

105TH CONGRESS
1ST SESSION

S. 24

To provide improved access to health care, enhance informed individual choice regarding health care services, lower health care costs through the use of appropriate providers, improve the quality of health care, improve access to long-term care, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 21, 1997

Mr. SPECTER introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide improved access to health care, enhance informed individual choice regarding health care services, lower health care costs through the use of appropriate providers, improve the quality of health care, improve access to long-term care, 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 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

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

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

Sec. 1. Short title; table of contents.

TITLE I—HEALTH CARE COVERAGE FOR CHILDREN

- Sec. 101. Short title; table of contents.
- Sec. 102. Purpose.
- Sec. 103. Definitions.
- Sec. 104. Grants for establishment of State pilot programs.
- Sec. 105. Program requirements.
- Sec. 106. Payments to States.
- Sec. 107. Requirements with respect to vouchers.
- Sec. 108. Reports.
- Sec. 109. Healthy Kids Trust Fund.
- Sec. 110. Authorization of appropriations.
- Sec. 111. Spectrum auctions.
- Sec. 112. Regulations.

TITLE II—HEALTH CARE INSURANCE COVERAGE

- Sec. 201. Amendments to the Employee Retirement Income Security Act of 1974.
- Sec. 202. Amendments to the Public Health Service Act relating to the group market.
- Sec. 203. Amendment to the Public Health Service Act relating to the individual market.
- Sec. 204. Effective date.

Subtitle B—Tax Provisions

- Sec. 211. Enforcement with respect to health insurance issuers.
- Sec. 212. Enforcement with respect to small employers.
- Sec. 213. Enforcement by excise tax on qualified associations.
- Sec. 214. Deduction for health insurance costs of self-employed individuals.
- Sec. 215. Amendments to COBRA.

TITLE III—PRIMARY AND PREVENTIVE CARE SERVICES

- Sec. 301. Authorization of appropriations for healthy start program.
- Sec. 302. Reauthorization of certain programs providing primary and preventive care.
- Sec. 303. Comprehensive school health education program.
- Sec. 304. Comprehensive early childhood health education program.
- Sec. 305. Adolescent family life and abstinence.

TITLE IV—PATIENT'S RIGHT TO DECLINE MEDICAL TREATMENT

- Sec. 401. Patient's right to decline medical treatment.

TITLE V—PRIMARY AND PREVENTIVE CARE PROVIDERS

- Sec. 501. Expanded coverage of certain nonphysician providers under the Medicare program.
- Sec. 502. Requiring coverage of certain nonphysician providers under the Medicaid program.
- Sec. 503. Medical student tutorial program grants.
- Sec. 504. General medical practice grants.

TITLE VI—COST CONTAINMENT

- Sec. 601. New drug clinical trials program.
- Sec. 602. Medical treatment effectiveness.
- Sec. 603. National health insurance data and claims system.
- Sec. 604. Health care cost containment and quality information program.

TITLE VII—TAX INCENTIVES FOR PURCHASE OF QUALIFIED LONG-TERM CARE INSURANCE

- Sec. 701. Credit for qualified long-term care premiums.
- Sec. 702. Inclusion of qualified long-term care insurance in cafeteria plans and flexible spending arrangements.
- Sec. 703. Exclusion from gross income for amounts received on cancellation of life insurance policies and used for qualified long-term care insurance contracts.
- Sec. 704. Use of gain from sale of principal residence for purchase of qualified long-term health care insurance.

TITLE VIII—NATIONAL FUND FOR HEALTH RESEARCH

- Sec. 801. Establishment of National Fund for Health Research.

1 **TITLE I—HEALTH CARE** 2 **COVERAGE FOR CHILDREN**

3 **SECTION 101. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This title may be cited as the
5 “Healthy Kids Pilot Program Act of 1997”.

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

- Sec. 101. Short title; table of contents.
- Sec. 102. Purpose.
- Sec. 103. Definitions.
- Sec. 104. Grants for establishment of State pilot programs.
- Sec. 105. Program requirements.
- Sec. 106. Payments to States.
- Sec. 107. Requirements with respect to vouchers.
- Sec. 108. Reports.
- Sec. 109. Healthy Kids Trust Fund.
- Sec. 110. Authorization of appropriations.
- Sec. 111. Spectrum auctions.
- Sec. 112. Regulations.

1 **SEC. 102. PURPOSE.**

2 It is the purpose of this Act to establish a pilot pro-
 3 gram to meet the health care needs of a substantial por-
 4 tion of the estimated 10,000,000 children without health
 5 insurance and who are not eligible for medical assistance
 6 under a State plan under title XIX of the Social Security
 7 Act (42 U.S.C. 1396 et seq.).

8 **SEC. 103. DEFINITIONS.**

9 In this Act:

10 (1) **ELIGIBLE CHILD.**—The term “eligible
 11 child” means an American citizen or lawful perma-
 12 nent resident of the United States who is—

13 (A) with respect to fiscal year 1999, under
 14 6 years of age;

15 (B) with respect to fiscal year 2000, under
 16 9 years of age;

17 (C) with respect to fiscal year 2001, under
 18 13 years of age; and

19 (D) with respect to fiscal year 2002, under
 20 18 years of age.

21 (2) **FAMILY.**—

22 (A) **IN GENERAL.**—The term “family”
 23 means an individual and includes the individ-
 24 ual’s dependents (if any) but only if such an in-
 25 dividual or dependent is a citizen or lawful per-
 26 manent resident of the United States.

1 (B) DEPENDENT.—The term “dependent”
 2 means, with respect to any individual, any per-
 3 son who is—

4 (i) the spouse of such individual, or
 5 (ii) under regulations of the Sec-
 6 retary, a child (including an adopted child)
 7 of such individual and who is under 18
 8 years of age.

9 (3) PARTICIPATING STATE.—The term “partici-
 10 pating State” means any State that establishes a
 11 program and submits an application for a grant
 12 under section 5.

13 (4) POVERTY LINE.—The term “poverty line”
 14 means the income official poverty line (as defined by
 15 the Office of Management and Budget, and revised
 16 annually in accordance with section 673(2) of the
 17 Omnibus Budget Reconciliation Act of 1981) appli-
 18 cable to a family of the size involved.

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

21 **SEC. 104. GRANTS FOR ESTABLISHMENT OF STATE PILOT**
 22 **PROGRAMS.**

23 (a) GRANTS.—

24 (1) IN GENERAL.—The Secretary shall award a
 25 block grant to a State to enable the State to plan

1 and establish a pilot program that meets the re-
 2 quirements of section 5 to provide vouchers to eligi-
 3 ble children residing in the State to enable such chil-
 4 dren to enroll in a health plan offered in the State.

5 (2) PLANNING GRANTS.—Grants awarded
 6 under paragraph (1) for fiscal year 1998 shall be
 7 used by States for planning with respect to the State
 8 pilot programs under this Act. A State shall not be
 9 required to issue vouchers under a pilot program
 10 under this Act until fiscal year 1999.

11 (b) DESIGNATION OF STATE AGENCY.—A State shall
 12 designate an appropriate State agency to administer the
 13 State pilot program established under this Act.

14 **SEC. 105. PROGRAM REQUIREMENTS.**

15 (a) IN GENERAL.—A State pilot program meets the
 16 requirements of this section if under the program, the
 17 State—

18 (1) provides vouchers to eligible children in ac-
 19 cordance with section 7 to enable such children to
 20 enroll in health plans that provide coverage for pre-
 21 ventive, primary and acute care;

22 (2) provides information on the availability of
 23 vouchers under this Act; and

24 (3) comply with any other requirements estab-
 25 lished by the Secretary.

1 (b) APPLICATION.—With respect to a State pilot pro-
2 gram established under this Act, to be eligible to receive
3 payments under section 6, a State shall prepare and sub-
4 mit to the Secretary an application at such time, in such
5 manner, and containing such information as the Secretary
6 may require, including a plan for implementing the State
7 pilot program.

8 (c) MAINTENANCE OF EFFORT.—

9 (1) IN GENERAL.—The State, in utilizing the
10 proceeds of a grant received under this Act, shall
11 maintain the expenditures of the State for programs
12 designed to provide health care coverage for children
13 residing in the State at a level equal to not less than
14 the level of such expenditures maintained by the
15 State for the fiscal year preceding the first fiscal
16 year for which a grant is received by the State under
17 this Act.

18 (2) CREDITING PROVISION.—Notwithstanding
19 paragraph (1), a State that is required to maintain
20 expenditures under paragraph (1) for health care
21 coverage for children that duplicates the coverage re-
22 quired under this Act, may use amounts provided
23 under the grant to offset State expenditures for such
24 duplicative coverage.

1 **SEC. 106. PAYMENTS TO STATES.**

2 (a) IN GENERAL.—The Secretary shall provide for
3 payment to each participating State for each calendar
4 quarter, beginning with any quarter beginning on or after
5 the date that occurs 180 days after the date of enactment
6 of this Act, in an amount equal to—

7 (1) 100 percent of the total amount estimated
8 by the Secretary to be expended by the State during
9 such quarter for vouchers under the State pilot pro-
10 gram described in section 5; and

11 (2) 5 percent of the total amount estimated by
12 the Secretary to be expended by the State during
13 such quarter for proper and efficient administration
14 of the State pilot program described in section 5.

15 (b) REDUCTION IN AMOUNT.—If amounts appro-
16 priated for a fiscal year under section 10 are insufficient
17 to make payments to States as provided for in subsection
18 (a), the payment to each State under such subsection shall
19 be ratably reduced based on the amount by which such
20 appropriated amount is less than the total amount re-
21 quired for payments under such subsection.

22 **SEC. 107. REQUIREMENTS WITH RESPECT TO VOUCHERS.**

23 (a) QUALIFIED FAMILIES.—With respect to each cal-
24 endar year, in the case of a qualified family (as defined
25 in subsection (b)), the State shall provide for payment
26 through a voucher of the voucher amount (specified in

1 subsection (c)), which may be applied against the cost of
 2 the premium for enrollment of an eligible child in a health
 3 plan.

4 (b) QUALIFIED FAMILY.—For purposes of this sec-
 5 tion:

6 (1) IN GENERAL.—Subject to paragraph (2),
 7 the term “qualified family” means a family of which
 8 the family income does not exceed 235 percent of
 9 the poverty line for a family of the size involved.

10 (2) NOT QUALIFIED DURING CERTAIN PERIODS
 11 OF ELIGIBILITY.—

12 (A) IN GENERAL.—A family is not eligible
 13 for a voucher under this section if the child or
 14 children of such family is eligible for—

15 (i) medical assistance under title XIX
 16 of the Social Security Act (42 U.S.C. 1396
 17 et seq.); or

18 (ii) health care coverage under an em-
 19 ployer sponsored health plan.

