the prevention of chronic physical diseases and of men-  
22 tal or nervous diseases; and of making reports from time  
23 to time, with recommendations as to legislation, but the  
24 first such report shall be made not later than two years  
25 after benefits under this Act first become available.

1     HOW BENEFITS OBTAINED: FREE CHOICE BY PATIENT

2         SEC. 103. Every individual eligible for personal  
3 health services available under this Act may freely select  
4 the physician, dentist, podiatrist, nurse, medical group,  
5 hospital, or other person of his choice to render such serv-  
6 ices, and may change such selection if the practitioner,  
7 medical group, hospital, or other person has agreed under  
8 title II of this Act to furnish the class of services required  
9 and consents to furnish such services to the individual.  
10 General medical, dental, and podiatric services may be ob-  
11 tained by request made by the individual directly to the  
12 practitioner of the individual's choice. Specialist, home-  
13 nursing, hospital, and auxiliary services shall be obtained  
14 from the specialist, nurse, hospital, or other person of the  
15 individual's choice, whenever the practitioner from whom  
16 he is receiving medical or dental services as benefits under  
17 this Act refers him for specialist, home-nursing, hospital,  
18 or auxiliary services upon determining that such services  
19 are required in the proper care of his particular case; or  
20 whenever, upon request of the individual, an administra-  
21 tive medical officer, upon a like determination, refers him  
22 for such services. The Board, by regulation, shall dispense  
23 with the necessity of referral in cases of emergency, and  
24 may dispense with the necessity of referral under specified  
25 circumstances or as respects specified classes of services,

1 or both, if it finds, after consultation with the Advisory  
2 Council, that such action will be conducive to the provision  
3 of a more adequate amount and quality of health care and  
4 will not unreasonably increase the expenditures from the  
5 account for such services.

6 ELIGIBILITY FOR BENEFITS

7 SEC. 104. (a) Subject to section 701, every individual  
8 shall be eligible for benefits under this Act throughout any  
9 benefit year if—

10 (1) he has received (or, in the case of income  
11 from self-employment, has accrued)—

12 (A) not less than \$2,000 in wages during  
13 the first four of the last six calendar quarters  
14 preceding the beginning of the benefit year; or

15 (B) not less than \$1,500 in wages in each  
16 of six calendar quarters during the first twelve  
17 of the last fourteen calendar quarters preceding  
18 the beginning of the benefit year (not counting  
19 as one of such fourteen calendar quarters any  
20 quarter in any part of which the individual was  
21 under a total disability which continued for six  
22 months or more);

23 (2) he is entitled, for the first month in the  
24 benefit year, to a benefit under title II of the Social  
25 Security Act or to an annuity under subchapter III

1 (relating to civil service retirement) of chapter 83  
2 of title 5, United States Code; or

3 (3) he is on the first day of the benefit year a  
4 dependent of an individual who is eligible under  
5 paragraph (1) or paragraph (2).

6 (b) Subject to section 701, every individual, not eligi-  
7 ble therefor under subsection (a), shall be eligible for bene-  
8 fits under this Act during the remainder of a benefit year,  
9 beginning with—

10 (1) the first day of any calendar quarter in  
11 such benefit year, if he has received (or, in the case  
12 of income from self-employment, has accrued) not  
13 less than \$150 in wages during the first four of the  
14 last six calendar quarters preceding the beginning of  
15 such calendar quarter;

16 (2) the first day of the first month in such ben-  
17 efit year for which he is entitled to a benefit or an-  
18 nuity referred to in subsection (a)(2); or

19 (3) the first day in such benefit year on which  
20 he is or becomes a dependent of an individual who  
21 is eligible for benefits under subsection (a) (1) or (2)  
22 under paragraph (1) or (2) of this subsection.

23 (c) No individual shall be deemed eligible for any per-  
24 sonal health services as a benefit under this Act which  
25 are required by reason of any injury, disease, or disability

1 on account of which any medical, dental, home-nursing,  
2 hospital, or auxiliary service is being received, or upon ap-  
3 plication therefor would be received, under a workmen's  
4 compensation law of the United States or of any State,  
5 unless equitable reimbursements to the fund for the provi-  
6 sion of such services as benefits have been made or as-  
7 sured under section 105 of this Act. In any case in which  
8 an individual receives any personal health service as a ben-  
9 efit under this Act with respect to any such injury, dis-  
10 ease, or disability, for which no reimbursement to the fund  
11 has been made or assured, the United States shall to the  
12 extent permitted by State law be subrogated to all rights  
13 of such individual, or of the person who furnished such  
14 service, to be paid or reimbursed, pursuant to such work-  
15 men's compensation law, for the cost of furnishing such  
16 service.

17 PROVISION OF BENEFITS FOR NONINSURED NEEDY AND  
18 OTHER INDIVIDUALS

19 SEC. 105. (a) Subject to section 701, any or all bene-  
20 fits provided under this Act to individuals eligible for such  
21 benefits may be furnished to individuals (including the  
22 needy) not otherwise eligible therefor, for any period for  
23 which equitable reimbursements to the account on behalf  
24 of such needy or other individuals have been made, or for  
25 which reasonable assurance of such reimbursements have

1 been given, by public agencies of the United States, the  
 2 several States, or any of them or of their political subdivi-  
 3 sions, such reimbursements to be in accordance with  
 4 agreements and working arrangements negotiated with  
 5 such public agencies. Services furnished to such needy or  
 6 other individuals as benefits shall be of the same quality,  
 7 be furnished by the same methods, and be paid for  
 8 through the same arrangements, as services furnished to  
 9 individuals eligible for benefits under this Act.

10 (b) Federal grants to States under title XIX, and  
 11 part A of title IV, of the Social Security Act, and Federal  
 12 grants to States for aid or assistance under other provi-  
 13 sions of such Act, shall be available to the States for provi-  
 14 sion of personal-health services for noninsured needy indi-  
 15 viduals in accordance with the provisions of subsection (a)  
 16 of this section.

17 TITLE II—PARTICIPATION OF PHYSICIANS,  
 18 DENTISTS, NURSES, HOSPITALS, AND OTHERS

19 PHYSICIANS AND DENTISTS; SPECIALISTS

20 SEC. 201. Any individual who is a physician, dentist,  
 21 or podiatrist legally authorized in a State to render any  
 22 services included as general medical, dental, or podiatric  
 23 services shall be deemed qualified to render such services  
 24 in that State as benefits under this Act. Any such individ-  
 25 ual who is found to possess skill and experience of a degree

1 and kind sufficient to meet standards established for a  
2 class of specialist services shall be deemed qualified to re-  
3 ceive compensation for specialist services of such class as  
4 benefits under this Act. The Board, after consultation  
5 with the Advisory Council, shall establish standards as to  
6 the special skills and experience required to qualify an in-  
7 dividual to render each such class of specialist services as  
8 benefits under this Act, and to receive compensation for  
9 such specialist services. In establishing such standards  
10 and in determining whether individuals qualify there-  
11 under, standards and certifications developed by profes-  
12 sional agencies shall be utilized as far as is consistent with  
13 the purposes of this Act, and regard shall be had for the  
14 varying needs and the available resources in professional  
15 personnel of the States and of local health-service areas.

#### NURSES

17 SEC. 202. Any individual shall be deemed qualified  
18 to render home-nursing services in a State as benefits  
19 under this title if such individual is (a) a professional  
20 nurse registered in such State, or (b) a practical nurse

1 (1) who is qualified as such under State standards or re-  
2 quirements, or, in the absence of State standards or re-  
3 quirements, is found to be qualified under standards es-  
4 tablished by the Board after consultation with the Advi-  
5 sory Council and with nursing agencies, and (2) who fur-  
6 nishes nursing care under the direction or supervision of  
7 the State health agency, the health agency of a political  
8 subdivision of the State, or an organization supplying and  
9 supervising the services of registered professional nurses  
10 in the State.

#### 11 HOSPITALS

12 SEC. 203. Any hospital or other institution shall be  
13 deemed qualified to furnish all or particular classes of hos-  
14 pital services as benefits under this Act if it is qualified  
15 to furnish such services under State standards or require-  
16 ments for the maintenance and operation of hospitals  
17 which apply to the class or classes of services to be fur-  
18 nished, or if, in the absence of such State standards or  
19 requirements, it is found to afford professional services,  
20 personnel, and equipment adequate to promote the health  
21 and safety of individuals requiring the class or classes of  
22 hospital services to be furnished, according to standards  
23 which the Board shall establish after consultation with the  
24 Advisory Council.



## AUXILIARY SERVICES

SEC. 204. Any person (as defined in section 901(1)) who is qualified under State standards or requirements to furnish a class of services included as auxiliary services, or, in the absence of State standards or requirements, is found to be qualified to furnish a class of such services under standards established for such class by the Board after consultation with the Advisory Council, shall be deemed qualified to furnish such class of auxiliary services in that State as benefits under this Act.

## AGREEMENTS WITH INDIVIDUAL PRACTITIONERS,

## HOSPITALS, AND OTHERS

SEC. 205. Any individual (or, in the case of hospital or auxiliary services, any person) qualified under this title to furnish any class or classes of personal health services as benefits may enter into an agreement with the State agency which in accordance with title IV has assumed responsibility for the administration in the State of benefits under this Act (hereinafter in this Act referred to as the "State agency"), to furnish such class or classes of services as benefits to individuals eligible therefor under this Act.

1       AGREEMENTS WITH VOLUNTARY HEALTH INSURANCE  
2                                   AND OTHER ORGANIZATIONS

3       SEC. 206. (a) In the provision of personal health  
4 services, it shall be the policy to utilize individuals or orga-  
5 nizations qualified under this title to render such services,  
6 including (1) any organized group of individuals, (2) any  
7 partnership, association, or consumer cooperative, (3) any  
8 hospital or any hospital and its staff, or (4) any organiza-  
9 tion operating a voluntary health-service insurance plan  
10 or other voluntary health-service plan.

11       (b) The State agency is authorized to enter into an  
12 agreement with any organization referred to in subsection  
13 (a) for the provision of personal health services under this  
14 Act. Any such organization, whether or not it enters into  
15 an agreement with the State agency on its own behalf,  
16 shall be permitted to act as agent for individuals or other  
17 persons in negotiating or in carrying out agreements with  
18 the State agency for rendering personal health services  
19 under this Act.

20       (c) Any agreement under this section shall provide  
21 that each class of personal health services will be furnished  
22 only by individuals (or, in the case of hospital or auxiliary  
23 benefits, by persons, as defined in section 901(1)) who are  
24 qualified under this title to render such class of services

1 and each of whom has agreed or has authorized an agree-  
2 ment to be made on his behalf with the State agency that  
3 he will furnish such services in accordance with this Act  
4 and with regulations prescribed thereunder. Each such in-  
5 dividual or person shall be responsible, both to the State  
6 agency and (in accordance with applicable State law) to  
7 individuals eligible for personal health services as benefits,  
8 for carrying out such agreement made by him or on his  
9 behalf.

10 PROVISIONS COMMON TO ALL AGREEMENTS

11 SEC. 207. (a) Each agreement made under this title  
12 shall specify the class or classes of services to be furnished  
13 or provided pursuant to its terms, shall contain an under-  
14 taking to comply with this Act and with regulations pre-  
15 scribed thereunder, shall be made upon terms and condi-  
16 tions consistent with the efficient and economical adminis-  
17 tration of this Act, and shall continue in force for such  
18 period and be terminable upon such notice as may be  
19 agreed upon.

20 (b) No agreement under section 206, and no designa-  
21 tion of an agent, shall for more than one year preclude  
22 any individual or person qualified to furnish personal  
23 health services from exercising such rights as he would  
24 otherwise have under this title (1) to negotiate and enter  
25 into an agreement directly with the State agency, or (2)

1 to designate another agent for such negotiation, or (3) to  
2 participate in another agreement under section 206.

3 (c) No agreement made under this title shall confer  
4 upon any individual or other person, or any group or other  
5 organization, the right of furnishing or providing personal  
6 health services as benefits, to the exclusion in whole or  
7 in part of other individuals, persons, groups, or organiza-  
8 tions qualified to furnish or provide such services.

9 (d) If the State agency after investigation finds that  
10 an individual or other person under agreement to furnish  
11 or provide personal health services as benefits is no longer  
12 qualified to furnish or provide such services, or has com-  
13 mitted a substantial breach of the agreement, it shall no-  
14 tify such person of its findings, together with the reasons  
15 therefor, and in the absence of a request for a hearing  
16 by such person under title VI, or in the event of a final  
17 decision sustaining its findings after any hearing and fur-  
18 ther review provided under title VI, may terminate the  
19 agreement and withdraw the person's name from the list  
20 published pursuant to title III. After an agreement has  
21 been so terminated, no new agreement shall be entered  
22 into with such person under this Act unless and until such  
23 person gives reasonable assurances to the State agency of

1 his or its ability and willingness to discharge all obliga-  
2 tions and responsibilities under a new agreement satisfac-  
3 torily in accordance with its provisions.