20 (B) TRANSITION RULE.—With respect to
 21 the first fiscal year during which vouchers are
 22 available under a State pilot program under
 23 this Act, a family shall not be eligible for such
 24 a voucher during such year if the child or chil-
 25 dren of such family were eligible for—

- 1 (i) medical assistance under title XIX
 2 of the Social Security Act (42 U.S.C. 1396
 3 et seq.) during the preceding fiscal year; or
 4 (ii) health care coverage under an em-
 5 ployer sponsored health plan during the
 6 preceding fiscal year.

7 (c) AMOUNT OF VOUCHER.—

8 (1) IN GENERAL.—The amount of a voucher
 9 specified in this subsection for a qualified family is
 10 the lesser of—

11 (A) the annual premium paid by the family
 12 for such year for coverage of an eligible child
 13 under a health plan in which the child is en-
 14 rolled; or

15 (B) the voucher percentage (specified in
 16 paragraph (2)).

17 (2) VOUCHER PERCENTAGE.—For purposes of
 18 paragraph (1), the term “voucher percentage”
 19 means—

20 (A) with respect to a family the family in-
 21 come of which does not exceed 185 percent of
 22 the poverty line for a family of the size in-
 23 volved, 100 percent; or

24 (B) with respect to a family the family in-
 25 come of which equals or exceeds 186 percent,

1 but does not exceed 235 percent, of the poverty
2 line for a family of the size involved, 100 per-
3 cent reduced (but not below zero percent) by
4 .86 percentage point for each 1 percentage
5 point (or portion thereof) that such family's in-
6 come equals or exceeds 186 percent of the pov-
7 erty line applicable to a family of the size in-
8 volved.

9 (3) LIMITATION.—The Secretary shall, through
10 regulations, determine the amount of vouchers under
11 this subsection.

12 (d) APPLICATION FOR ASSISTANCE.—

13 (1) IN GENERAL.—Any family may file an ap-
14 plication for a voucher under this section at any
15 time in accordance with this subsection.

16 (2) USE OF SIMPLE FORM.—The State shall
17 use an application which shall be as simple in form
18 as possible and understandable to the average indi-
19 vidual. The application may require attachment of
20 such documentation as deemed necessary by the
21 State in order to ensure eligibility for assistance.

22 (3) AVAILABILITY OF FORMS.—The State shall
23 make application forms available through health care
24 providers and plans, public assistance offices, public

1 libraries, and at other locations (including post of-
2 fices) accessible to a broad cross-section of families.

3 (4) SUBMISSION OF APPLICATION FORM.—An
4 application form under this subsection may be sub-
5 mitted in such manner as the State shall provide.

6 (5) PERMITTING SUBMISSION OF REVISED AP-
7 PPLICATION.—During a year, a family may submit a
8 revised application to reflect changes in the esti-
9 mated income of the family, including changes in
10 employment status of family members, during the
11 year. The voucher amount shall be revised to reflect
12 such a revised application.

13 (6) ENROLLMENT AT POINT OF APPLICA-
14 TION.—To the extent practicable, the State shall
15 provide for the option of enrollment in a health plan
16 as part of the application and approval process for
17 assistance under this section.

18 (e) DETERMINATION OF ELIGIBILITY.—

19 (1) IN GENERAL.—The State shall provide in a
20 prompt manner for—

21 (A) a determination of eligibility on each
22 application for a voucher submitted under sub-
23 section (d), and

24 (B) notice of such determination to the
25 family involved.

1 (2) ELECTION WITH RESPECT TO INCOME DE-
 2 TERMINATION.—As elected by a family at the time
 3 of submission of an application for a voucher under
 4 this section, income shall be determined either—

5 (A) by multiplying by a factor of 4 the in-
 6 come for the 3-month period immediately pre-
 7 ceding the month in which the application is
 8 made, or

9 (B) based upon estimated income for the
 10 entire year in which the application is submit-
 11 ted.

12 (f) USE OF VOUCHER.—A voucher provided to a fam-
 13 ily under this section shall be remitted by any individual
 14 in such family to the health plan for payment by the State
 15 of the costs incurred in enrolling an eligible child for cov-
 16 erage under the plan. The health plan shall make proper
 17 adjustments in billing statements to reflect such family's
 18 remaining premium obligations (if any).

19 (g) RECONCILIATION.—The State shall provide for
 20 an annual reconciliation of the total amount of the vouch-
 21 ers that a family received during a year as compared to
 22 the amount of the voucher that should have been provided
 23 under this section with respect to the family based on the
 24 actual income of the family during the year involved.

1 (h) DETERMINATIONS OF INCOME.—For purposes of
2 this section:

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

6 (A) determined without regard to sections
7 135, 162(l), 911, 931, and 933 of such Code;
8 and

9 (B) increased by—

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

12 (ii) the amount of social security ben-
13 efits (described in section 86(d) of such
14 Code) which is not includible in gross in-
15 come under section 86 of such Code.

16 (2) FAMILY INCOME.—The term “family in-
17 come” means, with respect to a family, the sum of
18 the income for all members of the family, not includ-
19 ing the income of a dependent child with respect to
20 which no return is required under the Internal Reve-
21 nue Code of 1986.

22 **SEC. 108. REPORTS.**

23 (a) BY STATES.—Not later than 18 months after the
24 implementation of a State pilot program under this Act,

1 and annually thereafter, the State shall prepare and sub-
 2 mit to the Secretary a report concerning the implementa-
 3 tion of the State pilot program under this section for the
 4 year involved. Such report shall include a description of
 5 the State pilot program and data concerning the number
 6 and amount of vouchers received by eligible children under
 7 such program.

8 (b) BY SECRETARY.—Not later than 2 years after the
 9 date of enactment of this Act, and annually thereafter,
 10 the Secretary shall prepare and submit to the appropriate
 11 committees of Congress a report concerning the implemen-
 12 tation of State pilot programs under this section for the
 13 year involved. Such report shall include a compilation of
 14 the data contained in the Date reports submitted under
 15 subsection (a) for the year involved.

16 **SEC. 109. HEALTHY KIDS TRUST FUND.**

17 (a) ESTABLISHMENT.—There is established in the
 18 Treasury of the United States a fund, to be known as the
 19 “Healthy Kids Trust Fund” (hereafter in this section re-
 20 ferred to as the “Fund”), consisting of such amounts as
 21 are transferred to the Fund under subsection (b) and any
 22 interest earned on investment of amounts in the Fund.

23 (b) TRANSFERS TO FUND.—

24 (1) IN GENERAL.—The Secretary of the Treas-
 25 ury shall transfer to the Fund amounts equivalent to

1 amounts received in the Treasury as a result of the
2 amendments made by section 11.

3 (2) TRANSFERS BASED ON ESTIMATES.—The
4 amounts transferred by paragraph (1) shall annually
5 be transferred to the Fund within 30 days after the
6 President signs an appropriations Act for the De-
7 partments of Labor, Health and Human Services,
8 and Education, and related agencies, or by the end
9 of the first quarter of the fiscal year. Proper adjust-
10 ment shall be made in amounts subsequently trans-
11 ferred to the extent prior estimates were in excess
12 of or less than the amounts required to be trans-
13 ferred.

14 (c) OBLIGATIONS FROM FUND.—With respect to the
15 amounts made available in the Fund in a fiscal year, the
16 Secretary shall distribute such amounts in accordance
17 with this Act.

18 **SEC. 110. AUTHORIZATION OF APPROPRIATIONS.**

19 There is authorized to be appropriated from the
20 Healthy Kids Trust Fund established under section 9,
21 \$250,000,000 for fiscal year 1998, \$1,350,000,000 for fis-
22 cal year 1999, \$2,050,000,000 for fiscal year 2000,
23 \$2,700,000,000 for fiscal year 2001, and \$3,650,000,000
24 for fiscal year 2002, to carry out this Act.

1 **SEC. 111. SPECTRUM AUCTIONS.**

2 (a) EXTENSION AND EXPANSION OF AUCTION AU-
3 THORITY.—

4 (1) AMENDMENTS.—Section 309(j) of the Com-
5 munications Act of 1934 (47 U.S.C. 309(j)) is
6 amended—

7 (A) by striking paragraphs (1) and (2) and
8 inserting the following:

9 “(1) GENERAL AUTHORITY.—If, consistent with
10 the obligations described in paragraph (6)(E), mutu-
11 ally exclusive applications are accepted for any ini-
12 tial license or construction permit, then the Commis-
13 sion shall grant such license or permit to a qualified
14 applicant through a system of competitive bidding
15 that meets the requirements of this subsection.

16 “(2) EXEMPTIONS.—The competitive bidding
17 authority granted by this subsection shall not apply
18 to licenses or construction permits issued by the
19 Commission—

20 “(A) that, as the result of the Commission
21 carrying out the obligations described in para-
22 graph (6)(E), are not mutually exclusive;

23 “(B) for public safety radio services, in-
24 cluding non-Government uses the sole or prin-
25 cipal purpose of which is to protect the safety

1 of life, health, and property and which are not
2 made commercially available to the public; or

3 “(C) for initial licenses or construction
4 permits for new terrestrial digital television
5 services assigned by the Commission to existing
6 terrestrial broadcast licensees to replace their
7 current television licenses, unless—

8 “(i) the Commission, not later than
9 180 days after the date of enactment of
10 the Healthy Kids Pilot Program Act of
11 1997, after notice and public comment,
12 submits to Congress a report on the use of
13 the authority provided in this subsection
14 for the assignment of initial licenses or
15 construction permits for use of the electro-
16 magnetic spectrum allocated but not as-
17 signed as of the date of enactment of that
18 Act for television broadcast services; and

19 “(ii) the Congress amends this sub-
20 section to authorize the use of the author-
21 ity provided by this subsection for such li-
22 censes or permits.

23 Except as provided in this subparagraph, the
24 Commission may not assign initial licenses or

1 construction permits under this title to terres-
 2 trial commercial television broadcast licensees
 3 to replace their existing broadcast licenses be-
 4 fore November 15, 1996.”; and

5 (B) by striking “1998” in paragraph (11)
 6 and inserting “2002”.

7 (2) CONFORMING AMENDMENT.—Subsection (i)
 8 of section 309 of such Act is repealed.

9 (3) EFFECTIVE DATE.—The amendment made
 10 by paragraph (1)(A) shall not apply with respect to
 11 any license or permit for a terrestrial radio or tele-
 12 vision broadcast station for which the Federal Com-
 13 munications Commission has accepted mutually ex-
 14 clusive applications on or before the date of enact-
 15 ment of this Act.

16 (b) COMMISSION OBLIGATION TO MAKE ADDITIONAL
 17 SPECTRUM AVAILABLE BY AUCTION.—

18 (1) IN GENERAL.—The Federal Communica-
 19 tions Commission shall complete all actions nec-
 20 essary to permit the assignment, by September 30,
 21 2002, by competitive bidding pursuant to section
 22 309(j) of the Communications Act of 1934 (47
 23 U.S.C. 309(j)) of licenses for the use of bands of
 24 frequencies that—

1 (A) individually span not less than 25
2 megahertz, unless a combination of smaller
3 bands can, notwithstanding the provisions of
4 paragraph (7) of such section, reasonably be ex-
5 pected to produce greater receipts;

6 (B) in the aggregate span not less than
7 100 megahertz;

8 (C) are located below 3 gigahertz; and

9 (D) have not, as of the date of enactment
10 of this Act—

11 (i) been designated by Commission
12 regulation for assignment pursuant to such
13 section;

14 (ii) been identified by the Secretary of
15 Commerce pursuant to section 113 of the
16 National Telecommunications and Infor-
17 mation Administration Organization Act;
18 or

19 (iii) been reserved for Federal Govern-
20 ment use pursuant to section 305 of the
21 Communications Act of 1934 (47 U.S.C.
22 305).

23 The Commission shall conduct the competitive
24 bidding for not less than one-half of such aggre-
25 gate spectrum by September 30, 2000.

1 (2) CRITERIA FOR REASSIGNMENT.—In making
2 available bands of frequencies for competitive bid-
3 ding pursuant to paragraph (1), the Commission
4 shall—

5 (A) seek to promote the most efficient use
6 of the spectrum;

7 (B) take into account the cost to incum-
8 bent licensees of relocating existing uses to
9 other bands of frequencies or other means of
10 communication;

11 (C) take into account the needs of public
12 safety radio services;

13 (D) comply with the requirements of inter-
14 national agreements concerning spectrum allo-
15 cations;

16 (E) take into account the costs to satellite
17 service providers that could result from multiple
18 auctions of like spectrum internationally for
19 global satellite systems; and

20 (F) take into account the amounts reason-
21 ably expected to be transferred pursuant to sec-
22 tion 9.

23 (3) NOTIFICATION TO NTIA.—The Commission
24 shall notify the Secretary of Commerce if—

1 (A) the Commission is not able to provide
 2 for the effective relocation of incumbent licens-
 3 ees to bands of frequencies that are available to
 4 the Commission for assignment; and

5 (B) the Commission has identified bands
 6 of frequencies that are—

7 (i) suitable for the relocation of such
 8 licensees; and

9 (ii) allocated for Federal Government
 10 use, but that could be reallocated pursuant
 11 to part B of the National Telecommuni-
 12 cations and Information Administration
 13 Organization Act (as amended by this sec-
 14 tion).

15 (c) IDENTIFICATION AND REALLOCATION OF FRE-
 16 QUENCIES.—The National Telecommunications and Infor-
 17 mation Administration Organization Act (47 U.S.C. 901
 18 et seq.) is amended—

19 (1) in section 113, by adding at the end the fol-
 20 lowing new subsections:

21 “(f) ADDITIONAL REALLOCATION REPORT.—If the
 22 Secretary receives a notice from the Commission pursuant
 23 to section 11(b)(3) of the Healthy Kids Pilot Program Act
 24 of 1997, the Secretary shall prepare and submit to the

1 President and the Congress a report recommending for re-
2 allocation for use other than by Federal Government sta-
3 tions under section 305 of the 1934 Act (47 U.S.C. 305),
4 bands of frequencies that are suitable for the uses identi-
5 fied in the Commission's notice.

6 “(g) RELOCATION OF FEDERAL GOVERNMENT STA-
7 TIONS.—

8 “(1) IN GENERAL.—In order to expedite the ef-
9 ficient use of the electromagnetic spectrum and not-
10 withstanding section 3302(b) of title 31, United
11 States Code, any Federal entity which operates a
12 Federal Government station may accept payment in
13 advance or in-kind reimbursement of costs, or a
14 combination of payment in advance and in-kind re-
15 imbursement, from any person to defray entirely the
16 expenses of relocating the Federal entity's oper-
17 ations from one or more radio spectrum frequencies
18 to another frequency or frequencies, including, with-
19 out limitation, the costs of any modification, replace-
20 ment, or reissuance of equipment, facilities, operat-
21 ing manuals, regulations, or other expenses incurred
22 by that entity. Any such payment shall be deposited
23 in the account of such Federal entity in the Treas-
24 ury of the United States. Funds deposited according

1 to this paragraph shall be available, without appro-
2 priation or fiscal year limitation, only for the oper-
3 ations of the Federal entity for which such funds
4 were deposited under this paragraph.

5 “(2) PROCESS FOR RELOCATION.—Any person
6 seeking to relocate a Federal Government station
7 that has been assigned a frequency within a band al-
8 located for mixed Federal and non-Federal use may
9 submit a petition for such relocation to NTIA. The
10 NTIA shall limit or terminate the Federal Govern-
11 ment station’s operating license when the following
12 requirements are met:

13 “(A) the person seeking relocation of the
14 Federal Government station has guaranteed to
15 defray entirely, through payment in advance,
16 in-kind reimbursement of costs, or a combina-
17 tion thereof, all relocation costs incurred by the
18 Federal entity, including all engineering, equip-
19 ment, site acquisition and construction, and
20 regulatory fee costs;

21 “(B) the person seeking relocation com-
22 pletes all activities necessary for implementing
23 the relocation, including construction of replace-
24 ment facilities (if necessary and appropriate)
25 and identifying and obtaining on the Federal

1 entity's behalf new frequencies for use by the
2 relocated Federal Government station (where
3 such station is not relocating to spectrum re-
4 served exclusively for Federal use);

5 “(C) any necessary replacement facilities,
6 equipment modifications, or other changes have
7 been implemented and tested to ensure that the
8 Federal Government station is able to success-
9 fully accomplish its purposes; and

10 “(D) NTIA has determined that the pro-
11 posed use of the spectrum frequency band to
12 which the Federal entity will relocate its oper-
13 ations is—

14 “(i) consistent with obligations under-
15 taken by the United States in international
16 agreements and with United States na-
17 tional security and public safety interests;
18 and

19 “(ii) suitable for the technical charac-
20 teristics of the band and consistent with
21 other uses of the band.

22 In exercising its authority under subparagraph
23 (D)(i), NTIA shall consult with the Secretary of
24 Defense, the Secretary of State, or other appro-
25 priate officers of the Federal Government.

1 “(3) RIGHT TO RECLAIM.—If within 1 year
2 after the relocation the Federal Government station
3 demonstrates to the Commission that the new facili-
4 ties or spectrum are not comparable to the facilities
5 or spectrum from which the Federal Government
6 station was relocated, the person seeking such relo-
7 cation must take reasonable steps to remedy any de-
8 fects or pay the Federal entity for the costs of re-
9 turning the Federal Government station to the spec-
10 trum from which such station was relocated.

11 “(h) FEDERAL ACTION TO EXPEDITE SPECTRUM
12 TRANSFER.—Any Federal Government station which op-
13 erates on electromagnetic spectrum that has been identi-
14 fied for reallocation for mixed Federal and non-Federal
15 use in any reallocation report under subsection (a) shall,
16 to the maximum extent practicable through the use of the
17 authority granted under subsection (g) and any other ap-
18 plicable provision of law, take action to relocate its spec-
19 trum use to other frequencies that are reserved for Fed-
20 eral use or to consolidate its spectrum use with other Fed-
21 eral Government stations in a manner that maximizes the
22 spectrum available for non-Federal use. Subsection (c)(4)
23 shall not apply to the extent that a non-Federal user seeks
24 to relocate or relocates a Federal power agency under sub-
25 section (g).

1 “(i) DEFINITION.—For purposes of this section, the
 2 term ‘Federal entity’ means any department, agency, or
 3 other instrumentality of the Federal Government that uti-
 4 lizes a Government station license obtained under section
 5 305 of the 1934 Act (47 U.S.C. 305).”; and

6 (2) in section 114(a)(1), by striking “(a) or
 7 (d)(1)” and inserting “(a), (d)(1), or (f)”.

8 (d) IDENTIFICATION AND REALLOCATION OF
 9 AUCTIONABLE FREQUENCIES.—The National Tele-
 10 communications and Information Administration Organi-
 11 zation Act (47 U.S.C. 901 et seq.) is
 12 amended—

13 (1) in section 113(b)—

14 (A) by striking the heading of paragraph
 15 (1) and inserting “INITIAL REALLOCATION RE-
 16 PORT.—”;

17 (B) by inserting “in the first report re-
 18 quired by subsection (a)” after “recommend for
 19 reallocation” in paragraph (1);

20 (C) by inserting “or (3)” after “paragraph
 21 (1)” each place it appears in paragraph (2);
 22 and

23 (D) by inserting after paragraph (2) the
 24 following new paragraph:

1 “(3) SECOND REALLOCATION REPORT.—In ac-
 2 cordance with the provisions of this section, the Sec-
 3 retary shall recommend for reallocation in the sec-
 4 ond report required by subsection (a), for use other
 5 than by Federal Government stations under section
 6 305 of the 1934 Act (47 U.S.C. 305), a single fre-
 7 quency band that spans not less than an additional
 8 20 megahertz, that is located below 3 gigahertz, and
 9 that meets the criteria specified in paragraphs (1)
 10 through (5) of subsection (a).”; and

11 (2) in section 115—

12 (A) in subsection (b), by striking “the re-
 13 port required by section 113(a)” and inserting
 14 “the initial reallocation report required by sec-
 15 tion 113(a)”; and

16 (B) by adding at the end the following new
 17 subsection:

18 “(c) ALLOCATION AND ASSIGNMENT OF FRE-
 19 QUENCIES IDENTIFIED IN THE SECOND REALLOCATION
 20 REPORT.—With respect to the frequencies made available
 21 for reallocation pursuant to section 113(b)(3), the Com-
 22 mission shall, not later than 1 year after receipt of the
 23 second reallocation report required by such section, pre-
 24 pare, submit to the President and the Congress, and im-
 25 plement, a plan for the allocation and assignment under

1 the 1934 Act of such frequencies. Such plan shall propose
 2 the immediate allocation and assignment of all such fre-
 3 quencies in accordance with section 309(j) of the 1934 Act
 4 (47 U.S.C. 309(j)).”.