4 METHODS OF PAYMENTS FOR SERVICES

5 SEC. 208. (a) Agreements for the furnishing of medi-  
6 cal, dental, or podiatric services (other than specialist  
7 services) as benefits under this Act shall provide for pay-  
8 ment—

9 (1) on the basis of fees for services rendered as  
10 benefits, according to a fee schedule;

11 (2) on a per capita basis, the amount being ac-  
12 cording to the number of individuals eligible for ben-  
13 efits who are on the practitioner's list;

14 (3) on a salary basis, whole time or part time;  
15 or

16 (4) on such combinations or modifications of  
17 these bases, including separate provision for travel  
18 and related expenses, as may be approved by the  
19 State agency;

20 according in each health-service area as the majority of  
21 the medical practitioners or of the dental practitioners, re-  
22 spectively, under agreement to furnish such services shall  
23 elect. Provision shall be made for another method or meth-  
24 ods of payment (from among the methods listed in this

1 subsection) to those medical practitioners or to those den-  
2 tal practitioners who do not elect the method of such ma-  
3 jority, when it is found that such alternative method of  
4 making payments contributes to carrying out the provi-  
5 sions of section 305 of this Act or otherwise promotes the  
6 efficient and economical provision of medical or dental  
7 services in the area.

8 (b) Agreements for the furnishing of specialist serv-  
9 ices as benefits under this Act may provide for payments  
10 on the basis of fee for service, per case, per session, per  
11 capita, on salary (whole time or part time), or other basis,  
12 or combination thereof.

13 (c) Any of the methods of making payments from  
14 among the methods listed in subsection (a) or subsection  
15 (b) may be used in making payments to groups or practi-  
16 tioners or organizations or other agencies which undertake  
17 to provide specialist services as well as general medical or  
18 general dental services.

19 (d) Agreements for the furnishing of hospital services  
20 as benefits under this Act shall provide for payment on  
21 the basis of the reasonable costs of hospitalization fur-  
22 nished as benefits. The Board, after consultation with the  
23 Advisory Council and with representatives of interested  
24 hospital organizations, may by regulation prescribe maxi-  
25 mum rates for hospitalization furnished as benefits under

1 this Act, and such maximum rates may be varied accord-  
2 ing to classes of localities or types of service. Payments  
3 to hospitals shall be based on the least expensive multiple-  
4 bed accommodations available in the hospital unless the  
5 patient's condition makes the use of private accommoda-  
6 tions essential for his proper medical care. An agreement  
7 made for furnishing such services shall not affect the right  
8 of the hospital or other person with whom the agreement  
9 is made to require payments from patients with respect  
10 to the additional cost of more expensive facilities occupied  
11 at the request of the patient, or with respect to services  
12 not included as benefits under this Act.

13 (e) Agreements for the furnishing of home-nursing  
14 services or auxiliary services as benefits under this Act  
15 shall provide for payment in accordance with such meth-  
16 ods as the State agency may approve from among those  
17 set forth in regulations prescribed pursuant to this Act.

18 (f) In any health-service area where agreements for  
19 the furnishing of general medical or general dental serv-  
20 ices provide for payment only on a per capita basis, the  
21 per capita payments with respect to those individuals re-  
22 siding in the area who have failed to select a practitioner  
23 or other person to furnish such services to them shall be  
24 made on a pro rata basis among the practitioners and

1 other persons under agreement to furnish such services  
2 in the area.

3 AMOUNT OF PAYMENTS FOR SERVICES

4 SEC. 209. (a) Rates or amounts of payment for par-  
5 ticular services or classes of services furnished as benefits  
6 under this Act shall be adapted to take account of relevant  
7 regional, State, or local conditions and practices. In arriv-  
8 ing at the payments to be made for services of general  
9 medical and dental practitioners, specialists, professional  
10 and practical nurses, or other practitioners, regard shall  
11 be had for the annual income or its equivalent which the  
12 payments will provide, and consideration shall be given to  
13 degree of specialization, and to the skill, experience, and  
14 responsibility involved in rendering the services. Such pay-  
15 ments, together with the other terms and conditions of the  
16 agreements made under this title, shall be adequate to  
17 provide professional and financial incentives to practition-  
18 ers to advance in their professions and to practice in local-  
19 ities where their services are most needed, to encourage  
20 high standards in the quality of services furnished, to give  
21 assistance in their use of opportunities for postgraduate  
22 study, and to allow for adequate vacation.

23 (b) The rates and amounts of payments fixed under  
24 the different methods of payments specified in subsections  
25 (a), (b), (c), and (e) of section 208, and the methods of  
26 making payments, shall assure reasonably equivalent



1 awards for practitioners selecting different methods of  
2 payment, in consideration of the value of the services they  
3 render.

4 (c) Maximum limits upon the number of eligible indi-  
5 viduals with respect to whom any person may undertake  
6 to render services in any local health-service area may be  
7 fixed by the local administrative committee or local admin-  
8 istrative officer of that health-service area only on the  
9 basis of a recommendation of the professional committee  
10 in that area that such limitation is necessary to maintain  
11 high standards in the quality of medical, dental, or other  
12 services furnished as benefits. Any such limits shall take  
13 account of professional needs and practices and shall pro-  
14 vide suitable exceptions for emergency and temporary situ-  
15 ations.

16 (d) The making of an agreement under section 206  
17 with a group or other organization shall not operate to  
18 increase the payments to be made pursuant to any such  
19 agreement over the amounts which, in the absence of such  
20 group or organization would be payable for the same serv-  
21 ices pursuant to agreements made under section 205 di-  
22 rectly with the person or persons who furnish the services.

23 PROFESSIONAL RIGHTS AND RESPONSIBILITIES

24 SEC. 210. (a) Any person who enters into an agree-  
25 ment under this title may terminate such agreement after

1 reasonable notice and after suitable arrangements are  
 2 made to fulfill professional obligations to eligible individ-  
 3 uals.

4 (b) Every physician, dentist, or nurse agreeing to  
 5 render services as benefits under this Act shall be free to  
 6 practice his profession in the locality of his own choosing,  
 7 consistent with the requirements of the laws of the States.

8 (c) Every physician, dentist, nurse, hospital, or other  
 9 person entering into an agreement under this title shall  
 10 be free to the extent consistent with applicable State law  
 11 and customary professional ethics to accept or reject as  
 12 a patient any individual requesting his services.

13 (d) No supervision or control over the details of ad-  
 14 ministration or operation, or over the selection, tenure, or  
 15 compensation of personnel, shall be exercised under the  
 16 authority of this Act over any hospital which has agreed  
 17 to furnish personal health services as benefits.

## 18 TITLE III—LOCAL ADMINISTRATION

### 19 DECENTRALIZATION OF ADMINISTRATION

20 SEC. 301. In order that personal health-service bene-  
 21 fits may be made available promptly and in a manner best  
 22 adapted to local practices, conditions, and needs, respon-  
 23 sibility for administration of the benefits provided under  
 24 this Act in the several local health-service areas shall be  
 25 decentralized as fully as practicable to local administrative

1 committees or local administrative officers, acting with the  
 2 advice and assistance, as provided in this title, of local  
 3 professional committees and, in the case of local adminis-  
 4 trative officers, the advice and assistance of local area  
 5 committees. The health-service areas of a State shall be  
 6 those so designated in the State plan of operations.

7 LOCAL ADMINISTRATIVE COMMITTEE OR OFFICER

8 SEC. 302. The local administrative agency for each  
 9 local health-service area may, as determined by the State,  
 10 be either—

11 (1) a local administrative committee established  
 12 in accordance with section 303, which shall act  
 13 through a local executive officer; or

14 (2) a local administrative officer, who shall act  
 15 with the advice and assistance of a local advisory  
 16 committee established in accordance with section  
 17 303.

18 The local administrative committee or officer, with the ad-  
 19 vice and assistance of such local professional committees  
 20 as may from time to time be established, shall arrange  
 21 for the furnishing of personal health-service benefits to eli-  
 22 gible individuals in the area and to that end shall—

23 (a) publish, and make readily available to eligi-  
 24 ble individuals in the area, lists of the names of all  
 25 persons who have agreed to furnish personal health

1 services in the area, together with the class or class-  
2 es of services which each has undertaken to furnish;

3 (b) disseminate pertinent information concern-  
4 ing the rights and privileges under this Act of eligi-  
5 ble individuals and of persons qualified to furnish  
6 personal health services as benefits;

7 (c) maintain effective relationships with physi-  
8 cians, dentists, nurses, hospitals, and other persons  
9 who have entered into agreements to furnish per-  
10 sonal health services in the area, in order to facili-  
11 tate the furnishing of such services in accordance  
12 with such agreements, to assure full and prompt  
13 payment to such persons for services so furnished,  
14 and to enlist their full cooperation in the administra-  
15 tion of benefits under this Act in the area;

16 (d) receive and, to the extent possible in the  
17 local area, adjust any complaints which may be  
18 made concerning the administration of benefits  
19 under this Act in the area;

20 (e) perform such other duties (including the  
21 making of payments to persons furnishing personal  
22 health services in the area) as may be assigned by  
23 the State agency; and

24 (f) take or initiate such other administrative ac-  
25 tion as he finds will best carry out, within the area,

1 the provisions of this Act, and best effectuate its  
2 purposes.

3 LOCAL AREA COMMITTEES

4 SEC. 303. (a) A local area committee shall be estab-  
5 lished in each health-service area. If designated by the  
6 State as a local administrative committee, the local area  
7 committee shall perform the functions specified in section  
8 302 and shall formulate policies for the administration of  
9 benefits under this Act in the area. If designated as an  
10 advisory committee, it shall advise and assist in the per-  
11 formance of such functions and the formulation of such  
12 policies. The committee, whether administrative or advi-  
13 sory, shall participate in the solution of problems affecting  
14 the administration of such benefits, shall promote impar-  
15 tiality and freedom from political influence in such admin-  
16 istration, and shall perform related functions to the end  
17 that administration in the area may be responsive to the  
18 wishes and needs of persons furnishing and receiving bene-  
19 fits in the area, be adapted to local practices and re-  
20 sources, and provide adequate and high quality personal  
21 health services to all eligible individuals.

22 (b) Each local area committee shall consist of not less  
23 than eight nor more than sixteen members. The members  
24 shall be so selected that a majority of the committee shall  
25 be representative of the interests of individuals in the area

1 who are eligible for benefits, and the remaining mem-  
2 bers shall be chosen from the several professions, hos-  
3 pitals, and other organizations in the area by whom such  
4 benefits will be provided.

5 (c) The local area committee shall meet as often as  
6 may be necessary, and whenever one-third or more of the  
7 members request a meeting; in the case of a local adminis-  
8 trative committee, not less frequently than once each  
9 month, and in the case of a local advisory committee, not  
10 less frequently than once in each quarter of the year. At  
11 least one meeting of the committee each year shall be open  
12 to the public, notice of which shall be published and at  
13 which any person in the area may participate. At least  
14 once each year there shall be a statewide meeting of local  
15 administrative officers and representatives of local admin-  
16 istrative committees. At least once in each year there shall  
17 be a statewide meeting of representatives of all local advi-  
18 sory committees in the State, and any reports or rec-  
19 ommendations made at such meeting shall on the request  
20 of such meeting be transmitted through the State agency  
21 to the Board.

#### 22 LOCAL PROFESSIONAL COMMITTEES

23 SEC. 304. Local committees representative of the per-  
24 sons furnishing personal health services in the area shall  
25 be established in each health-service area to assist the

1 local administrative committee and its executive officer, or  
 2 the local administrative officer and the local advisory com-  
 3 mittee, as the case may be, in the preservation of the cus-  
 4 tomary freedom and responsibility (under applicable State  
 5 law) of practitioners in the exercise of professional judg-  
 6 ment as to the care of patients, and in the solution of  
 7 technical problems concerning the participation of profes-  
 8 sional personnel, hospitals, and other qualified persons in  
 9 the provision of personal health services as benefits, and  
 10 to advise the local administrative or executive officer and  
 11 the local area committee regarding matters of professional  
 12 practice or conduct arising in connection with the perform-  
 13 ance of agreements for the provision of such services. Such  
 14 local committees shall meet on call of the local administra-  
 15 tive committee or officer, as the case may be, or upon their  
 16 own motion. The members of any such local professional  
 17 committee may be professional members of the local area  
 18 committee or other professional persons or both.

#### 19 METHODS OF ADMINISTRATION

20 SEC. 305. (a) In each health-service area the methods  
 21 of administration shall be such as to—

- 22 (1) insure the prompt and efficient care of indi-  
 23 viduals entitled to personal health services as bene-  
 24 fits;

1           (2) promote personal relationships between phy-  
2       sician and patients;

3           (3) promote coordination among and between  
4       general practitioners, specialists, those who furnish  
5       auxiliary services, nurses, and hospitals, in the fur-  
6       nishing of services under this Act, between them and  
7       public-health centers and agencies, and educational  
8       service, research, and other related agencies or insti-  
9       tutions, and between preventive, diagnostic, and cu-  
10      rative services, public and private;

11          (4) aid in the prevention of disease, disability,  
12      and premature death;

13          (5) encourage improvement in the number and  
14      distribution of professional personnel and facilities;  
15      and

16          (6) insure the provision of adequate service with  
17      the greatest economy consistent with high standards  
18      of quality.