5 **SEC. 112. REGULATIONS.**

6 The Secretary may issue regulations and interim final
 7 regulations to implement the pilot program established
 8 under this Act.

9 **TITLE II—HEALTH CARE**
 10 **INSURANCE COVERAGE**

11 **SEC. 201. AMENDMENTS TO THE EMPLOYEE RETIREMENT**

12 **INCOME SECURITY ACT OF 1974.**

13 (a) IN GENERAL.—Part 7 of subtitle B of title I of
 14 the Employee Retirement Income Security Act of 1974
 15 (29 U.S.C. 1181 et seq.) is amended—

16 (1) by redesignating subpart C as subpart D;

17 and

18 (2) by inserting after subpart B, the following

19 new subpart:

3 **“CHAPTER 1—INCREASED AVAILABILITY AND**
4 **CONTINUITY OF HEALTH COVERAGE**

6 “As used in this subpart, the term ‘qualified group
7 health plan’ means a group health plan, and a health in-
8 surance issuer offering group health insurance coverage,
9 that is designed to provide standard coverage (consistent
10 with section 721A(b)).

11 "SEC. 721A. ACTUARIAL EQUIVALENCE IN BENEFITS PER-
12 MITTED.

“(1) INITIAL DETERMINATION.—The NAIC is requested to submit to the Secretary, within 6 months after the date of the enactment of this subpart, a set of rules which the NAIC determines is sufficient for determining, in the case of any group health plan, or a health insurance issuer offering group health insurance coverage, and for purposes of this section, the actuarial value of the coverage offered by the plan or coverage.

23 “(2) CERTIFICATION.—If the Secretary deter-
24 mines that the NAIC has submitted a set of rules
25 that comply with the requirements of paragraph (1),

1 the Secretary shall certify such set of rules for use
 2 under this subpart. If the Secretary determines that
 3 such a set of rules has not been submitted or does
 4 not comply with such requirements, the Secretary
 5 shall promptly establish a set of rules that meets
 6 such requirements.

7 “(b) STANDARD COVERAGE.—

8 “(1) IN GENERAL.—A a group health plan, and
 9 a health insurance issuer offering group health in-
 10 surance coverage, shall be considered to provide
 11 standard coverage consistent with this subsection if
 12 the benefits are determined, in accordance with the
 13 set of actuarial equivalence rules certified under sub-
 14 section (a), to have a value that is within 5 percent-
 15 age points of the target actuarial value for standard
 16 coverage established under paragraph (2).

17 “(2) INITIAL DETERMINATION OF TARGET AC-
 18 TUARIAL VALUE FOR STANDARD COVERAGE.—

19 “(A) INITIAL DETERMINATION.—

20 “(i) IN GENERAL.—The NAIC is re-
 21 quested to submit to the Secretary, within
 22 6 months after the date of the enactment
 23 of this subpart, a target actuarial value for
 24 standard coverage equal to the average ac-
 25 tuarial value of the coverage described in

1 clause (ii). No specific procedure or treat-
2 ment, or classes thereof, is required to be
3 considered in such determination by this
4 subpart or through regulations. The deter-
5 mination of such value shall be based on a
6 representative distribution of the popu-
7 lation of eligible employees offered such
8 coverage and a single set of standardized
9 utilization and cost factors.

10 “(ii) COVERAGE DESCRIBED.—The
11 coverage described in this clause is cov-
12 erage for medically necessary and appro-
13 priate services consisting of medical and
14 surgical services, medical equipment, pre-
15 ventive services, and emergency transpor-
16 tation in frontier areas. No specific proce-
17 dure or treatment, or classes thereof, is re-
18 quired to be covered in such a plan, by this
19 subpart or through regulations.

20 “(B) CERTIFICATION.—If the Secretary
21 determines that the NAIC has submitted a tar-
22 get actuarial value for standard coverage that
23 complies with the requirements of subparagraph
24 (A), the Secretary shall certify such value for

1 use under this chapter. If the Secretary deter-
2 mines that a target actuarial value has not been
3 submitted or does not comply with the require-
4 ments of subparagraph (A), the Secretary shall
5 promptly determine a target actuarial value
6 that meets such requirements.

7 “(c) SUBSEQUENT REVISIONS.—

8 “(1) NAIC.—The NAIC may submit from time
9 to time to the Secretary revisions of the set of rules
10 of actuarial equivalence and target actuarial values
11 previously established or determined under this sec-
12 tion if the NAIC determines that revisions are nec-
13 essary to take into account changes in the relevant
14 types of health benefits provisions or in demographic
15 conditions which form the basis for the set of rules
16 of actuarial equivalence or the target actuarial val-
17 ues. The provisions of subsection (a)(2) shall apply
18 to such a revision in the same manner as they apply
19 to the initial determination of the set of rules.

20 “(2) SECRETARY.—The Secretary may by regu-
21 lation revise the set of rules of actuarial equivalence
22 and target actuarial values from time to time if the
23 Secretary determines such revisions are necessary to
24 take into account changes described in paragraph
25 (1).

1 **“SEC. 721B. ESTABLISHMENT OF PLAN STANDARDS.**

2 “(a) ESTABLISHMENT OF GENERAL STANDARDS.—

3 “(1) ROLE OF NAIC.—The NAIC is requested
 4 to submit to the Secretary, within 9 months after
 5 the date of the enactment of this subpart, model
 6 regulations that specify standards for making quali-
 7 fied group health plans available to small employers.
 8 If the NAIC develops recommended regulations
 9 specifying such standards within such period, the
 10 Secretary shall review the standards. Such review
 11 shall be completed within 60 days after the date the
 12 regulations are developed. Such standards shall
 13 serve as the standards under this section, with such
 14 amendments as the Secretary deems necessary. Such
 15 standards shall be nonbinding (except as provided in
 16 chapter 4).

17 “(2) CONTINGENCY.—If the NAIC does not de-
 18 velop such model regulations within the period de-
 19 scribed in paragraph (1), the Secretary shall specify,
 20 within 15 months after the date of the enactment of
 21 this subpart, model regulations that specify stand-
 22 ards for insurers with regard to making qualified
 23 group health plans available to small employers.
 24 Such standards shall be nonbinding (except as pro-
 25 vided in chapter 4).

1 “(3) EFFECTIVE DATE.—The standards speci-
 2 fied in the model regulations shall apply to group
 3 health plans and health insurance issuers offering
 4 group health insurance coverage in a State on or
 5 after the respective date the standards are imple-
 6 mented in the State.

7 “(b) NO PREEMPTION OF STATE LAW.—A State may
 8 implement standards for group health plans available, and
 9 health insurance issuers offering group health insurance
 10 coverage offered, to small employers that are more strin-
 11 gent than the standards under this section, except that
 12 a State may not implement standards that prevent the of-
 13 fering of at least one group health plan that provides
 14 standard coverage (as described in section 721A(b)).

15 **“SEC. 721C. RATING LIMITATIONS FOR COMMUNITY-RATED**
 16 **MARKET.**

17 “(a) STANDARD PREMIUMS WITH RESPECT TO COM-
 18 MUNITY-RATED ELIGIBLE EMPLOYEES AND ELIGIBLE IN-
 19 DIVIDUALS.—

20 “(1) IN GENERAL.—Each group health plan of-
 21 fered, and each health insurance issuer offering
 22 group health insurance coverage, to a small em-
 23 ployer shall establish within each community rating
 24 area in which the plan is to be offered, a standard

1 premium for enrollment of eligible employees and eli-
 2 gible individuals for the standard coverage (as de-
 3 fined under section 721A(b)).

4 “(2) ESTABLISHMENT OF COMMUNITY RATING
 5 AREA.—

6 “(A) IN GENERAL.—Not later than Janu-
 7 ary 1, 1998, each State shall, in accordance
 8 with subparagraph (B), provide for the division
 9 of the State into 1 or more community rating
 10 areas. The State may revise the boundaries of
 11 such areas from time to time consistent with
 12 this paragraph.

13 “(B) GEOGRAPHIC AREA VARIATIONS.—
 14 For purposes of subparagraph (A), a State—

15 “(i) may not identify an area that di-
 16 vides a 3-digit zip code, a county, or all
 17 portions of a metropolitan statistical area;

18 “(ii) shall not permit premium rates
 19 for coverage offered in a portion of an
 20 interstate metropolitan statistical area to
 21 vary based on the State in which the cov-
 22 erage is offered; and

23 “(iii) may, upon agreement with one
 24 or more adjacent States, identify multi-

1 State geographic areas consistent with
 2 clauses (i) and (ii).

3 “(3) ELIGIBLE INDIVIDUALS.—For purposes of
 4 this section, the term ‘eligible individuals’ includes
 5 certain uninsured individuals (as described in section
 6 721G).

7 “(b) UNIFORM PREMIUMS WITHIN COMMUNITY RAT-
 8 ING AREAS.—

9 “(1) IN GENERAL.—Subject to paragraphs (2)
 10 and (3), the standard premium for each group
 11 health plan to which this section applies shall be the
 12 same, but shall not include the costs of premium
 13 processing and enrollment that may vary depending
 14 on whether the method of enrollment is through a
 15 qualified small employer purchasing group, through
 16 a small employer, or through a broker.

17 “(2) APPLICATION TO ENROLLEES.—

18 “(A) IN GENERAL.—The premium charged
 19 for coverage in a group health plan which cov-
 20 ers eligible employees and eligible individuals
 21 shall be the product of—

22 “(i) the standard premium (estab-
 23 lished under paragraph (1));

1 “(ii) in the case of enrollment other
 2 than individual enrollment, the family ad-
 3 justment factor specified under subpara-
 4 graph (B); and

5 “(iii) the age adjustment factor (spec-
 6 ified under subparagraph (C)).

7 “(B) FAMILY ADJUSTMENT FACTOR.—

8 “(i) IN GENERAL.—The standards es-
 9 tablished under section 721B shall specify
 10 family adjustment factors that reflect the
 11 relative actuarial costs of benefit packages
 12 based on family classes of enrollment (as
 13 compared with such costs for individual en-
 14 rollment).

15 “(ii) CLASSES OF ENROLLMENT.—For
 16 purposes of this subpart, there are 4 class-
 17 es of enrollment:

18 “(I) Coverage only of an individ-
 19 ual (referred to in this subpart as the
 20 ‘individual’ enrollment or class of en-
 21 rollment).

22 “(II) Coverage of a married cou-
 23 ple without children (referred to in
 24 this subpart as the ‘couple-only’ en-
 25 rollment or class of enrollment).