19      (b) Local administrative officers shall be appointed  
20   by the State agency or the head thereof, in accordance  
21   with the merit system provided for in the State plan of  
22   operations; local administrative committees shall be ap-  
23   pointed by such agency or the head thereof, from individ-  
24   uals residing in the respective health-service areas, and the  
25   executive officers of such committees shall be appointed



1 by the committees in accordance with the merit system;  
 2 the local health-service areas shall be those so designated  
 3 in such plan; and members of local advisory committees  
 4 and of local professional committees shall be selected in  
 5 accordance with methods set forth in such plan.

6 (c) In exercising their functions and discharging their  
 7 responsibilities under this Act, local administrative officers  
 8 and communities, local advisory committees, and local pro-  
 9 fessional committees shall observe the provisions of this  
 10 Act, and of regulations prescribed thereunder, and of any  
 11 regulations, standards, and procedures prescribed by the  
 12 State agency.

#### 13 TITLE IV—STATE ADMINISTRATION

##### 14 DECLARATION OF POLICY

15 SEC. 401. It is the intent of Congress that the bene-  
 16 fits provided under this Act be administered wherever pos-  
 17 sible by the several States, in accordance with plans of  
 18 operations submitted and approved as provided in this  
 19 title, and in each State insofar as feasible by the same  
 20 State agency which administers, or supervises the admin-  
 21 istration of, the State's general public health and maternal  
 22 and child health programs.

##### 23 STATE PLAN OF OPERATIONS

24 SEC. 402. (a) Any State desiring to assume respon-  
 25 sibility for the administration in the State of the personal

1 health-service benefits provided under this Act to all indi-  
2 viduals in the State who are eligible for such benefits, may  
3 do so for the period beginning October 1, 1998 (when ben-  
4 efits first become available under this Act), or for the pe-  
5 riod beginning October 1 of any succeeding year, if it has  
6 undertaken, through its legislature, to administer such  
7 benefits in accordance with the provisions of this Act and  
8 with the provisions of regulations and standards pre-  
9 scribed thereunder, and, at least twelve months in ad-  
10 vance, has submitted and had approved a State plan of  
11 operations which—

12           (1) designates as the sole agency for the state-  
13 wide administration of benefits under this Act a sin-  
14 gle State agency duly authorized under the law of  
15 the State to administer such benefits within the  
16 State in accordance with the provisions of this Act,  
17 the provisions of regulations and standards pre-  
18 scribed thereunder, and the provisions of the State  
19 plan;

20           (2) provides for the designation of a State advi-  
21 sory committee which shall include members who are  
22 familiar with the needs for personal health services  
23 in urban and rural areas, and who are representative  
24 of the interests of individuals in the State who are  
25 eligible for benefits, such members to constitute a

1 majority, and members chosen from the several pro-  
2 fessions, hospitals, and other organizations in the  
3 State by whom such benefits will be provided, to ad-  
4 vise the State agency in carrying out the administra-  
5 tion of such benefits in the State;

6 (3) provides for the decentralized administra-  
7 tion of this Act in the State in accordance with title  
8 III for the designation of local health-service areas,  
9 and for such methods of selecting the members of  
10 local advisory committees and of local professional  
11 committees as are calculated to insure representa-  
12 tion of the nature set forth in sections 303 and 304,  
13 respectively;

14 (4) provides such methods of administration, in-  
15 cluding methods relating to the establishment and  
16 maintenance of personnel standards on a merit basis  
17 (except that the Board shall exercise no authority  
18 with respect to the selection, tenure of office, or  
19 compensation of any individual employed in accord-  
20 ance with such methods), as are found by the Board  
21 to be necessary for the proper and efficient adminis-  
22 tration of such benefits in the State;

23 (5) provides for the making of surveys of the  
24 resources and needs of the State, in accordance with

1 section 102(a), and sets forth a program for the ad-  
2 ministration of such benefits in the State which  
3 gives reasonable assurance (A) that maximum use  
4 will be made of all available health personnel and fa-  
5 cilities desiring to participate in the provision of ben-  
6 efits to eligible individuals, (B) that funds allotted to  
7 the State for the several classes of benefits will be  
8 allocated in such manner as to give reasonable as-  
9 surance of the availability of services in all health-  
10 service areas in the State, and (C) that any mal-  
11 distribution or other inadequacies in the health per-  
12 sonnel or facilities available for such purpose, or in  
13 the quality of the services rendered, will be progres-  
14 sively improved as rapidly as may be practicable;

15 (6) provides that the State agency will make  
16 such reports in such form and containing such infor-  
17 mation as the Board may from time to time reason-  
18 ably require, and give the Board, upon demand, ac-  
19 cess to the records upon which such information is  
20 based;

21 (7) provides that all Federal funds paid to the  
22 State agency for purposes of carrying out this Act  
23 in the State shall be properly safeguarded and ex-  
24 pended solely for the purposes for which paid, and

1 provides for the repayment by the State to the Unit-  
2 ed States of any such funds lost by the State agency  
3 or diverted from the purposes for which paid; and

4 (8) provides for cooperation, including where  
5 necessary entering into working agreements (with  
6 any appropriate transfer of funds), with other public  
7 agencies of the State or of its political subdivisions  
8 concerned with programs related to the purposes of  
9 this Act, and with appropriate agencies of other  
10 States or of the United States administering this  
11 Act, or benefits under this Act, in other States.

12 (b) The Board shall approve any State plan and any  
13 modification thereof submitted by the State which it finds  
14 complies with the provisions of subsection (a). No change  
15 in a State plan shall be required within one year after  
16 initial approval thereof, or within one year after any  
17 change thereafter required therein, by reason of any  
18 change in the regulations or standards prescribed pursu-  
19 ant to this Act, except with the consent of the State or  
20 in accordance with further action by Congress.

21 (c) In the event of its disapproval of any plan or any  
22 modification therein submitted by a State pursuant to this  
23 title, the Board shall notify the State of such disapproval  
24 and shall, upon request of the State, afford it reasonable  
25 notice and opportunity for a hearing on such disapproval.

1       (d) If a State has not prior to October 1, 1998, sub-  
2       mitted and had approved a plan of operations, the Board  
3       shall notify the Governor of the State that the Board will  
4       be required to administer this Act in the State, commenc-  
5       ing October 1, 1998. The Board shall provide for the pub-  
6       lication of such notice in at least two newspapers of gen-  
7       eral circulation in the State. If within sixty days after such  
8       notification to the Governor the State has not submitted  
9       an approvable plan, the Board shall continue such admin-  
10      istration until one year after the submission and approval  
11      of a plan of operations in accordance with this section.  
12      The Board may waive the requirement that a State plan  
13      must be submitted and approved one year prior to com-  
14      mencement of State administration if it is satisfied in a  
15      particular case that the substitution of a shorter pre-  
16      paratory period will not prejudice the interests of eligible  
17      individuals in the State.

18      (e) Whenever the Board, after reasonable notice and  
19      opportunity for hearing to the State, finds that the State,  
20      having submitted and had approved a plan of operations  
21      under this title—

22              (1) is not complying substantially with the pro-  
23      visions of such plan, or with the provisions of this  
24      Act or any regulations or standards prescribed  
25      thereunder, or

1           (2) has withdrawn its plan or failed to change  
2           it when and as required by a change in this Act or  
3           in regulations prescribed thereunder,  
4 the Board shall notify the Governor of the State of such  
5 findings, together with its reasons therefor and a state-  
6 ment concerning the effect of such findings under this Act,  
7 and shall provide for the publication of such notice in at  
8 least two newspapers of general circulation in the State.  
9 If within sixty days following such a notice the State has  
10 not taken appropriate action to bring its plan or its admin-  
11 istration thereof into conformity with this Act and regula-  
12 tions and standards thereunder, the Board shall imme-  
13 diately assume responsibility for the administration of this  
14 Act in the State and shall administer the same in such  
15 State for so long thereafter as the State fails to give rea-  
16 sonable assurances of substantial compliance or fails to  
17 submit an approvable plan, as the case may be.

18           (f) In any State in which the Board has assumed re-  
19 sponsibility for the administration of benefits under this  
20 Act as provided in subsections (d) and (e) of this section,  
21 the Board shall have and discharge all authority and du-  
22 ties, in accordance with the provisions of this Act, which  
23 it finds necessary for that purpose, and the term “State  
24 agency” wherever used in title II or title III of this Act  
25 shall be deemed to refer to the Board.

1       (g) Nothing in this Act shall preclude any State or  
2 any political subdivision thereof, whether or not the State  
3 has assumed responsibility for the administration of bene-  
4 fits under this Act, from furnishing, with funds available  
5 from sources other than the account, any additional health  
6 services to individuals who are eligible for benefits under  
7 this Act or any or all health services to individuals who  
8 are not so eligible.

9       TITLE    V—NATIONAL    HEALTH    INSURANCE  
10       BOARD;   NATIONAL   ADVISORY   MEDICAL  
11       POLICY   COUNCIL;   GENERAL   ADMINISTRA-  
12       TIVE   PROVISIONS

13               NATIONAL HEALTH INSURANCE BOARD

14       SEC. 501. (a) There is hereby established in the De-  
15 partment of Health and Human Services a National  
16 Health Insurance Board, to be composed of five members,  
17 three of whom shall be appointed by the President by and  
18 with the advice and consent of the Senate, and the other  
19 two of whom shall be the Surgeon General of the Public  
20 Health Service and the Commissioner of Social Security.



1 During his term of membership on the Board, no ap-  
2 pointed member shall engage in any other business, voca-  
3 tion, or employment. At least one of the appointed mem-  
4 bers shall be a doctor of medicine licensed to practice med-  
5 icine or surgery in one of the States. Each appointed mem-  
6 ber shall receive a salary at an annual rate of basic pay,  
7 established by the President, which is not less than the  
8 annual rate of basic pay for positions at level V of the  
9 Executive Schedule and which is not greater than the an-  
10 nual rate of basic pay for positions at level IV of the Exec-  
11 utive Schedule, and shall hold office for a term of six  
12 years, except that (1) any member appointed to fill a va-  
13 cancy occurring prior to the expiration of the term for  
14 which his predecessor was appointed shall be appointed  
15 for the remainder of such term; and (2) the terms of office  
16 of the members first taking office after the date of the  
17 enactment of this Act shall expire, as designated by the  
18 President at the time of appointment, one at the end of  
19 two years, one at the end of four years, and one at the  
20 end of six years, after the date of the enactment of this  
21 Act. The President shall designate one of the appointed  
22 members as the Chairman of the Board.

23 (b) All functions of the Board shall be administered  
24 by the Board under the direction and supervision of the  
25 Secretary of Health and Human Services. The board shall

1 perform such functions as it finds necessary to carry out  
2 the provisions of this Act, and shall make all regulations  
3 and standards specifically authorized to be made in this  
4 Act and such other regulations not inconsistent with this  
5 Act as may be necessary. The Board may delegate to any  
6 of its members, officers, or employees, or with the ap-  
7 proval of the Secretary to any other officer or employee  
8 of the Department of Health and Human Services, such  
9 of its powers or duties, except that of making regulations,  
10 as it may consider necessary and proper to carry out the  
11 provisions of this Act. The Board may also enter into  
12 agreements for the furnishing or provision of personal  
13 health services under this Act without regard to the provi-  
14 sions of title 5, United States Code, pertaining to the ap-  
15 pointment, status, or compensation of Federal employees,  
16 or pertaining to contracts for personal services, and with-  
17 out regard to section 3709 of the Revised Statutes (41  
18 U.S.C. 5), and any person rendering services pursuant to  
19 an agreement so made shall not by reason thereof be  
20 deemed to be an employee of the United States.

21 (c) In administering the provisions of this Act, the  
22 Board is authorized to utilize the services and facilities  
23 of any executive department or other agency of the United  
24 States in accordance with an agreement with the head  
25 thereof. Payment for such services and facilities shall be

1 made in advance or by way of reimbursement, as may be  
2 agreed upon with the head of the executive department  
3 or other agency furnishing them.

4 (d) Personnel of the Board shall be appointed by the  
5 Secretary upon recommendation of the Board. The Sec-  
6 retary is authorized to detail to the Board, upon its re-  
7 quest, any officer or employee of the Department of  
8 Health and Human Services, and in his discretion to reim-  
9 burse, from funds available for the administration of this  
10 Act, the appropriation from which the salary or, in the  
11 case of commissioned officers of the Public Health Service,  
12 the pay and allowances of such officer or employee are  
13 paid.

14 (e) Upon the request of any State agency administer-  
15 ing a State plan of operations pursuant to title IV of this  
16 Act, or upon the request of any State desiring to prepare  
17 and submit a plan of operations, any officer or employee  
18 of the Board (including any officer or employee detailed  
19 to the Board pursuant to subsection (d)) may be detailed  
20 by the Board to assist in the administration, or in the  
21 preparation, of such State plan of operations. The funds  
22 available for the Federal administration of this Act may,  
23 in the discretion of the Secretary, be reimbursed from  
24 funds allotted to the State pursuant to section 802 and  
25 available for State administration, for the salary (or for

1 the pay and allowances) of any officer or employee so de-  
2 tailed.

3 ADVISORY COUNCIL

4 SEC. 502. (a) There is hereby established a National  
5 Advisory Medical Policy Council to consist of the Chair-  
6 man of the Board, who shall serve as Chairman of the  
7 Advisory Council ex officio, and sixteen members ap-  
8 pointed by the Secretary of Health and Human Services.  
9 At least eight of the sixteen appointed members shall be  
10 individuals who are familiar with the need for personal  
11 health services in urban or rural areas and who are rep-  
12 resentative of the interests of individuals eligible for bene-  
13 fits under this Act, and at least six of the members shall  
14 be individuals who are outstanding in the medical or other  
15 professions concerned with the provision of services pro-  
16 vided as benefits under this Act and who are representa-  
17 tive of the individuals, organizations, and other persons  
18 by whom personal health services will be provided. Each  
19 appointed member shall hold office for a term of four  
20 years, except that any member appointed to fill a vacancy  
21 occurring prior to the expiration of the term for which  
22 his predecessor was appointed shall be appointed for the  
23 remainder of that term, and the terms of the members  
24 first taking office shall expire, as designated by the Sec-  
25 retary at the time of appointment, four at the end of the  
26 first year, four at the end of the second year, four at the

1 end of the third year, and four at the end of the fourth  
2 year after the date of appointment. The Advisory Council  
3 is authorized to appoint such special advisory technical or  
4 professional committees as may be useful in carrying out  
5 its functions, and the members of such committees may  
6 be members of the Advisory Council, or other persons, or  
7 both. Appointed Advisory Council members and members  
8 of technical or professional committees, while serving on  
9 business of the Council (inclusive of traveltime), shall re-  
10 ceive compensation at rates fixed by the Secretary, but  
11 not exceeding \$200 per day, and shall be entitled to re-  
12 ceive actual and necessary traveling expenses and per diem  
13 in lieu of subsistence while so serving away from their  
14 places of residence. The Advisory Council, its appointed  
15 members, and its committees, shall be provided with such  
16 secretarial, clerical, or other assistance as may be provided  
17 by the Congress for carrying out their respective func-  
18 tions. The Advisory Council shall meet as frequently as  
19 the Board deems necessary, but not less than twice each  
20 year. Upon request by six or more members, it shall be  
21 the duty of the Chairman to call a meeting of the Council.

22 (b) The Advisory Council shall advise the Board with  
23 reference to matters of general policy and administration  
24 arising in connection with the making of regulations, the

1 establishment of professional standards, and the perform-  
2 ance of its other duties under this Act.

3 (c) Section 14 of the Federal Advisory Committee Act  
4 shall not apply to the Advisory Council.

5 STUDIES, RECOMMENDATIONS, AND REPORTS

6 SEC. 503. The Board shall have the duty of studying  
7 and making recommendations as to the most effective  
8 methods of providing health services, and as to legislation  
9 and matters of administrative policy concerning health  
10 and related subjects. At the beginning of each regular ses-  
11 sion of Congress, it shall make a full report to Congress  
12 of the administration of this Act, including a report with  
13 regard to the adequacy of its financial provisions con-  
14 tained in this Act and of appropriations made pursuant  
15 thereto, the methods of allotment of funds among the  
16 States, and related matters. Such report shall include a  
17 record of consultations with the Advisory Council, rec-  
18 ommendations of the Advisory Council, and comments  
19 thereon.

20 NONDISCLOSURE OF INFORMATION

21 SEC. 504. Information concerning an individual, ob-  
22 tained from him or from any physician, dentist, nurse, or  
23 hospital, or from any other person pursuant to or as a  
24 result of the administration of this Act, shall be held con-  
25 fidential (except for statistical purposes) and shall not be

1 disclosed or be open to public inspection in any manner  
2 revealing the identity of the individual or other person  
3 from whom the information was obtained or to whom the  
4 information pertains, except as may be necessary for the  
5 proper administration of this Act or of other laws, State  
6 or Federal. Any person who shall violate any provision of  
7 this section shall be deemed guilty of a misdemeanor and,  
8 upon conviction thereof, shall be punished by a fine not  
9 exceeding \$50,000 or by imprisonment not exceeding one  
10 year, or both.

11 PROHIBITION AGAINST DISCRIMINATION

12 SEC. 505. In carrying out the provisions of this Act  
13 there shall be no discrimination on account of race, creed,  
14 or color. Personal health services shall be made available  
15 as benefits to all eligible individuals, and all persons quali-  
16 fied under title II to enter into agreements to furnish or  
17 provide such services shall be permitted to do so.

18 TITLE VI—ELIGIBILITY DETERMINATIONS,  
19 COMPLAINTS, HEARINGS, AND JUDICIAL  
20 REVIEW

21 DETERMINATIONS AS TO ELIGIBILITY FOR BENEFITS

22 SEC. 601. (a) The Secretary of Health and Human  
23 Services through such units of the Department of Health  
24 and Human Services as he may determine, shall upon his  
25 own initiative or upon application of any individual make

1 determinations as to the eligibility of individuals for bene-  
2 fits under this Act. Whenever requested by any individual  
3 determined by the Secretary not to be eligible for benefits  
4 for any period, or by a dependent of any such individual,  
5 the Secretary shall give such individual or such dependent  
6 reasonable notice and opportunity for a hearing with re-  
7 spect to such determination and on the basis of the evi-  
8 dence adduced at the hearing shall affirm, modify, or re-  
9 verse his determination.

10 (b) In carrying out his responsibility under this sec-  
11 tion, the Secretary shall have all the powers and duties  
12 conferred upon him under sections 205 and 206 of the  
13 Social Security Act. Such powers and duties shall be sub-  
14 ject to the same limitations and rights of judicial review  
15 as are contained in section 205 of such Act. Eligibility  
16 for benefits under this title based on entitlement to an  
17 annuity under subchapter III (relating to civil service re-  
18 tirement) of chapter 83 of title 5, United States Code,  
19 shall be determined on the basis of certification by the  
20 Office of Personnel Management.

21 (c) Nothing in title IV of this Act shall be deemed  
22 to require or authorize any assumption by the State agen-  
23 cy, designated in accordance with an approved State plan



1 of operations approved under such title, of any of the Sec-  
2 retary's responsibilities under this section, but the Sec-  
3 retary may utilize existing facilities and services of any  
4 such agency on the basis of mutual agreements with such  
5 agency.

6 COMPLAINTS OF ELIGIBLE INDIVIDUALS AND OF  
7 PERSONS FURNISHING BENEFITS

8 SEC. 602. (a) Any eligible individual aggrieved by  
9 reason of his failure to receive any personal health-service  
10 benefits to which he believes himself entitled, or dissatis-  
11 fied with any service rendered him as a personal health-  
12 service benefit, and any person who has entered into an  
13 agreement to furnish services as personal health-service  
14 benefits and who is aggrieved by the failure or alleged fail-  
15 ure of a local or other administrative officer or a local  
16 administrative committee to carry out the agreement in  
17 accordance with its terms, may make a complaint to the  
18 local administrative officer or local executive officer in the  
19 area in which the action or inaction complained of oc-  
20 curred, or to such other officer as may be provided in reg-  
21 ulations. If the officer to whom such complaint is made  
22 finds, after investigation, that the complaint is well found-  
23 ed, he shall promptly take such steps as may be necessary

1 and appropriate to correct the action or inaction com-  
2 plained of; and he shall notify the individual or other per-  
3 son making the complaint of his disposition thereof. Any  
4 such individual or other person dissatisfied with the action  
5 taken may in writing request a hearing thereon and shall  
6 be afforded opportunity for the same pursuant to sub-  
7 section (b) of this section.

8       (b) Provision shall be made for the establishment of  
9 necessary and sufficient impartial tribunals to afford hear-  
10 ings to individuals and other persons entitled thereto  
11 under subsection (a) of this section, or section 207(d) of  
12 this Act, and for further review of the findings, conclu-  
13 sions, and recommendations of such tribunals, in accord-  
14 ance with regulations made by the Board, after consulta-  
15 tion with the Advisory Council. With respect to any com-  
16 plaint involving matters or questions of professional prac-  
17 tice or conduct, the hearing body shall contain competent  
18 and disinterested professional representation; and with re-  
19 spect to any complaint involving only matters or questions  
20 of professional practice or conduct the hearing body shall  
21 consist exclusively of such professional persons.

22       (c) In administering this section in any State which  
23 has not assumed responsibility for the administration of  
24 benefits under this Act as provided in title IV, the Board  
25 (subject to the provisions of section 501(b)) shall, insofar

1 as they are applicable to its functions under this Act, have  
2 all the powers and duties conferred upon the Secretary  
3 by sections 205 and 206 of the Social Security Act. Such  
4 powers and duties shall be subject to the limitations and  
5 rights of judicial review contained in section 205 of such  
6 Act.

7 (d) In any State which has assumed responsibility for  
8 the administration of benefits under this Act as provided  
9 in title IV the powers and duties of the State agency shall  
10 be subject to such rights of judicial review in the courts  
11 of the State as the law of the State may provide; subject,  
12 however, to review by the Supreme Court of the United  
13 States in such cases and in such manner as is provided  
14 in section 1257 of title 28 of the United States Code.

15 TITLE VII—APPLICATION OF ACT TO INDIVID-  
16 UALS COVERED UNDER MEDICARE PRO-  
17 GRAM

18 ELIGIBILITY; BENEFITS AVAILABLE

19 SEC. 701. (a) In the case of any individual who is  
20 entitled to hospital insurance benefits under part A of title  
21 XVIII of the Social Security Act, or to supplementary  
22 medical insurance benefits under the insurance program  
23 established by part B of such title, during any benefit year  
24 or part thereof in which he is otherwise eligible for benefits  
25 under this Act in accordance with section 104 or would

1 otherwise be furnished such benefits in accordance with  
2 section 105, the personal health services (specified in sec-  
3 tion 101) which may be made available to him as benefits  
4 under this Act shall be limited to those services (otherwise  
5 available to him in accordance with section 102) for which  
6 he is ineligible under part A or B of such title XVIII. For  
7 purposes of the preceding sentence, an individual shall be  
8 considered ineligible under part A or B of such title XVIII  
9 if no payment is or can be made to him or on his behalf  
10 thereunder with respect to the item or service involved,  
11 whether because he is not entitled to benefits under which-  
12 ever such part is applicable, because no payment is pro-  
13 vided under either such part for the item or service in-  
14 volved, or because he has exhausted his entitlement to  
15 have payment made thereunder for items or services of  
16 the type involved; and shall also be considered ineligible  
17 under part A or B of such title XVIII with respect to any  
18 item or service (for which he is otherwise entitled to have  
19 payment made thereunder) to the extent that payment is  
20 not made with respect to such item or service because of  
21 the application of the deductible and coinsurance provi-  
22 sions of sections 1813 and 1833 of the Social Security  
23 Act.

1 (b) The Board, after consultation with the Advisory  
2 Council, shall prescribe such regulations as may be nec-  
3 essary or appropriate to insure, in the case of individuals  
4 whose benefits under this Act are limited under subsection  
5 (a), that the combination of benefits under this Act and  
6 title XVIII of the Social Security Act will effectively carry  
7 out (without duplication of benefits) the purpose of this  
8 Act.

9 (c) The limitation under subsection (a) of an individ-  
10 ual's benefits under this Act shall not be construed as af-  
11 fecting the eligibility of his dependents for such benefits  
12 in accordance with subsection (a)(3) or (b)(3) of section  
13 104.