1 “(III) Coverage of an individual
 2 and one or more children (referred to
 3 in this subpart as the ‘single parent’
 4 enrollment or class of enrollment).

5 “(IV) Coverage of a married cou-
 6 ple and one or more children (referred
 7 to in this subpart as the ‘dual parent’
 8 enrollment or class of enrollment).

9 “(iii) REFERENCES TO FAMILY AND
 10 COUPLE CLASSES OF ENROLLMENT.—In
 11 this subpart:

12 “(I) FAMILY.—The terms ‘family
 13 enrollment’ and ‘family class of enroll-
 14 ment’ refer to enrollment in a class of
 15 enrollment described in any subclause
 16 of clause (ii) (other than subclause
 17 (I)).

18 “(II) COUPLE.—The term ‘couple
 19 class of enrollment’ refers to enroll-
 20 ment in a class of enrollment de-
 21 scribed in subclause (II) or (IV) of
 22 clause (ii).

23 “(iv) SPOUSE; MARRIED; COUPLE.—

24 “(I) IN GENERAL.—In this sub-
 25 part, the terms ‘spouse’ and ‘married’

1 mean, with respect to an individual,
2 another individual who is the spouse
3 of, or is married to, the individual, as
4 determined under applicable State
5 law.

6 “(II) COUPLE.—The term ‘cou-
7 ple’ means an individual and the indi-
8 vidual’s spouse.

9 “(C) AGE ADJUSTMENT FACTOR.—The
10 Secretary, in consultation with the NAIC, shall
11 specify uniform age categories and maximum
12 rating increments for age adjustment factors
13 that reflect the relative actuarial costs of bene-
14 fit packages among enrollees. For individuals
15 who have attained age 18 but not age 65, the
16 highest age adjustment factor may not exceed 3
17 times the lowest age adjustment factor.

18 “(3) ADMINISTRATIVE CHARGES.—

19 “(A) IN GENERAL.—In accordance with
20 the standards established under section 721B, a
21 group health plan which covers eligible employ-
22 ees and eligible individuals may add a sepa-
23 rately-stated administrative charge which is
24 based on identifiable differences in legitimate

1 administrative costs and which is applied uni-
 2 formly for individuals enrolling through the
 3 same method of enrollment. Nothing in this
 4 subparagraph may be construed as preventing a
 5 qualified small employer purchasing group from
 6 negotiating a unique administrative charge with
 7 an insurer for a group health plan.

8 “(B) ENROLLMENT THROUGH A QUALI-
 9 FIED SMALL EMPLOYER PURCHASING GROUP.—

10 In the case of an administrative charge under
 11 subparagraph (A) for enrollment through a
 12 qualified small employer purchasing group, such
 13 charge may not exceed the lowest charge of
 14 such plan for enrollment other than through a
 15 qualified small employer purchasing group in
 16 such area.

17 “(c) TREATMENT OF NEGOTIATED RATE AS COMMU-
 18 NITY RATE.—Notwithstanding any other provision of this
 19 section, a group health plan and a health insurance issuer
 20 offering health insurance coverage that negotiates a pre-
 21 mium rate (exclusive of any administrative charge de-
 22 scribed in subsection (b)(3)) with a qualified small em-
 23 ployer purchasing group in a community rating area shall
 24 charge the same premium rate to all eligible employees
 25 and eligible individuals.

1 **“SEC. 721D. RATING PRACTICES AND PAYMENT OF PRE-**
 2 **MIUMS.**

3 “(a) FULL DISCLOSURE OF RATING PRACTICES.—

4 “(1) IN GENERAL.—A group health plan and a
 5 health insurance issuer offering health insurance
 6 coverage shall fully disclose rating practices for the
 7 plan to the appropriate certifying authority.

8 “(2) NOTICE ON EXPIRATION.—A group health
 9 plan and a health insurance issuer offering health
 10 insurance coverage shall provide for notice of the
 11 terms for renewal of a plan at the time of the offer-
 12 ing of the plan and at least 90 days before the date
 13 of expiration of the plan.

14 “(3) ACTUARIAL CERTIFICATION.—Each group
 15 health plan and health insurance issuer offering
 16 health insurance coverage shall file annually with the
 17 appropriate certifying authority a written statement
 18 by a member of the American Academy of Actuaries
 19 (or other individual acceptable to such authority)
 20 who is not an employee of the group health plan or
 21 issuer certifying that, based upon an examination by
 22 the individual which includes a review of the appro-
 23 priate records and of the actuarial assumptions of
 24 such plan or insurer and methods used by the plan
 25 or insurer in establishing premium rates and admin-
 26 istrative charges for group health plans—

1 “(A) such plan or insurer is in compliance
 2 with the applicable provisions of this subpart;
 3 and

4 “(B) the rating methods are actuarially
 5 sound.

6 Each plan and insurer shall retain a copy of such
 7 statement at its principal place of business for exam-
 8 ination by any individual.

9 “(b) PAYMENT OF PREMIUMS.—

10 “(1) IN GENERAL.—With respect to a new en-
 11 rollee in a group health plan, the plan may require
 12 advanced payment of an amount equal to the month-
 13 ly applicable premium for the plan at the time such
 14 individual is enrolled.

15 “(2) NOTIFICATION OF FAILURE TO RECEIVE
 16 PREMIUM.—If a group health plan or a health insur-
 17 ance issuer offering health insurance coverage fails
 18 to receive payment on a premium due with respect
 19 to an eligible employee or eligible individual covered
 20 under the plan involved, the plan or issuer shall pro-
 21 vide notice of such failure to the employee or individ-
 22 ual within the 20-day period after the date on which
 23 such premium payment was due. A plan or issuer
 24 may not terminate the enrollment of an eligible em-
 25 ployee or eligible individual unless such employee or

1 individual has been notified of any overdue pre-
 2 miums and has been provided a reasonable oppor-
 3 tunity to respond to such notice.

4 **“SEC. 721E. QUALIFIED SMALL EMPLOYER PURCHASING**
 5 **GROUPS.**

6 “(a) QUALIFIED SMALL EMPLOYER PURCHASING
 7 GROUPS DESCRIBED.—

8 “(1) IN GENERAL.—A qualified small employer
 9 purchasing group is an entity that—

10 “(A) is a nonprofit entity certified under
 11 State law;

12 “(B) has a membership consisting solely of
 13 small employers;

14 “(C) is administered solely under the au-
 15 thority and control of its member employers;

16 “(D) with respect to each State in which
 17 its members are located, consists of not fewer
 18 than the number of small employers established
 19 by the State as appropriate for such a group;

20 “(E) offers a program under which quali-
 21 fied group health plans are offered to eligible
 22 employees and eligible individuals through its
 23 member employers and to certain uninsured in-
 24 dividuals in accordance with section 721D; and

1 “(F) an insurer, agent, broker, or any
2 other individual or entity engaged in the sale of
3 insurance—

4 “(i) does not form or underwrite; and

5 “(ii) does not hold or control any
6 right to vote with respect to.

7 “(2) STATE CERTIFICATION.—A qualified small
8 employer purchasing group formed under this sec-
9 tion shall submit an application to the State for cer-
10 tification. The State shall determine whether to
11 issue a certification and otherwise ensure compliance
12 with the requirements of this subpart.

13 “(3) SPECIAL RULE.—Notwithstanding para-
14 graph (1)(B), an employer member of a small em-
15 ployer purchasing group that has been certified by
16 the State as meeting the requirements of paragraph
17 (1) may retain its membership in the group if the
18 number of employees of the employer increases such
19 that the employer is no longer a small employer.

20 “(b) BOARD OF DIRECTORS.—Each qualified small
21 employer purchasing group established under this section
22 shall be governed by a board of directors or have active
23 input from an advisory board consisting of individuals and
24 businesses participating in the group.

1 “(c) DOMICILIARY STATE.—For purposes of this sec-
2 tion, a qualified small employer purchasing group operat-
3 ing in more than one State shall be certified by the State
4 in which the group is domiciled.

5 “(d) MEMBERSHIP.—

6 “(1) IN GENERAL.—A qualified small employer
7 purchasing group shall accept all small employers
8 and certain uninsured individuals residing within the
9 area served by the group as members if such em-
10 ployers or individuals request such membership.

11 “(2) VOTING.—Members of a qualified small
12 employer purchasing group shall have voting rights
13 consistent with the rules established by the State.

14 “(e) DUTIES OF QUALIFIED SMALL EMPLOYER PUR-
15 CHASING GROUPS.—Each qualified small employer pur-
16 chasing group shall—

17 “(1) enter into agreements with insurers offer-
18 ing qualified group health plans;

19 “(2) enter into agreements with small employ-
20 ers under section 721F;

21 “(3) enroll only eligible employees, eligible indi-
22 viduals, and certain uninsured individuals in quali-
23 fied group health plans, in accordance with section
24 721G;

25 “(4) provide enrollee information to the State;

1 “(5) meet the marketing requirements under
2 section 721I; and

3 “(6) carry out other functions provided for
4 under this subpart.

5 “(f) LIMITATION ON ACTIVITIES.—A qualified small
6 employer purchasing group shall not—

7 “(1) perform any activity involving approval or
8 enforcement of payment rates for providers;

9 “(2) perform any activity (other than the re-
10 porting of noncompliance) relating to compliance of
11 qualified group health plans with the requirements
12 of this subpart;

13 “(3) assume financial risk in relation to any
14 such health plan; or

15 “(4) perform other activities identified by the
16 State as being inconsistent with the performance of
17 its duties under this subpart.

18 “(g) RULES OF CONSTRUCTION.—

19 “(1) ESTABLISHMENT NOT REQUIRED.—Noth-
20 ing in this section shall be construed as requiring—

21 “(A) that a State organize, operate or oth-
22 erwise establish a qualified small employer pur-
23 chasing group, or otherwise require the estab-
24 lishment of purchasing groups; and

1 “(B) that there be only one qualified small
2 employer purchasing group established with re-
3 spect to a community rating area.

4 “(2) SINGLE ORGANIZATION SERVING MUL-
5 TIPLE AREAS AND STATES.—Nothing in this section
6 shall be construed as preventing a single entity from
7 being a qualified small employer purchasing group in
8 more than one community rating area or in more
9 than one State.

10 “(3) VOLUNTARY PARTICIPATION.—Nothing in
11 this section shall be construed as requiring any indi-
12 vidual or small employer to purchase a qualified
13 group health plan exclusively through a qualified
14 small employer purchasing group.

15 **“SEC. 721F. AGREEMENTS WITH SMALL EMPLOYERS.**

16 “(a) IN GENERAL.—A qualified small employer pur-
17 chasing group shall offer to enter into an agreement under
18 this section with each small employer that employs eligible
19 employees in the area served by the group.

20 “(b) PAYROLL DEDUCTION.—

21 “(1) IN GENERAL.—Under an agreement under
22 this section between a small employer and a quali-
23 fied small employer purchasing group, the small em-
24 ployer shall deduct premiums from an eligible em-
25 ployee’s wages.

1 “(2) ADDITIONAL PREMIUMS.—If the amount
2 withheld under paragraph (1) is not sufficient to
3 cover the entire cost of the premiums, the eligible
4 employee shall be responsible for paying directly to
5 the qualified small employer purchasing group the
6 difference between the amount of such premiums
7 and the amount withheld.

8 **“SEC. 721G. ENROLLING ELIGIBLE EMPLOYEES, ELIGIBLE**
9 **INDIVIDUALS, AND CERTAIN UNINSURED IN-**
10 **DIVIDUALS IN QUALIFIED GROUP HEALTH**
11 **PLANS.**

12 “(a) IN GENERAL.—Each qualified small employer
13 purchasing group shall offer—

14 “(1) eligible employees,

15 “(2) eligible individuals, and

16 “(3) certain uninsured individuals,

17 the opportunity to enroll in any qualified group health
18 plan which has an agreement with the qualified small em-
19 ployer purchasing group for the community rating area
20 in which such employees and individuals reside.

21 “(b) UNINSURED INDIVIDUALS.—For purposes of
22 this section, an individual is described in subsection (a)(3)
23 if such individual is an uninsured individual who is not
24 an eligible employee of a small employer that is a member

1 of a qualified small employer purchasing group or a de-
 2 pendent of such individual.

3 **“SEC. 721H. RECEIPT OF PREMIUMS.**

4 “(a) ENROLLMENT CHARGE.—The amount charged
 5 by a qualified small employer purchasing group for cov-
 6 erage under a qualified group health plan shall be equal
 7 to the sum of—

8 “(1) the premium rate offered by such health
 9 plan;

10 “(2) the administrative charge for such health
 11 plan; and

12 “(3) the purchasing group administrative
 13 charge for enrollment of eligible employees, eligible
 14 individuals and certain uninsured individuals
 15 through the group.

16 “(b) DISCLOSURE OF PREMIUM RATES AND ADMIN-
 17 ISTRATIVE CHARGES.—Each qualified small employer
 18 purchasing group shall, prior to the time of enrollment,
 19 disclose to enrollees and other interested parties the pre-
 20 mium rate for a qualified group health plan, the adminis-
 21 trative charge for such plan, and the administrative charge
 22 of the group, separately.

23 **“SEC. 721I. MARKETING ACTIVITIES.**

24 “Each qualified small employer purchasing group
 25 shall market qualified group health plans to members

1 through the entire community rating area served by the
 2 purchasing group.

3 **“SEC. 721J. GRANTS TO STATES AND QUALIFIED SMALL EM-**
 4 **PLOYER PURCHASING GROUPS.**

5 “(a) IN GENERAL.—The Secretary shall award
 6 grants to States and small employer purchasing groups
 7 to assist such States and groups in planning, developing,
 8 and operating qualified small employer purchasing groups.

9 “(b) APPLICATION REQUIREMENTS.—To be eligible
 10 to receive a grant under this section, a State or small em-
 11 ployer purchasing group shall prepare and submit to the
 12 Secretary an application in such form, at such time, and
 13 containing such information, certifications, and assur-
 14 ances as the Secretary shall reasonably require.

15 “(c) USE OF FUNDS.—Amounts awarded under this
 16 section may be used to finance the costs associated with
 17 planning, developing, and operating a qualified small em-
 18 ployer purchasing group. Such costs may include the costs
 19 associated with—

20 “(1) engaging in education and outreach efforts
 21 to inform small employers, insurers, and the public
 22 about the small employer purchasing group;

23 “(2) soliciting bids and negotiating with insur-
 24 ers to make available group health plans;

1 “(3) preparing the documentation required to
 2 receive certification by the Secretary as a qualified
 3 small employer purchasing group; and

4 “(4) such other activities determined appro-
 5 priate by the Secretary.

6 “(d) AUTHORIZATION OF APPROPRIATIONS.—There
 7 are authorized to be appropriated for awarding grants
 8 under this section such sums as may be necessary.

9 **“SEC. 721K. QUALIFIED SMALL EMPLOYER PURCHASING**
 10 **GROUPS ESTABLISHED BY A STATE.**

11 “A State may establish a system in all or part of the
 12 State under which qualified small employer purchasing
 13 groups are the sole mechanism through which health care
 14 coverage for the eligible employees of small employers shall
 15 be purchased or provided.

16 **“SEC. 721L. EFFECTIVE DATES.**

17 “(a) IN GENERAL.—Except as provided in this chap-
 18 ter, the provisions of this chapter are effective on the date
 19 of the enactment of this subpart.

20 “(b) EXCEPTION.—The provisions of section 721C(b)
 21 shall apply to contracts which are issued, or renewed, after
 22 the date which is 18 months after the date of the enact-
 23 ment of this subpart.

1 **“CHAPTER 2—REQUIRED COVERAGE OPTIONS**
 2 **FOR ELIGIBLE EMPLOYEES AND DEPEND-**
 3 **ENTS OF SMALL EMPLOYERS**

4 **“SEC. 722. REQUIRING SMALL EMPLOYERS TO OFFER COV-**
 5 **ERAGE FOR ELIGIBLE INDIVIDUALS.**

6 “(a) REQUIREMENT TO OFFER.—Each small em-
 7 ployer shall make available with respect to each eligible
 8 employee a group health plan under which—

9 “(1) coverage of each eligible individual with re-
 10 spect to such an eligible employee may be elected on
 11 an annual basis for each plan year;

12 “(2) coverage is provided for at least the stand-
 13 ard coverage specified in section 721A(b); and

14 “(3) each eligible employee electing such cov-
 15 erage may elect to have any premiums owed by the
 16 employee collected through payroll deduction.

17 “(b) NO EMPLOYER CONTRIBUTION REQUIRED.—An
 18 employer is not required under subsection (a) to make any
 19 contribution to the cost of coverage under a group health
 20 plan described in such subsection.

21 “(c) SPECIAL RULES.—

22 “(1) EXCLUSION OF NEW EMPLOYERS AND
 23 CERTAIN VERY SMALL EMPLOYERS.—Subsection (a)
 24 shall not apply to any small employer for any plan
 25 year if, as of the beginning of such plan year—

1 “(A) such employer (including any prede-
2 cessor thereof) has been an employer for less
3 than 2 years;

4 “(B) such employer has no more than 2 el-
5 igible employees; or

6 “(C) no more than 2 eligible employees are
7 not covered under any group health plan.

8 “(2) EXCLUSION OF FAMILY MEMBERS.—Under
9 such procedures as the Secretary may prescribe, any
10 relative of a small employer may be, at the election
11 of the employer, excluded from consideration as an
12 eligible employee for purposes of applying the re-
13 quirements of subsection (a). In the case of a small
14 employer that is not an individual, an employee who
15 is a relative of a key employee (as defined in section
16 416(i)(1) of the Internal Revenue Code of 1986) of
17 the employer may, at the election of the key em-
18 ployee, be considered a relative excludable under this
19 paragraph.

20 “(3) OPTIONAL APPLICATION OF WAITING PE-
21 RIOD.—A group health plan and a health insurance
22 issuer offering group health insurance coverage shall
23 not be treated as failing to meet the requirements of
24 subsection (a) solely because a period of service by

1 an eligible employee of not more than 60 days is re-
 2 quired under the plan for coverage under the plan
 3 of eligible individuals with respect to such employee.

4 “(d) CONSTRUCTION.—Nothing in this section shall
 5 be construed as limiting the group health plans, or types
 6 of coverage under such a plan, that an employer may offer
 7 to an employee.

8 **“SEC. 722A. COMPLIANCE WITH APPLICABLE REQUIRE-**
 9 **MENTS THROUGH MULTIPLE EMPLOYER**
 10 **HEALTH ARRANGEMENTS.**

11 “(a) IN GENERAL.—In any case in which an eligible
 12 employee is, for any plan year, a participant in a group
 13 health plan which is a multiemployer plan, the require-
 14 ments of section 722(a) shall be deemed to be met with
 15 respect to such employee for such plan year if the em-
 16 ployer requirements of subsection (b) are met with respect
 17 to the eligible employee, irrespective of whether, or to what
 18 extent, the employer makes employer contributions on be-
 19 half of the eligible employee.

20 “(b) EMPLOYER REQUIREMENTS.—The employer re-
 21 quirements of this subsection are met under a group
 22 health plan with respect to an eligible employee if—

23 “(1) the employee is eligible under the plan to
 24 elect coverage on an annual basis and is provided a
 25 reasonable opportunity to make the election in such

1 form and manner and at such times as are provided
 2 by the plan;

3 “(2) coverage is provided for at least the stand-
 4 ard coverage specified in section 721A(b);

5 “(3) the employer facilitates collection of any
 6 employee contributions under the plan and permits
 7 the employee to elect to have employee contributions
 8 under the plan collected through payroll deduction;
 9 and

10 “(4) in the case of a plan to which part 1 does
 11 not otherwise apply, the employer provides to the
 12 employee a summary plan description described in
 13 section 102(a)(1) in the form and manner and at
 14 such times as are required under such part 1 with
 15 respect to employee welfare benefit plans.

16 **“CHAPTER 3—REQUIRED COVERAGE OPTIONS**
 17 **FOR INDIVIDUALS INSURED THROUGH ASSO-**
 18 **CIATION PLANS**

19 **“Subchapter A—Qualified Association Plans**

20 **“SEC. 723. TREATMENT OF QUALIFIED ASSOCIATION**
 21 **PLANS.**

22 “(a) GENERAL RULE.—For purposes of this chapter,
 23 in the case of a qualified association plan—

1 “(1) except as otherwise provided in this sub-
2 chapter, the plan shall meet all applicable require-
3 ments of chapter 1 and chapter 2 for group health
4 plans offered to and by small employers;

5 “(2) if such plan is certified as meeting such
6 requirements and the requirements of this sub-
7 chapter, such plan shall be treated as a plan estab-
8 lished and maintained by a small employer, and indi-
9 viduals enrolled in such plan shall be treated as eli-
10 gible employees; and

11 “(3) any individual who is a member of the as-
12 sociation not enrolling in the plan shall not be treat-
13 ed as an eligible employee solely by reason of mem-
14 bership in such association.