14 STUDY AND REPORT

15 SEC. 702. As soon as practicable after the enactment  
16 of this Act the Secretary of Health and Human Services  
17 shall undertake and carry out a full and complete study  
18 of the interrelationship of the program of national health  
19 insurance under this Act and the program of health insur-  
20 ance for the aged under title XVIII of the Social Security  
21 Act, in order to determine the way in which the latter pro-  
22 gram may be most effectively and equitably transferred  
23 to and incorporated in the program under this Act. In con-  
24 ducting such study, the Secretary shall give particular at-  
25 tention to the transitional problems which would result

1 from such a transfer, and shall consider in detail (with  
2 respect to each such program) the benefits provided, the  
3 standards of eligibility therefor, the standards and quali-  
4 fications for participation by providers of services of var-  
5 ious types, the methods of administration, the costs and  
6 methods of financing, and any other matters which might  
7 assist in making such determination and in insuring that  
8 all desirable features of the program under title XVIII of  
9 the Social Security Act will to the maximum extent fea-  
10 sible be preserved with respect to the individuals covered  
11 by that program (and, in appropriate cases, included in  
12 the program under this Act for all individuals who are eli-  
13 gible thereunder, without regard to any transfer). The  
14 Secretary shall submit to the President and the Congress,  
15 no later than one year after the date of the enactment  
16 of this Act, a complete report of the study conducted  
17 under this section together with his findings as to the most  
18 effective and equitable way in which the transfer under  
19 consideration could be effected and his detailed rec-  
20 ommendations for legislative, administrative, and other ac-  
21 tions to accomplish it.

## 1 TITLE VIII—FISCAL PROVISIONS

## 2 USE OF TRUST FUND

3 SEC. 801. (a) Funds in the National Health Care  
4 Trust Fund shall be available for all expenditures nec-  
5 essary or appropriate to carry out this Act; except that  
6 (subject to the provisions of section 802(g)) only so much  
7 of such funds shall be available for salaries or other ad-  
8 ministrative expenses of any department or agency of the  
9 United States as may be authorized in annual or other  
10 appropriation Acts.

11 (b) Sums received as reimbursements to the account  
12 pursuant to section 104(c) or section 105, or by virtue  
13 of subrogation pursuant to section 104(c), shall be depos-  
14 ited in the account and shall be available in accordance  
15 with the provisions of subsection (a) of this section.

## 16 ALLOTMENT OF FUNDS

17 SEC. 802. (a) The Board, after consultation with the  
18 Advisory Council, shall determine, as far in advance of the  
19 beginning of each fiscal year as is possible, the sums which  
20 shall be available from the Trust Fund for provision dur-  
21 ing the fiscal year of all classes, and of each of the five  
22 classes, of personal health-service benefits specified in sec-  
23 tion 101(a). Such sums shall be determined, after taking  
24 into consideration the estimated amount which will be in  
25 the Trust Fund at the beginning of the fiscal year and

1 the anticipated income of the account thereafter, with a  
2 view (1) to maintaining as nearly as practicable a uniform  
3 rate of expenditure for personal health-service benefits in  
4 successive fiscal years, except for appropriated allowance  
5 on account of anticipated increase in the personnel and  
6 facilities available to furnish personal health-service bene-  
7 fits and on account of reduction or withdrawal of restric-  
8 tions or limitations pursuant to section 102(b), and (2)  
9 to establishing and maintaining a reserve in the Trust  
10 Fund adequate to meet emergency demands in accordance  
11 with subsection (d) of this section and adequate to main-  
12 tain the rate of expenditure or to permit its gradual reduc-  
13 tion if the income of the Trust Fund should fall below  
14 the income which had been anticipated.

15 (b) In accordance with regulations prescribed after  
16 consultation with the State agencies, the Board, prior to  
17 the beginning of each fiscal year shall allot to the several  
18 States, for the fiscal years 1998, 1999, and 2000, 90 per-  
19 cent, and for each fiscal year thereafter 95 percent of each  
20 sum determined pursuant to subsection (a). Such regula-  
21 tions shall provide for allotments on the basis of—

22 (1) the population in the several States eligible  
23 for benefits under this Act;

24 (2) professional and other personnel, hospitals,  
25 and other facilities, and supplies and commodities,



1 to be available in the several States in the provision  
2 of such benefits; and

3 (3) the cost of reasonable and equitable com-  
4 pensation to such personnel and facilities and for  
5 such supplies and commodities.

6 Such allotments shall operate, to the maximum extent pos-  
7 sible, both to assure provision to eligible individuals of  
8 adequate personal health-service benefits in all States and  
9 all local health-service areas, and also to increase the ade-  
10 quacy of services where personnel and facilities are below  
11 the national average.

12 (c) From time to time during each fiscal year, the  
13 Board shall allot to the several States the remaining 10  
14 percent or the remaining 5 percent, as the case may be,  
15 of each sum determined pursuant to subsection (a). In  
16 making allotments under this subsection, the Board shall  
17 take into consideration the factors specified in subsection  
18 (b), but shall, in addition, give special consideration to the  
19 extent of which allotments under subsection (b) have  
20 proved to be insufficient to permit provision of reasonably  
21 adequate benefits under this Act.

22 (d) In addition to the sums determined pursuant to  
23 subsection (a) to be available for the provision of personal  
24 health-service benefits, the Board, after consultation with

1 the Advisory Council, is authorized to make emergency al-  
2 lotments from the account if it finds that a disaster, epi-  
3 demic, or other cause has substantially increased the vol-  
4 ume of personal health-service benefits required in any  
5 part of the United States over the volume anticipated  
6 when the determinations pursuant to subsection (a) were  
7 made. Allotments pursuant to this subsection shall be  
8 made to such State or States, for such class or classes  
9 of personal health-service benefits, and in such amounts,  
10 as the Board may find necessary to meet the emergency.

11 (e) The Board shall from time to time determine the  
12 amounts to be paid to each State from its allotments  
13 under this section, and shall certify to the Secretary of  
14 the Treasury the amounts so determined. The Secretary  
15 shall thereupon, and prior to audit or settlement by the  
16 General Accounting Office, pay to the State the amounts  
17 so certified.

18 (f) Funds paid to a State for any class of personal  
19 health-service benefits shall be used exclusively for the  
20 provision of benefits of that class, except that the adminis-  
21 trative costs of the State in administering personal health-  
22 service benefits under this Act may be met from the allot-  
23 ments to the State. Such administrative costs, which in  
24 any fiscal year shall not exceed 5 percent of the aggregate

1 allotments to the State for such fiscal year, shall be appor-  
2 tioned as between the several allotments in accordance  
3 with the costs of administering the respective classes of  
4 benefits; and such apportionment may be made in such  
5 manner, and by such sampling, statistical, or other meth-  
6 ods, as may be agreed upon between the Board and the  
7 State agency.

8 (g) In any case in which the Board has assumed re-  
9 sponsibility for the administration in a State of benefits  
10 under this Act in accordance with section 402 (d) or (e),  
11 all allotments or balances of allotments to such State shall  
12 be available for expenditure by the Board for the provision  
13 of personal health-service benefits in that State, and (until  
14 the Congress shall make funds available therefor pursuant  
15 to section 801(a)) for the costs of administration of such  
16 benefits in such State. Expenditures authorized pursuant  
17 to section 801(a) for such costs of administration shall  
18 be charged against allotments to such State.

19 GRANTS-IN-AID FOR TRAINING AND EDUCATION

20 SEC. 803. (a) For the purpose of increasing the avail-  
21 ability of training and education for professional and tech-  
22 nical personnel engaged or undertaking to engage in the  
23 provision or administration of personal health services as  
24 benefits under this Act, and to carry out the policies of  
25 section 209(a), the Board is authorized to make grants—

1           (1) to public or nonprofit institutions or agen-  
2           cies engaging in undergraduate or postgraduate pro-  
3           fessional, technical, or administration education or  
4           training, for the cost (in whole or in part) of courses  
5           or projects which the Board finds, after consultation  
6           with the Advisory Council and appropriate Federal  
7           departments and agencies, (A) cannot be carried out  
8           without financial assistance under this section, and  
9           (B) show promise of making valuable contributions  
10          to the education, training, or retraining of profes-  
11          sional or technical personnel engaged or undertaking  
12          to engage in the provision or administration of bene-  
13          fits, or

14          (2) to individuals who are professional or tech-  
15          nical persons engaged or who undertake to engage  
16          in the provision of personal health-service benefits,  
17          or who are engaged or undertake to engage in the  
18          administration of such benefits, for maintenance (in  
19          whole or in part) while in attendance at courses or  
20          projects assisted under paragraph (1) or approved  
21          by the Board for similar training or education, and  
22          for costs of necessary travel.

23          (b) Such grants, in such amounts and for payment  
24          at such times as are approved by the Board, shall be cer-  
25          tified for payment to the Secretary of the Treasury, who

1 shall pay them from the account to the designated individ-  
2 uals, institutions, or agencies.

3 (c) For the purposes of this section there shall be  
4 available for the fiscal year 1998 the sum of \$5,000,000,  
5 for the fiscal year 1999 the sum of \$5,000,000, and for  
6 each fiscal year thereafter an amount not to exceed one-  
7 half of 1 percent of the amount expended for benefits  
8 under this Act in the last preceding calendar year.

9 TITLE IX— MISCELLANEOUS PROVISIONS

10 DEFINITION

11 SEC. 901. As used in this Act:

12 (1) The term “wages” means the sum of the following  
13 items, excluding any amount in excess of the applicable  
14 contribution and benefit base (as determined under section  
15 230 of the Social Security Act with respect to the hospital  
16 insurance tax) which is received (or, in the case of income  
17 from self-employment, accrued) by any individual during  
18 any calendar year—

19 (A) all remuneration for employment, including  
20 the cash value of all remuneration paid in any me-  
21 dium other than cash; except that such term does  
22 not include—

23 (i) the amount of any payment made to, or  
24 on behalf of, an employee under a plan or sys-  
25 tem established by an employer which makes

1 provision for his employees generally or for a  
2 class or classes of his employees (including any  
3 amount paid by an employer for insurance or  
4 annuities, or into a fund to provide for any  
5 such payment), on account of retirement, or  
6 sickness or accident disability, or medical and  
7 hospitalization expenses in connection with sick-  
8 ness or accident disability, or death; provided,  
9 in the case of a death benefit, that the employee  
10 (I) has not the option to receive, instead of pro-  
11 vision for such death benefit, any part of such  
12 payment or, if such death benefit is insured,  
13 any part of the premiums (or contributions to  
14 premiums) paid by his employer, and (II) has  
15 not the right, under the provisions of the plan  
16 or system or policy of insurance providing for  
17 such death benefit, to assign such benefit, or to  
18 receive a cash consideration in lieu of such ben-  
19 efit either upon his withdrawal from the plan or  
20 system providing for such benefit or upon ter-  
21 mination of such plan or system or policy of in-  
22 surance or of his employment with such em-  
23 ployer;

1           (ii) the payment by an employer (without  
2           deductions from the remuneration of the em-  
3           ployee) of any social-insurance taxes or con-  
4           tributions imposed upon an employee; or

5           (iii) the value of services exchanged for  
6           other services for which there is no payment  
7           other than the exchange; and

8           (B) all net income from farm, business, profes-  
9           sional, or other self-employment.

10       (2) The term “employment” means any service of  
11       whatever nature performed by an employee for the person  
12       employing him, irrespective of the citizenship or residence  
13       of either, within United States, or on or in connection with  
14       an American vessel or an American civil aircraft under  
15       a contract of service which is entered into within the Unit-  
16       ed States or during the performance of which the vessel  
17       or aircraft touches at a port or airport in the United  
18       States, if the employee is employed on and in connection  
19       with such vessel or aircraft when outside the United  
20       States, except—

21           (A) service on active duty in the Armed Forces  
22           of the United States;

23           (B) service performed in the employ of a State  
24           or any political subdivision thereof, or any instru-  
25           mentality of any one or more of the foregoing which

1 is wholly owned by one or more States or political  
2 subdivisions;

3 (C) casual labor not in the course of the em-  
4 ployer's trade or business;

5 (D) service performed by an employee on or in  
6 connection with a vessel not an American vessel, or  
7 an aircraft not an American aircraft, if the employee  
8 is employed on and in connection with such vessel or  
9 aircraft when outside the United States;

10 (E) service performed by a duly ordained or  
11 duly commissioned or licensed minister of any  
12 church in the regular exercise of his ministry and  
13 service performed by a regular member of a religious  
14 order in the exercise of duties required by such  
15 order;

16 (F) service performed by an individual as an  
17 employee or employee representative as defined in  
18 section 1 of the Railroad Retirement Act of 1937 or  
19 section 1 of the Railroad Retirement Act of 1974;

20 (G) service performance in any calendar quarter  
21 in the employ of any organization exempt from in-  
22 come tax under section 501 of the Internal Revenue  
23 Code of 1986 if—

24 (i) the remuneration for such services does  
25 not exceed \$150; or



1           (ii) such service is in connection with the  
2           collection of dues or premiums for a fraternal  
3           beneficiary society, order, or association, and is  
4           performed away from the home office or is rit-  
5           ualistic service in connection with any such so-  
6           ciety, order, or association; or

7           (iii) such service is performed by a student  
8           who is enrolled and is regularly attending class-  
9           es at a school, college, or university;

10          (H) service performed in the employ of a for-  
11          eign government (including service as a consular or  
12          other officer or employee or a nondiplomatic rep-  
13          resentative);

14          (I) service performed in the employ of an in-  
15          strumentality wholly owned by a foreign government,  
16          if—

17               (i) the service is of a character similar to  
18               that performed in foreign countries by employ-  
19               ees of the United States Government or of an  
20               instrumentality thereof; and

21               (ii) the Secretary of State shall certify to  
22               the Secretary of Health and Human Services  
23               that the foreign government, with respect to  
24               whose instrumentality and employees thereof

1 exemption is claimed, grants an equivalent ex-  
2 emption with respect to similar service per-  
3 formed in the foreign country by employees of  
4 the United States Government and of instru-  
5 mentalities thereof; and

6 (J) service performed in the employ of an inter-  
7 national organization entitled to enjoy privileges, ex-  
8 emptions, and immunities as an international orga-  
9 nization under the International Organizations Im-  
10 munities Act.