15 “(b) ELECTION TO BE TREATED AS PURCHASING
16 COOPERATIVE.—Subsection (a) shall not apply to a quali-
17 fied association plan if—

18 “(1) the health insurance issuer makes an irrev-
19 ocable election to be treated as a qualified small em-
20 ployer purchasing group for purposes of section
21 721D; and

22 “(2) such sponsor meets all requirements of
23 this subpart applicable to a purchasing cooperative.

1 **“SEC. 723A. QUALIFIED ASSOCIATION PLAN DEFINED.**

2 “(a) GENERAL RULE.—For purposes of this chapter,
3 a plan is a qualified association plan if the plan is a mul-
4 tiple employer welfare arrangement or similar arrange-
5 ment—

6 “(1) which is maintained by a qualified associa-
7 tion;

8 “(2) which has at least 500 participants in the
9 United States;

10 “(3) under which the benefits provided consist
11 solely of medical care (as defined in section 213(d)
12 of the Internal Revenue Code of 1986);

13 “(4) which may not condition participation in
14 the plan, or terminate coverage under the plan, on
15 the basis of the health status or health claims expe-
16 rience of any employee or member or dependent of
17 either;

18 “(5) which provides for bonding, in accordance
19 with regulations providing rules similar to the rules
20 under section 412, of all persons operating or ad-
21 ministering the plan or involved in the financial af-
22 fairs of the plan; and

23 “(6) which notifies each participant or provider
24 that it is certified as meeting the requirements of
25 this chapter applicable to it.

1 “(b) SELF-INSURED PLANS.—In the case of a plan
 2 which is not fully insured (within the meaning of section
 3 514(b)(6)(D)), the plan shall be treated as a qualified as-
 4 sociation plan only if—

5 “(1) the plan meets minimum financial solvency
 6 and cash reserve requirements for claims which are
 7 established by the Secretary and which shall be in
 8 lieu of any other such requirements under this chap-
 9 ter;

10 “(2) the plan provides an annual funding report
 11 (certified by an independent actuary) and annual fi-
 12 nancial statements to the Secretary and other inter-
 13 ested parties; and

14 “(3) the plan appoints a plan sponsor who is
 15 responsible for operating the plan and ensuring com-
 16 pliance with applicable Federal and State laws.

17 “(c) CERTIFICATION.—

18 “(1) IN GENERAL.—A plan shall not be treated
 19 as a qualified association plan for any period unless
 20 there is in effect a certification by the Secretary that
 21 the plan meets the requirements of this subchapter.
 22 For purposes of this chapter, the Secretary shall be
 23 the appropriate certifying authority with respect to
 24 the plan.

1 “(2) FEE.—The Secretary shall require a
2 \$5,000 fee for the original certification under para-
3 graph (1) and may charge a reasonable annual fee
4 to cover the costs of processing and reviewing the
5 annual statements of the plan.

6 “(3) EXPEDITED PROCEDURES.—The Secretary
7 may by regulation provide for expedited registration,
8 certification, and comment procedures.

9 “(4) AGREEMENTS.—The Secretary of Labor
10 may enter into agreements with the States to carry
11 out the Secretary’s responsibilities under this sub-
12 chapter.

13 “(d) AVAILABILITY.—Notwithstanding any other
14 provision of this chapter, a qualified association plan may
15 limit coverage to individuals who are members of the
16 qualified association establishing or maintaining the plan,
17 an employee of such member, or a dependent of either.

18 “(e) SPECIAL RULES FOR EXISTING PLANS.—In the
19 case of a plan in existence on January 1, 1997—

20 “(1) the requirements of subsection (a) (other
21 than paragraphs (4), (5), and (6) thereof) shall not
22 apply;

23 “(2) no original certification shall be required
24 under this subchapter; and

1 “(3) no annual report or funding statement
 2 shall be required before January 1, 1999, but the
 3 plan shall file with the Secretary a description of the
 4 plan and the name of the health insurance issuer.

5 **“SEC. 723B. DEFINITIONS AND SPECIAL RULES.**

6 “(a) QUALIFIED ASSOCIATION.—For purposes of this
 7 subchapter, the term ‘qualified association’ means any or-
 8 ganization which—

9 “(1) is organized and maintained in good faith
 10 by a trade association, an industry association, a
 11 professional association, a chamber of commerce, a
 12 religious organization, a public entity association, or
 13 other business association serving a common or simi-
 14 lar industry;

15 “(2) is organized and maintained for substan-
 16 tial purposes other than to provide a health plan;

17 “(3) has a constitution, bylaws, or other similar
 18 governing document which states its purpose; and

19 “(4) receives a substantial portion of its finan-
 20 cial support from its active, affiliated, or federation
 21 members.

22 “(b) COORDINATION.—The term ‘qualified associa-
 23 tion plan’ shall not include a plan to which subchapter
 24 B applies.

1 **“Subchapter B—Special Rule for Church,**
 2 **Multiemployer, and Cooperative Plans**

3 **“SEC. 723F. SPECIAL RULE FOR CHURCH, MULTIEM-**
 4 **PLOYER, AND COOPERATIVE PLANS.**

5 “(a) GENERAL RULE.—For purposes of this chapter,
 6 in the case of a group health plan to which this section
 7 applies—

8 “(1) except as otherwise provided in this sub-
 9 chapter, the plan shall be required to meet all appli-
 10 cable requirements of chapter 1 and chapter 2 for
 11 group health plans offered to and by small employ-
 12 ers;

13 “(2) if such plan is certified as meeting such
 14 requirements, such plan shall be treated as a plan
 15 established and maintained by a small employer and
 16 individuals enrolled in such plan shall be treated as
 17 eligible employees; and

18 “(3) any individual eligible to enroll in the plan
 19 who does not enroll in the plan shall not be treated
 20 as an eligible employee solely by reason of being eli-
 21 gible to enroll in the plan.

22 “(b) MODIFIED STANDARDS.—

23 “(1) CERTIFYING AUTHORITY.—For purposes
 24 of this chapter, the Secretary shall be the appro-
 25 priate certifying authority with respect to a plan to
 26 which this section applies.

1 “(2) AVAILABILITY.—Rules similar to the rules
2 of subsection (e) of section 723A shall apply to a
3 plan to which this section applies.

4 “(3) ACCESS.—An employer which, pursuant to
5 a collective bargaining agreement, offers an em-
6 ployee the opportunity to enroll in a plan described
7 in subsection (c)(2) shall not be required to make
8 any other plan available to the employee.

9 “(4) TREATMENT UNDER STATE LAWS.—A
10 church plan described in subsection (c)(1) which is
11 certified as meeting the requirements of this section
12 shall not be deemed to be a multiple employer wel-
13 fare arrangement or an insurance company or other
14 insurer, or to be engaged in the business of insur-
15 ance, for purposes of any State law purporting to
16 regulate insurance companies or insurance contracts.

17 “(c) PLANS TO WHICH SECTION APPLIES.—This sec-
18 tion shall apply to a health plan which—

19 “(1) is a church plan (as defined in section
20 414(e) of the Internal Revenue Code of 1986) which
21 has at least 100 participants in the United States;

22 “(2) is a multiemployer plan which is main-
23 tained by a health plan sponsor described in section
24 3(16)(B)(iii) and which has at least 500 participants
25 in the United States; or

1 “(3) is a plan which is maintained by a rural
2 electric cooperative or a rural telephone cooperative
3 association and which has at least 500 participants
4 in the United States.”.

5 (b) CONFORMING AMENDMENTS.—Section 731(d) of
6 the Employee Retirement Income Security Act of 1974
7 (29 U.S.C. 1186(d)) is amended by adding at the end
8 thereof the following new paragraphs:

9 “(5) ELIGIBLE EMPLOYEE.—The term ‘eligible
10 employee’ means, with respect to an employer, an
11 employee who normally performs on a monthly basis
12 at least 30 hours of service per week for that em-
13 ployer.

14 “(6) ELIGIBLE INDIVIDUAL.—The term ‘eligible
15 individual’ means, with respect to an eligible em-
16 ployee, such employee, and any dependent of such
17 employee.

18 “(7) NAIC.—The term ‘NAIC’ means the Na-
19 tional Association of Insurance Commissioners.

20 “(8) QUALIFIED GROUP HEALTH PLAN.—The
21 term ‘qualified group health plan’ shall have the
22 meaning given the term in section 721.”.

1 **SEC. 202. AMENDMENTS TO THE PUBLIC HEALTH SERVICE**

2 **ACT RELATING TO THE GROUP MARKET.**

3 (a) IN GENERAL.—Subpart 2 of part A of title
4 XXVII of the Public Health Service Act is amended—

5 (1) by inserting after the subpart heading the
6 following:

7 **“CHAPTER 1—MISCELLANEOUS REQUIREMENTS”;**

8 and

9 (2) by adding at the end thereof the following:

10 **“CHAPTER 2—GENERAL INSURANCE COVERAGE**
11 **REFORMS**

12 **“Subchapter A—Increased Availability and**
13 **Continuity of Health Coverage**

14 **“SEC. 2705. DEFINITION.**

15 “As used in this chapter, the term ‘qualified group
16 health plan’ means a group health plan, and a health in-
17 surance issuer offering group health insurance coverage,
18 that is designed to provide standard coverage (consistent
19 with section 2705A(b)).

20 **“SEC. 2705A. ACTUARIAL EQUIVALENCE IN BENEFITS PER-**
21 **MITTED.**

22 “(a) SET OF RULES OF ACTUARIAL EQUIVALENCE.—

23 “(1) INITIAL DETERMINATION.—The NAIC is
24 requested to submit to the Secretary, within 6

1 months after the date of the enactment of this chap-
2 ter, a set of rules which the NAIC determines is suf-
3 ficient for determining, in the case of any group
4 health plan, or a health insurance issuer offering
5 group health insurance coverage, and for purposes of
6 this section, the actuarial value of the coverage of-
7 fered by the plan or coverage.

8 “(2) CERTIFICATION.—If the Secretary deter-
9 mines that the NAIC has submitted a set of rules
10 that comply with the requirements of paragraph (1),
11 the Secretary shall certify such set of rules for use
12 under this chapter. If the Secretary determines that
13 such a set of rules has not been submitted or does
14 not comply with such requirements, the Secretary
15 shall promptly establish a set of rules that meets
16 such requirements.