11 (3) In any case in which an individual has received  
12 wages equal to the applicable contribution and benefit base  
13 (as determined under section 230 of the Social Security  
14 Act), in a calendar year, not less than \$500 of such wages  
15 shall be deemed, for the purpose of section 104(a), to have  
16 been received by him in the quarter during which the first  
17 of such wages were in fact received by him and in each  
18 quarter of such calendar year thereafter.

19 (4) The term “benefit year” means a period com-  
20 mencing on July 1 of any year and ending on June 30  
21 of the succeeding year.

22 (5) The term “quarter” and the term “calendar quar-  
23 ter” mean a period of three calendar months ending on  
24 March 31, June 30, September 30, or December 31.

1       (6) The term “employee” includes (in addition to any  
2 individual who is a servant under the law of master and  
3 servant) any individual who performs service, of whatever  
4 nature, for a person, unless the service is performed by  
5 the individual in pursuit of his own independently estab-  
6 lished business. The term “employee” also includes an of-  
7 ficer of a corporation.

8       (7) The term “American vessel” means any vessel  
9 documented or numbered under the laws of the United  
10 States; and includes any vessel which is neither docu-  
11 mented nor numbered under the laws of any foreign coun-  
12 try, if its crew is employed solely by one or more citizens  
13 or residents of the United States or corporations orga-  
14 nized under the laws of the United States or of any State.

15       (8) The term “American aircraft” means an aircraft  
16 registered under the laws of the United States.

17       (9) The term “State” includes the District of Colum-  
18 bia.

19       (10) The term “United States”, when used in a geo-  
20 graphic sense, means the several States, as defined in  
21 paragraph (9).

22       (11) The term “dependent” means an unmarried  
23 child (including a stepchild, adopted, or foster child) of  
24 an individual, who is under the age of eighteen, or who  
25 is under a total disability which has continued for a period

1 of not less than six consecutive calendar months and is  
 2 living with such individual or receiving regular support  
 3 from him; a wife of an individual living with such individ-  
 4 ual or receiving regular support from him; a husband who  
 5 is under a total disability which has continued for a period  
 6 of not less than six consecutive calendar months, and is  
 7 living with or receiving regular and substantial support  
 8 from such individual; and a parent who is living with or  
 9 receiving regular and substantial support from such indi-  
 10 vidual.

11 (12) The term “person” means an individual, a trust  
 12 or estate, a partnership, a corporation, an association, a  
 13 consumer cooperative, or other organization.

14 EFFECTIVE DATE

15 SEC. 902. The effective date of this Act shall be the  
 16 date of its enactment, but personal health services shall  
 17 first become available as benefits in accordance with this  
 18 Act on October 1, 1998.

19 **TITLE X—VALUE ADDED TAX**  
 20 **AND NATIONAL HEALTH**  
 21 **CARE TRUST FUND**

22 **SEC. 1001. IMPOSITION OF VALUE ADDED TAX.**

23 (a) IN GENERAL.—Subtitle D of the Internal Reve-  
 24 nue Code of 1986 (relating to miscellaneous excise taxes)

1 is amended by inserting before chapter 31 the following  
 2 new chapter:

3 **“CHAPTER 30—VALUE ADDED TAX**

“SUBCHAPTER A. Imposition of tax.

“SUBCHAPTER B. Taxable transaction.

“SUBCHAPTER C. Taxable amount; rate of tax for certain trans-  
 actions; credit against tax.

“SUBCHAPTER D. Administration.

“SUBCHAPTER E. Definitions and special rules; treatment of cer-  
 tain transactions.

4 **“Subchapter A—Imposition of Tax**

“Sec. 3901. Imposition of tax.

5 **“SEC. 3901. IMPOSITION OF TAX.**

6 “(a) GENERAL RULE.—A tax is hereby imposed on  
 7 each taxable transaction.

8 “(b) AMOUNT OF TAX.—Except as otherwise pro-  
 9 vided in this chapter, the amount of the tax shall be 5  
 10 percent of the taxable amount.

11 **“Subchapter B—Taxable Transaction**

“Sec. 3903. Taxable transaction.

“Sec. 3904. Commercial-type transaction.

“Sec. 3905. Taxable person.

“Sec. 3906. Transactions in the United States.

“Sec. 3907. Rules relating to other terms used in section 3903.

12 **“SEC. 3903. TAXABLE TRANSACTION.**

13 “For purposes of this chapter, the term ‘taxable  
 14 transaction’ means—

15 “(1) the sale of property in the United States,

16 “(2) the performance of services in the United  
 17 States, and

1           “(3) the importing of property into the United  
2       States,  
3 by a taxable person in a commercial-type transaction.

4   **“SEC. 3904. COMMERCIAL-TYPE TRANSACTION.**

5       “(a) GENERAL RULE.—For purposes of this chapter,  
6 the term ‘commercial-type transaction’ means a trans-  
7 action engaged in by—

8           “(1) a corporation, or

9           “(2) any person (other than a corporation) in  
10 connection with a business.

11       “(b) SALES AND LEASES OF REAL PROPERTY; IM-  
12 PORTS.—For purposes of this chapter—

13           “(1) IN GENERAL.—The term ‘commercial-type  
14 transaction’ includes—

15           “(A) any sale or leasing of real property,  
16 and

17           “(B) any importing of property,  
18 whether or not such transaction is described in sub-  
19 section (a).

20       “(2) CERTAIN IMPORTED ARTICLES.—Notwith-  
21 standing paragraph (1)(B), the importing of an arti-  
22 cle which is free of duty under part 2 of schedule  
23 8 of the Tariff Schedules of the United States shall  
24 not be treated as a commercial-type transaction un-  
25 less such transaction is described in subsection (a).

1   **“SEC. 3905. TAXABLE PERSON.**

2           “(a) GENERAL RULE.—Except as otherwise provided  
3 in this chapter, for purposes of this chapter, the term ‘tax-  
4 able person’ means a person who engages in a business  
5 or in a commercial-type transaction.

6           “(b) TREATMENT OF EMPLOYEES, ETC.—For pur-  
7 poses of this chapter, an employee shall not be treated  
8 as a taxable person with respect to activities engaged in  
9 as an employee.

10   **“SEC. 3906. TRANSACTIONS IN THE UNITED STATES.**

11           “(a) SALES OF PROPERTY.—For purposes of this  
12 chapter—

13               “(1) IN GENERAL.—Except as provided in para-  
14 graph (2), the sale of property shall be treated as  
15 occurring where delivery takes place.

16               “(2) REAL PROPERTY.—The sale of real prop-  
17 erty shall be treated as occurring where the real  
18 property is located.

19           “(b) PERFORMANCE OF SERVICE.—For purposes of  
20 this chapter—

21               “(1) IN GENERAL.—Except as otherwise pro-  
22 vided in this subsection, a service shall be treated as  
23 occurring where it is performed.

1           “(2) SERVICES PERFORMED INSIDE AND OUT-  
 2           SIDE THE UNITED STATES.—If a service is per-  
 3           formed both inside and outside the United States,  
 4           such service shall be treated as performed—

5                   “(A) inside the United States, if 50 per-  
 6                   cent or more of such service is performed inside  
 7                   the United States, and

8                   “(B) outside the United States, if less than  
 9                   50 percent of such service is performed inside  
 10                  the United States.

11   **“SEC. 3907. RULES RELATING TO OTHER TERMS USED IN**  
 12                   **SECTION 3903.**

13           “(a) EXCHANGES TREATED AS SALES.—For pur-  
 14           poses of this chapter—

15                   “(1) an exchange of property for property or  
 16                   services shall be treated as a sale of property, and

17                   “(2) an exchange of services for property or  
 18                   services shall be treated as the performance of serv-  
 19                   ices.

20           “(b) CERTAIN TRANSFERS TO EMPLOYEES TREATED  
 21   AS SALES.—For purposes of this chapter, the transfer of  
 22   property to an employee as compensation (other than a  
 23   transfer of a type for which no amount is includible in  
 24   the gross income of employees for purposes of chapter 1)  
 25   shall be treated as the sale of property.



1       “(c) PERFORMANCE OF SERVICES.—For purposes of  
2 this chapter—

3               “(1) CERTAIN ACTIVITIES TREATED AS PER-  
4 FORMANCE OF SERVICES.—Activities treated as in-  
5 cluded in the performance of services shall include  
6 (but shall not be limited to)—

7                       “(A) permitting the use of property,

8                       “(B) the granting of a right to the per-  
9 formance of services or to reimbursement (in-  
10 cluding the granting of warranties, insurance,  
11 and similar items), and

12                      “(C) the making of a covenant not to com-  
13 pete (or similar agreement to refrain from  
14 doing something).

15       “(2) EMPLOYERS AND EMPLOYEES.—

16               “(A) SERVICES FOR EMPLOYER.—An em-  
17 ployee’s services for his employer shall not be  
18 treated as the performance of services.

19               “(B) SERVICES FOR EMPLOYEE.—An em-  
20 ployer’s services for his employee shall not be  
21 treated as the performance of services unless  
22 such services are of a type which constitute  
23 gross income to the employee for purposes of  
24 chapter 1.

1           “(3) PERFORMANCE OF SERVICES TREATED AS  
2           SALE OF SERVICES.—The performance of services  
3           shall be treated as the sale of services.

4   **“Subchapter C—Taxable Amount; Rate of Tax**  
5   **for Certain Transactions; Credit Against Tax**

          “Sec. 3911. Taxable amount.

          “Sec. 3912. Zero rating for food, housing, and medical care.

          “Sec. 3913. Zero rating for exports and interest.

          “Sec. 3914. Governmental entities.

          “Sec. 3915. Exempt organizations.

          “Sec. 3916. Credit against tax.

6   **“SEC. 3911. TAXABLE AMOUNT.**

7           “(a) AMOUNT CHARGED CUSTOMER.—For purposes  
8           of this chapter, the taxable amount for any transaction  
9           for which money is the only consideration shall be the  
10          price charged the purchaser of the property or services by  
11          the seller thereof—

12           “(1) including all invoiced charges for transpor-  
13          tation, and other items payable to the seller with re-  
14          spect to this transaction, but

15           “(2) excluding the tax imposed by section 3901  
16          with respect to this transaction and excluding any  
17          State and local sales and use taxes with respect to  
18          this transaction.

19           “(b) EXCHANGES.—For purposes of this chapter, the  
20          taxable amount in any exchange of property or services  
21          shall be the fair market value of the property or services  
22          transferred by the person liable for the tax (determined

1 as if such person had sold the property or services to the  
2 other party to the exchange).

3 “(c) IMPORTS.—For purposes of this chapter, the  
4 taxable amount in the case of any import shall be—

5 “(1) the customs value plus customs duties and  
6 any other duties which may be imposed, or

7 “(2) if there is no such customs value, the fair  
8 market value (determined as if the importer had sold  
9 the property).

10 “(d) SPECIAL RULE IN THE CASE OF SALES OF CER-  
11 TAIN USED CONSUMER GOODS.—For purposes of this  
12 chapter, if—

13 “(1) a taxable person acquires any tangible per-  
14 sonal property in a transaction which was not a tax-  
15 able transaction, and

16 “(2) such property had been used by an ulti-  
17 mate consumer before such acquisition,

18 the taxable amount in the case of any sale of such property  
19 by such taxable person (determined without regard to this  
20 subsection) shall be reduced by the amount paid for such  
21 property by such taxable person.

1 **“SEC. 3912. ZERO RATING FOR FOOD, HOUSING, AND MEDI-**  
 2 **CAL CARE.**

3 “(a) ZERO RATING FOR FOOD, HOUSING, AND MEDI-  
 4 CAL CARE.—The rate of the tax imposed by section 3901  
 5 shall be zero with respect to the following:

6 “(1) FOOD.—The retail sale of food and non-  
 7 alcoholic beverages for human consumption (other  
 8 than consumption on the premises).

9 “(2) HOUSING.—The sale and renting of resi-  
 10 dential real property for use by the purchaser or  
 11 tenant as a principal residence.

12 “(3) MEDICAL CARE.—Medical care.

13 “(b) DEFINITIONS.—For purposes of subsection  
 14 (a)—

15 “(1) NONALCOHOLIC BEVERAGES.—The term  
 16 ‘nonalcoholic beverages’ does not include any article  
 17 which is taxable under chapter 51.

18 “(2) MEDICAL CARE.—The term ‘medical care’  
 19 means the performance of any service, and the retail  
 20 sale of any property, payment for which by the pur-  
 21 chaser would constitute medical care within the  
 22 meaning of section 213.

23 “(3) MOBILE HOMES, ETC., TREATED AS REAL  
 24 PROPERTY.—A mobile or floating home shall be  
 25 treated as real property.

1       “(c) ADVANCE ZERO RATING.—The Secretary shall  
 2 prescribe regulations under which any item which becomes  
 3 clearly identifiable as an item to which subsection (a) will  
 4 apply when it reaches the retail stage shall be zero rated  
 5 for all transactions after it becomes so clearly identifiable.

6       **“SEC. 3913. ZERO RATING FOR EXPORTS AND INTEREST.**

7       “The rate of the tax imposed by section 3901 shall  
 8 be zero with respect to the following:

9               “(1) EXPORTS.—Exports of property.

10              “(2) INTEREST.—Interest.

11       **“SEC. 3914. GOVERNMENTAL ENTITIES.**

12       “(a) ZERO RATING FOR SALES TO GOVERNMENTAL  
 13 ENTITIES AND EDUCATIONAL ACTIVITIES OF GOVERN-  
 14 MENTAL ENTITIES.—The rate of the tax imposed by sec-  
 15 tion 3901 shall be zero with respect to the following:

16              “(1) SALES TO GOVERNMENTAL ENTITIES.—  
 17 Any sale of property or services to a governmental  
 18 entity.

19              “(2) EDUCATIONAL ACTIVITIES.—The providing  
 20 by a governmental entity of property and services in  
 21 connection with the education of students.

22       “(b) SALES, ETC., BY GOVERNMENTAL ENTITIES  
 23 TAXABLE ONLY WHERE SEPARATE CHARGE IS MADE.—  
 24 For purposes of this chapter, the sale of property and the  
 25 performance of services by a governmental entity shall be

1 a taxable transaction if (and only if) a separate charge  
2 of fee is made therefor.

3 “(c) GOVERNMENTAL ENTITY DEFINED.—For pur-  
4 poses of this chapter, the term ‘governmental entity’  
5 means the United States, any State or political subdivision  
6 thereof, the District of Columbia, a Commonwealth or pos-  
7 session of the United States, or any agency or instrumen-  
8 tality of any of the foregoing.

9 **“SEC. 3915. EXEMPT ORGANIZATIONS.**

10 “(a) ZERO RATING FOR SECTION 501(c)(3) ORGANI-  
11 ZATIONS; CREDIT ALLOWED FOR ALL PURCHASES.—

12 “(1) ZERO RATING.—The rate of the tax im-  
13 posed by section 3901 shall be zero with respect to  
14 any taxable transaction engaged in by a section  
15 501(c)(3) organization other than as part of an un-  
16 related business.

17 “(2) CREDIT ALLOWED FOR ALL PURCHASES.—  
18 For purposes of this chapter, a section 501(c)(3) or-  
19 ganization shall be treated as engaged in a business  
20 with respect to all of its activities.

21 “(b) TAXABLE TRANSACTIONS IN CASE OF OTHER  
22 EXEMPT ORGANIZATIONS.—For purposes of this chapter,  
23 the sale of property and the performance of services by  
24 any exempt organization other than a section 501(c)(3)

1 organization shall be a taxable transaction if (and only  
2 if) a charge or fee is made for such services.

3 “(c) DEFINITIONS.—For purposes of this chapter—

4 “(1) SECTION 501(c)(3) ORGANIZATIONS.—The  
5 term ‘section 501(c)(3) organization’ means an orga-  
6 nization described in section 501(c)(3) which is ex-  
7 empt from tax under section 501(a).

8 “(2) OTHER EXEMPT ORGANIZATION.—The  
9 term ‘other exempt organization’ means any organi-  
10 zation (other than a section 501(c)(3) organization)  
11 which is exempt from tax under chapter 1.

12 **“SEC. 3916. CREDIT AGAINST TAX.**

13 “(a) GENERAL RULE.—There shall be allowed as a  
14 credit against the tax imposed by section 3901 the aggre-  
15 gate amount of tax imposed by section 3901 which has  
16 been paid by sellers to the taxpayer of property and serv-  
17 ices which the taxpayer uses in the business to which the  
18 transaction relates.

19 “(b) EXEMPT TRANSACTIONS, ETC.—If—

20 “(1) property or services are used partly in the  
21 business and partly for other purposes, or

22 “(2) property or services are used partly for  
23 taxable transactions and partly for other trans-  
24 actions,

1 the credit shall be allowable only with respect to the prop-  
 2 erty and services used for taxable transactions in the busi-  
 3 ness. No credit shall be allowable for any transaction oc-  
 4 ccurring when the taxpayer was a nontaxable person.

5 “(c) EXCESS CREDIT TREATED AS OVERPAYMENT.—

6 “(1) IN GENERAL.—If for any taxable period  
 7 the aggregate amount of the credits allowable by  
 8 subsection (a) exceeds the aggregate amount of the  
 9 tax imposed by section 3901 for such period, such  
 10 excess shall be treated as an overpayment of the tax  
 11 imposed by section 3901.

12 “(2) TIME WHEN OVERPAYMENT ARISES.—Any  
 13 overpayment under paragraph (1) for any taxable  
 14 period shall be treated as arising on the later of—

15 “(A) the due date for the return for such  
 16 period, or

17 “(B) the date on which the return is filed.

## 18 **“Subchapter D—Administration**

“Sec. 3921. Seller liable for tax.

“Sec. 3922. Tax invoices.

“Sec. 3923. De minimis exemption.

“Sec. 3924. Time for filing return and claiming credit; deposits  
 of tax.

“Sec. 3925. Treatment of related businesses, etc.

“Sec. 3926. Secretary to be notified of certain events.

“Sec. 3927. Regulations.

## 19 **“SEC. 3921. SELLER LIABLE FOR TAX.**

20 “The person selling the property or services shall be  
 21 liable for the tax imposed by section 3901.



1   **“SEC. 3922. TAX INVOICES.**

2           “(a) SELLER MUST GIVE PURCHASER TAX IN-  
3   VOICE.—Any taxable person engaging in a taxable trans-  
4   action shall give the purchaser a tax invoice with respect  
5   to such transaction if the seller has reason to believe that  
6   the purchaser is a taxable person.

7           “(b) CONTENT OF INVOICE.—The tax invoice re-  
8   quired by subsection (a) with respect to any transaction  
9   shall set forth—

10           “(1) the name and identification number of the  
11   seller,

12           “(2) the name of the purchaser,

13           “(3) the amount of the tax imposed by section  
14   3901, and

15           “(4) such other information as may be pre-  
16   scribed by regulations.

17           “(c) NO CREDIT WITHOUT INVOICE.—

18           “(1) IN GENERAL.—Except as provided in para-  
19   graphs (2) and (3), a purchaser may claim a credit  
20   with respect to a transaction only if the purchaser—

21           “(A) has received from the seller and has  
22   in his possession a tax invoice which meets the  
23   requirements of subsection (b), and

24           “(B) is named as the purchaser in such in-  
25   voice.

1           “(2) EMPLOYEES OR OTHER AGENTS NAMED IN  
 2           INVOICES.—To the extent provided in regulations,  
 3           the naming of an employee or other agent of the  
 4           purchaser shall be treated as the naming of the pur-  
 5           chaser.

6           “(3) WAIVER OF INVOICE REQUIREMENT IN  
 7           CERTAIN CASES.—To the extent provided in regula-  
 8           tions, paragraph (1) shall not apply—

9                   “(A) where the purchaser without fault on  
 10           his part fails to receive or fails to have in his  
 11           possession a tax invoice,

12                   “(B) to a taxable transaction (or category  
 13           of transactions) where—

14                           “(i) the amount involved is de  
 15                           minimis, or

16                           “(ii) the information required by sub-  
 17                           section (b) can be reliably established by  
 18                           sampling or by another method and can be  
 19                           adequately documented.

20           “(d) TIME FOR FURNISHING INVOICE.—Any invoice  
 21           required to be furnished by subsection (a) with respect to  
 22           any transaction shall be furnished not later than 15 busi-  
 23           ness days after the tax point for such transaction.

24   **“SEC. 3923. DE MINIMIS EXEMPTION.**

25           “(a) IN GENERAL.—Under regulations, a person—

1           “(1) whose aggregate taxable transactions for  
2           the calendar year do not exceed \$20,000, and

3           “(2) whose aggregate taxable transactions for  
4           the next calendar year can reasonably be expected  
5           not to exceed \$20,000,

6           may elect to be treated as a person who is not a taxable  
7           person for the next calendar year.

8           “(b) EXCEPTIONS.—Subsection (a) shall not apply—

9           “(1) to any sale or leasing of real property, and

10          “(2) to any importing of property.

11          “(c) TERMINATION OF ELECTION.—Any election  
12          under subsection (a) for a calendar year shall terminate  
13          if the aggregate taxable transactions—

14          “(1) for the first calendar quarter in such year  
15          exceed \$7,000,

16          “(2) for the first 2 calendar quarters in such  
17          year exceed \$12,000, or

18          “(3) for the first 3 calendar quarters in such  
19          year exceed \$17,000.

20          Such termination shall take effect on the first day of the  
21          second month following the close of the first period in  
22          which the requirements of paragraph (1), (2), or (3) are  
23          met.

1       “(d) TAXABLE AMOUNT TREATED AS ZERO FOR  
 2 ZERO-RATED TRANSACTIONS.—For purposes of this sec-  
 3 tion, the taxable amount of any zero-rated transaction  
 4 shall be treated as zero.

5       “(e) CONDITION OF ELECTION.—In the case of a per-  
 6 son who is a taxable person for any period, an election  
 7 under subsection (a) may be made for succeeding periods  
 8 only with the consent of the Secretary. Such consent shall  
 9 be conditioned on placing such person, for all succeeding  
 10 periods, in the same position with respect to the tax im-  
 11 posed by section 3901 (and the credit allowed by section  
 12 3916) he would have been in if all property and services  
 13 he holds at the time he becomes a nontaxable person had  
 14 been acquired as a nontaxable person.

15       “(f) CASUAL SALES AND LEASES OF REAL PROP-  
 16 erty EXCLUDED.—For purposes of this section, the term  
 17 ‘taxable transaction’ does not include a transaction which  
 18 is treated as a commercial-type transaction solely by rea-  
 19 son of section 3904(b)(1)(A).

20       **“SEC. 3924. TIME FOR FILING RETURN AND CLAIMING**  
 21                   **CREDIT; DEPOSITS OF TAX.**

22       “(a) FILING RETURN.—Before the first day of the  
 23 second calendar month beginning after the close of each  
 24 taxable period, each taxable person shall file a return of

1 the tax imposed by section 3901 on taxable transactions  
 2 having a tax point within such taxable period.

3 “(b) CREDIT ALLOWED FOR TAXABLE PERIOD IN  
 4 WHICH PURCHASER RECEIVES INVOICE.—

5 “(1) IN GENERAL.—Except as provided in para-  
 6 graph (2), a credit allowable by section 3916 with  
 7 respect to a transaction may be allowed only for the  
 8 first taxable period by the close of which the tax-  
 9 payer—

10 “(A) has paid or accrued amounts properly  
 11 allocable to the tax imposed by section 3901  
 12 with respect to such transaction, and

13 “(B) has a tax invoice (or equivalent) with  
 14 respect to such transaction.

15 “(2) USE FOR LATER PERIOD.—Under regula-  
 16 tions, a credit allowable by section 3916 may be al-  
 17 lowed for a period after the period set forth in para-  
 18 graph (1).

19 “(c) TAXABLE PERIOD.—For purposes of this chap-  
 20 ter—

21 “(1) IN GENERAL.—The term ‘taxable period’  
 22 means a calendar quarter.

23 “(2) EXCEPTION.—

1           “(A) ELECTION OF 1-MONTH PERIOD.—If  
 2           the taxpayer so elects, the term ‘taxable period’  
 3           means a calendar month.

4           “(B) OTHER PERIODS.—To the extent pro-  
 5           vided in regulations, the term ‘taxable period’  
 6           includes a period, other than a calendar quarter  
 7           or month, selected by the taxpayer.

8           “(d) TAX POINT.—For purposes of this chapter—

9           “(1) CHAPTER 1 RULES WITH RESPECT TO  
 10          SELLER GOVERN.—Except as provided in paragraph  
 11          (2), the tax point for any sale of property or services  
 12          is the earlier of—

13           “(A) the time (or times) when any income  
 14           from the sale should be treated by the seller as  
 15           received or accrued (or any loss should be taken  
 16           into account by the seller) for purposes of chap-  
 17           ter 1, or

18           “(B) the time (or times) when the seller  
 19           receives payment for the sale.

20           “(2) IMPORTS.—In the case of the importing of  
 21          property, the tax point is when the property is en-  
 22          tered, or withdrawn from warehouse, for consump-  
 23          tion in the United States.

24           “(e) MONTHLY DEPOSITS REQUIRED.—To the extent  
 25          provided in regulations, monthly deposits may be required

1 of the estimated liability for any taxable period for the  
2 tax imposed by section 3901.

3 **“SEC. 3925. TREATMENT OF RELATED BUSINESSES, ETC.**

4 “(a) GENERAL RULE.—For purposes of this chapter  
5 (other than section 3923), to the extent provided in regu-  
6 lations, the taxpayer may elect—

7 “(1) to treat as 1 taxable person 2 or more  
8 businesses which may be treated under section 52(b)  
9 as 1 employer, and

10 “(2) to treat as separate taxable persons sepa-  
11 rate divisions of the same business.

12 “(b) DE MINIMUS EXEMPTION.—For purposes of  
13 section 3923, all businesses which are under common con-  
14 trol (within the meaning of section 52(b)) shall be treated  
15 as 1 business.

16 **“SEC. 3926. SECRETARY TO BE NOTIFIED OF CERTAIN**  
17 **EVENTS.**

18 “To the extent provided in regulations, each person  
19 engaged in a business shall notify the Secretary (at such  
20 time or times as may be prescribed by such regulations)  
21 of any change in the form in which a business is conducted  
22 or any other change which might affect the liability for  
23 the tax imposed by section 3901 or the amount of such  
24 tax or any credit against such tax, or otherwise affect the  
25 administration of such tax in the case of such person.

1 **“SEC. 3927. REGULATIONS.**

2 “The Secretary shall prescribe such regulations as  
3 may be necessary to carry out the purposes of this chap-  
4 ter.

5 **“Subchapter E—Definitions and Special**  
6 **Rules; Treatment of Certain Transactions**

“Sec. 3931. Definitions.

“Sec. 3932. Special rules.

“Sec. 3933. Personal use by owner of business property or serv-  
ices.

“Sec. 3934. Gift of business property or services.

“Sec. 3935. Special rules for dispositions of nonbusiness real  
property.

“Sec. 3936. Special rule for insurance contracts.

7 **“SEC. 3931. DEFINITIONS.**

8 “(a) PROPERTY.—For purposes of this chapter, the  
9 term ‘property’ means any tangible property.

10 “(b) BUSINESS.—For purposes of this chapter, the  
11 term ‘business’ includes—

12 “(1) a trade, and

13 “(2) an activity regularly carried on for profit.

14 “(c) EMPLOYEE.—For purposes of this chapter, the  
15 term ‘employee’ has the meaning such term has for pur-  
16 poses of chapter 24 (relating to withholding).

17 “(d) PERSON.—For purposes of this chapter, the  
18 term ‘person’ includes any governmental entity.



1       “(e) BUSINESS DAY.—For purposes of this chapter,  
 2 the term ‘business day’ means any day other than Satur-  
 3 day and Sunday and other than a legal holiday (within  
 4 the meaning of section 7503).

5       “(f) UNITED STATES.—For purposes of this chapter,  
 6 the term ‘United States’, when used in a geographical  
 7 sense, includes a Commonwealth and any possession of the  
 8 United States.

9       **“SEC. 3932. SPECIAL RULES.**

10       “(a) COORDINATION WITH SUBTITLE A.—For pur-  
 11 poses of subtitle A—

12               “(1) TREATMENT OF CREDIT.—Any credit al-  
 13 lowable to a taxpayer under section 3916 which is  
 14 attributable to any property or services shall be  
 15 treated as a reduction in the amount paid or in-  
 16 curred by the taxpayer for such property or services.

17               “(2) AMOUNT OF DEDUCTION FOR TAX.—The  
 18 amount allowable as a deduction for the tax imposed  
 19 by section 3901 shall be determined without regard  
 20 to any credit allowable under section 3916.

21               “(3) COMPUTATION OF PERCENTAGE DEPLE-  
 22 TION.—For purposes of sections 613 and 613A—

23                       “(A) gross income shall be reduced by the  
 24 amount of the tax imposed by section 3901,  
 25 and

1                   “(B) taxable income shall be determined  
2                   without regard to any deduction allowed for  
3                   such tax.

4   “(b) SPECIAL RULE SALE OF PROPERTY INCLUDES INCI-  
5   DENTAL PERFORMANCE OF SERVICES.—For purposes of  
6   this chapter, if in connection with the sale of any property  
7   there is an incidental performance of services, such per-  
8   formance of services shall be treated as part of the sale  
9   of such property.

10   “(c) SPECIAL RULE WHERE PERFORMANCE OF  
11   SERVICES INCLUDES INCIDENTAL TRANSFER OF PROP-  
12   ERTY.—For purposes of this chapter, if in connection with  
13   the performance of any services there is an incidental  
14   transfer of property, such transfer shall be treated as part  
15   of the performance of such services.

16   “(d) AUTHORITY TO ZERO RATE DE MINIMIS  
17   TRANSACTIONS, ETC.—The Secretary may prescribe regu-  
18   lations providing that the rate of tax shall be zero for a  
19   taxable transaction (or category of such transactions)  
20   where—

21                   “(1) the amount involved is de minimis, or

22                   “(2) the revenue raised by taxing the trans-  
23                   action is not sufficient to justify the administrative  
24                   and other costs involved in the payment and collec-  
25                   tion of the tax.

1       “(e) IMPORTING TREATED AS SALE AND PUR-  
 2 CHASE.—For purposes of this chapter, the importing of  
 3 any property into the United States shall be treated as  
 4 both a sale and purchase of such property by the person  
 5 importing such property.

6       “(f) SUBCHAPTER S CORPORATION TREATED AS  
 7 NOT A CORPORATION.—For purposes of this chapter, an  
 8 S corporation (as defined in section 1361(a)) shall be  
 9 treated as a person which is not a corporation.

10       “(g) USE INCLUDES HELD FOR USE.—For purposes  
 11 of this chapter, property and services held for use by any  
 12 person shall be treated as used by the person.

13       **“SEC. 3933. PERSONAL USE BY OWNER OF BUSINESS PROP-**  
 14                               **ERTY OR SERVICES.**

15       “(a) GENERAL RULE.—If any business property or  
 16 services are used by an owner of the taxpayer for personal  
 17 purposes, for purposes of this chapter such use shall be  
 18 treated as a taxable transaction.

19       “(b) TAXABLE AMOUNT.—In the case of a use de-  
 20 scribed in subsection (a), for purposes of this chapter, the  
 21 taxable amount shall be—

22               “(1) except as provided in paragraph (2), the  
 23 fair market value of the property or the services, or

24               “(2) if such use is only the temporary use of  
 25 property, the fair rental value of such use.

1 “(c) DEFINITIONS.—For purposes of this section—

2 “(1) BUSINESS PROPERTY OR SERVICES.—The  
3 term ‘business property or services’ means any prop-  
4 erty or services if a sale of such property, or the per-  
5 formance of such services, by the taxpayer would be  
6 a taxable transaction.

7 “(2) OWNER.—The term ‘owner’ means—

8 “(A) in the case of a sole proprietorship,  
9 the proprietor,

10 “(B) in the case of any other business en-  
11 terprise, any holder of a beneficial interest in  
12 the corporation, partnership, or other entity,  
13 and

14 “(C) any member of the family (within the  
15 meaning of section 267(c)(4)) of an individual  
16 described in subparagraph (A) or (B).

17 **“SEC. 3934. GIFT OF BUSINESS PROPERTY OR SERVICES.**

18 “(a) GENERAL RULE.—In the case of any gift of  
19 business property or services, for purposes of this chap-  
20 ter—

21 “(1) such gift shall be treated as a taxable  
22 transaction, and

23 “(2) the taxable amount shall be the amount  
24 determined under section 3933(b).

1       “(b) GIFTS RELATED TO BUSINESS PROMOTION AC-  
 2       TIVITIES.—For purposes of subsection (a), the term ‘gift’  
 3       includes any gift of property or services transferred in con-  
 4       nection with business promotion activities.

5       **“SEC. 3935. SPECIAL RULES FOR DISPOSITIONS OF NON-**  
 6       **BUSINESS REAL PROPERTY.**

7       “(a) IN GENERAL.—In the case of any sale of real  
 8       property which is treated as a commercial-type transaction  
 9       solely by reason of section 3904(b)(1)(A), for purposes of  
 10      this chapter, the taxable amount shall be the excess (if  
 11      any) of—

12               “(1) the amount realized on such sale, over

13               “(2) the adjusted cost to the taxpayer of such  
 14      real property.

15      “(b) ADJUSTED COST.—For purposes of subsection  
 16      (a)—

17               “(1) IN GENERAL.—Except as provided in para-  
 18      graph (2), the term ‘adjusted cost’ means, with re-  
 19      spect to any property, the basis of such property in-  
 20      creased by expenditures properly chargeable to cap-  
 21      ital account (other than taxes or other carrying  
 22      charges described in section 266) for periods during  
 23      the holding period for such property.

1           “(2) TRANSITIONAL RULE.—The adjusted cost  
2           of any property shall include only amounts incurred  
3           during periods after December 31, 1995.

4           “(c) VALUE ADDED TAX NOT TAKEN INTO AC-  
5           COUNT.—For purposes of this section, the amount realized  
6           on any sale of real property shall not include any amount  
7           attributable to the tax imposed by this chapter.

8           **“SEC. 3936. SPECIAL RULE FOR INSURANCE CONTRACTS.**

9           “‘In the case of any contract of insurance, for pur-  
10          poses of this chapter, the taxable amount is the excess  
11          of—

12                 “(1) the portion of the premium attributable to  
13                 insurance coverage, over

14                 “(2) the actuarial cost to the insurer of provid-  
15                 ing such insurance coverage.”

16          (b) CLERICAL AMENDMENT.—The table of chapters  
17          for subtitle D of the Internal Revenue Code of 1986 is  
18          amended by inserting before the item relating to chapter  
19          31 the following:

                    “CHAPTER 30. Value added tax.”

20          (c) EFFECTIVE DATE.—The amendments made by  
21          this section shall apply to transactions occurring after  
22          December 31, 1997.

1 **SEC. 1002. REVENUE FROM VALUE ADDED TAX TO FUND**  
2 **NATIONAL HEALTH CARE TRUST FUND.**

3 (a) IN GENERAL.—Subchapter A of chapter 98 of the  
4 Internal Revenue Code of 1986 (relating to trust fund  
5 code) is amended by adding at the end the following new  
6 section:

7 **“SEC. 9511. NATIONAL HEALTH CARE TRUST FUND.**

8 “(a) CREATION OF TRUST FUND.—There is estab-  
9 lished in the Treasury of the United States a trust fund  
10 to be known as the ‘National Health Care Trust Fund’,  
11 consisting of such amounts as may be appropriated or  
12 credited to the Trust Fund as provided in this section or  
13 section 9602(b).

14 “(b) TRANSFERS TO TRUST FUND.—There are here-  
15 by appropriated to the National Health Care Trust Fund  
16 amounts equivalent to amounts received in the Treasury  
17 from the tax imposed under section 3901 of the Internal  
18 Revenue Code of 1986 (relating to the value added tax).

19 “(c) EXPENDITURES FROM TRUST FUND.—Amounts  
20 in the National Health Care Trust Fund shall be available  
21 only for purposes of making expenditures to carry out the  
22 program of health benefits under the National Health In-  
23 surance Act.”

1 (b) CLERICAL AMENDMENT.—The table of sections  
 2 for such subchapter A is amended by adding at the end  
 3 the following new item:

“Sec. 9511. National Health Care Trust Fund.”

4 (c) EFFECTIVE DATE.—The amendments made by  
 5 this section shall take effect on January 1, 1997.

6 **TITLE XI—STUDY AND DEVELOP-**  
 7 **MENT OF COST CONTROL**  
 8 **MECHANISMS**

9 **SEC. 1101. DEVELOPMENT OF COST CONTROL MECHA-**  
 10 **NISMS.**

11 (a) STUDY.—The Secretary of Health and Human  
 12 Services shall conduct a study analyzing various methods  
 13 to control the costs of providing personal health benefits  
 14 under this Act, and shall include in such study an analysis  
 15 of the effects on such costs of medical malpractice claims  
 16 and the purchase of medical malpractice liability insurance  
 17 by providers of the benefits.

18 (b) REPORTS TO CONGRESS.—Not later than Octo-  
 19 ber 1, 1999, the Secretary shall submit a report to Con-  
 20 gress describing the study conducted under subsection (a),  
 21 and shall include in the report recommendations on meth-  
 22 ods to control costs under this Act, including recommenda-  
 23 tions on the development of a system under which medical  
 24 malpractice claims brought against providers of benefits  
 25 under this Act may be resolved in an equitable and cost-



1 effective manner. Not later than April 1, 2000, the Sec-  
2 retary shall promulgate regulations to implement the rec-  
3 ommendations made in the report.

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