17 “(b) STANDARD COVERAGE.—

18 “(1) IN GENERAL.—A a group health plan, and
19 a health insurance issuer offering group health in-
20 surance coverage, shall be considered to provide
21 standard coverage consistent with this subsection if
22 the benefits are determined, in accordance with the

1 set of actuarial equivalence rules certified under sub-
 2 section (a), to have a value that is within 5 percent-
 3 age points of the target actuarial value for standard
 4 coverage established under paragraph (2).

5 “(2) INITIAL DETERMINATION OF TARGET AC-
 6 TUARIAL VALUE FOR STANDARD COVERAGE.—

7 “(A) INITIAL DETERMINATION.—

8 “(i) IN GENERAL.—The NAIC is re-
 9 quested to submit to the Secretary, within
 10 6 months after the date of the enactment
 11 of this chapter, a target actuarial value for
 12 standard coverage equal to the average ac-
 13 tuarial value of the coverage described in
 14 clause (ii). No specific procedure or treat-
 15 ment, or classes thereof, is required to be
 16 considered in such determination by this
 17 chapter or through regulations. The deter-
 18 mination of such value shall be based on a
 19 representative distribution of the popu-
 20 lation of eligible employees offered such
 21 coverage and a single set of standardized
 22 utilization and cost factors.

1 “(ii) COVERAGE DESCRIBED.—The
 2 coverage described in this clause is cov-
 3 erage for medically necessary and appro-
 4 priate services consisting of medical and
 5 surgical services, medical equipment, pre-
 6 ventive services, and emergency transpor-
 7 tation in frontier areas. No specific proce-
 8 dure or treatment, or classes thereof, is re-
 9 quired to be covered in such a plan, by this
 10 chapter or through regulations.

11 “(B) CERTIFICATION.—If the Secretary
 12 determines that the NAIC has submitted a tar-
 13 get actuarial value for standard coverage that
 14 complies with the requirements of subparagraph
 15 (A), the Secretary shall certify such value for
 16 use under this chapter. If the Secretary deter-
 17 mines that a target actuarial value has not been
 18 submitted or does not comply with the require-
 19 ments of subparagraph (A), the Secretary shall
 20 promptly determine a target actuarial value
 21 that meets such requirements.

22 “(c) SUBSEQUENT REVISIONS.—

23 “(1) NAIC.—The NAIC may submit from time
 24 to time to the Secretary revisions of the set of rules
 25 of actuarial equivalence and target actuarial values

1 previously established or determined under this sec-
 2 tion if the NAIC determines that revisions are nec-
 3 essary to take into account changes in the relevant
 4 types of health benefits provisions or in demographic
 5 conditions which form the basis for the set of rules
 6 of actuarial equivalence or the target actuarial val-
 7 ues. The provisions of subsection (a)(2) shall apply
 8 to such a revision in the same manner as they apply
 9 to the initial determination of the set of rules.

10 “(2) SECRETARY.—The Secretary may by regu-
 11 lation revise the set of rules of actuarial equivalence
 12 and target actuarial values from time to time if the
 13 Secretary determines such revisions are necessary to
 14 take into account changes described in paragraph
 15 (1).

16 **“SEC. 2705B. ESTABLISHMENT OF PLAN STANDARDS.**

17 “(a) ESTABLISHMENT OF GENERAL STANDARDS.—

18 “(1) ROLE OF NAIC.—The NAIC is requested
 19 to submit to the Secretary, within 9 months after
 20 the date of the enactment of this chapter, model reg-
 21 ulations that specify standards for making qualified
 22 group health plans available to small employers. If
 23 the NAIC develops recommended regulations specify-
 24 ing such standards within such period, the Secretary
 25 shall review the standards. Such review shall be

1 completed within 60 days after the date the regula-
2 tions are developed. Such standards shall serve as
3 the standards under this section, with such amend-
4 ments as the Secretary deems necessary. Such
5 standards shall be nonbinding (except as provided in
6 chapter 4).

7 “(2) CONTINGENCY.—If the NAIC does not de-
8 velop such model regulations within the period de-
9 scribed in paragraph (1), the Secretary shall specify,
10 within 15 months after the date of the enactment of
11 this chapter, model regulations that specify stand-
12 ards for insurers with regard to making qualified
13 group health plans available to small employers.
14 Such standards shall be nonbinding (except as pro-
15 vided in chapter 4).

16 “(3) EFFECTIVE DATE.—The standards speci-
17 fied in the model regulations shall apply to group
18 health plans and health insurance issuers offering
19 group health insurance coverage in a State on or
20 after the respective date the standards are imple-
21 mented in the State.

22 “(b) NO PREEMPTION OF STATE LAW.—A State may
23 implement standards for group health plans available, and
24 health insurance issuers offering group health insurance

1 coverage offered, to small employers that are more strin-
 2 gent than the standards under this section, except that
 3 a State may not implement standards that prevent the of-
 4 fering of at least one group health plan that provides
 5 standard coverage (as described in section 2705A(b)).

6 **“SEC. 2705C. RATING LIMITATIONS FOR COMMUNITY-**
 7 **RATED MARKET.**

8 “(a) STANDARD PREMIUMS WITH RESPECT TO COM-
 9 MUNITY-RATED ELIGIBLE EMPLOYEES AND ELIGIBLE IN-
 10 DIVIDUALS.—

11 “(1) IN GENERAL.—Each group health plan of-
 12 fered, and each health insurance issuer offering
 13 group health insurance coverage, to a small em-
 14 ployer shall establish within each community rating
 15 area in which the plan is to be offered, a standard
 16 premium for enrollment of eligible employees and eli-
 17 gible individuals for the standard coverage (as de-
 18 fined under section 2705A(b)).

19 “(2) ESTABLISHMENT OF COMMUNITY RATING
 20 AREA.—

21 “(A) IN GENERAL.—Not later than Janu-
 22 ary 1, 1998, each State shall, in accordance
 23 with subparagraph (B), provide for the division
 24 of the State into 1 or more community rating
 25 areas. The State may revise the boundaries of

1 such areas from time to time consistent with
2 this paragraph.

3 “(B) GEOGRAPHIC AREA VARIATIONS.—

4 For purposes of subparagraph (A), a State—

5 “(i) may not identify an area that di-
6 vides a 3-digit zip code, a county, or all
7 portions of a metropolitan statistical area;

8 “(ii) shall not permit premium rates
9 for coverage offered in a portion of an
10 interstate metropolitan statistical area to
11 vary based on the State in which the cov-
12 erage is offered; and

13 “(iii) may, upon agreement with one
14 or more adjacent States, identify multi-
15 State geographic areas consistent with
16 clauses (i) and (ii).

17 “(3) ELIGIBLE INDIVIDUALS.—For purposes of
18 this section, the term ‘eligible individuals’ includes
19 certain uninsured individuals (as described in section
20 2705G).

21 “(b) UNIFORM PREMIUMS WITHIN COMMUNITY RAT-
22 ING AREAS.—

23 “(1) IN GENERAL.—Subject to paragraphs (2)
24 and (3), the standard premium for each group
25 health plan to which this section applies shall be the

1 same, but shall not include the costs of premium
 2 processing and enrollment that may vary depending
 3 on whether the method of enrollment is through a
 4 qualified small employer purchasing group, through
 5 a small employer, or through a broker.

6 “(2) APPLICATION TO ENROLLEES.—

7 “(A) IN GENERAL.—The premium charged
 8 for coverage in a group health plan which cov-
 9 ers eligible employees and eligible individuals
 10 shall be the product of—

11 “(i) the standard premium (estab-
 12 lished under paragraph (1));

13 “(ii) in the case of enrollment other
 14 than individual enrollment, the family ad-
 15 justment factor specified under subpara-
 16 graph (B); and

17 “(iii) the age adjustment factor (spec-
 18 ified under subparagraph (C)).

19 “(B) FAMILY ADJUSTMENT FACTOR.—

20 “(i) IN GENERAL.—The standards es-
 21 tablished under section 2705B shall specify
 22 family adjustment factors that reflect the
 23 relative actuarial costs of benefit packages
 24 based on family classes of enrollment (as

1 compared with such costs for individual en-
 2 rollment).

3 “(ii) CLASSES OF ENROLLMENT.—For
 4 purposes of this chapter, there are 4 class-
 5 es of enrollment:

6 “(I) Coverage only of an individ-
 7 ual (referred to in this chapter as the
 8 ‘individual’ enrollment or class of en-
 9 rollment).

10 “(II) Coverage of a married cou-
 11 ple without children (referred to in
 12 this chapter as the ‘couple-only’ en-
 13 rollment or class of enrollment).

14 “(III) Coverage of an individual
 15 and one or more children (referred to
 16 in this chapter as the ‘single parent’
 17 enrollment or class of enrollment).

18 “(IV) Coverage of a married cou-
 19 ple and one or more children (referred
 20 to in this chapter as the ‘dual parent’
 21 enrollment or class of enrollment).

22 “(iii) REFERENCES TO FAMILY AND
 23 COUPLE CLASSES OF ENROLLMENT.—In
 24 this chapter:

1 “(I) FAMILY.—The terms ‘family
2 enrollment’ and ‘family class of enroll-
3 ment’ refer to enrollment in a class of
4 enrollment described in any subclause
5 of clause (ii) (other than subclause
6 (I)).

7 “(II) COUPLE.—The term ‘couple
8 class of enrollment’ refers to enroll-
9 ment in a class of enrollment de-
10 scribed in subclause (II) or (IV) of
11 clause (ii).

12 “(iv) SPOUSE; MARRIED; COUPLE.—

13 “(I) IN GENERAL.—In this chap-
14 ter, the terms ‘spouse’ and ‘married’
15 mean, with respect to an individual,
16 another individual who is the spouse
17 of, or is married to, the individual, as
18 determined under applicable State
19 law.

20 “(II) COUPLE.—The term ‘cou-
21 ple’ means an individual and the indi-
22 vidual’s spouse.

23 “(C) AGE ADJUSTMENT FACTOR.—The
24 Secretary, in consultation with the NAIC, shall
25 specify uniform age categories and maximum

1 rating increments for age adjustment factors
2 that reflect the relative actuarial costs of bene-
3 fit packages among enrollees. For individuals
4 who have attained age 18 but not age 65, the
5 highest age adjustment factor may not exceed 3
6 times the lowest age adjustment factor.

7 “(3) ADMINISTRATIVE CHARGES.—

8 “(A) IN GENERAL.—In accordance with
9 the standards established under section 2705B,
10 a group health plan which covers eligible em-
11 ployees and eligible individuals may add a sepa-
12 rately-stated administrative charge which is
13 based on identifiable differences in legitimate
14 administrative costs and which is applied uni-
15 formly for individuals enrolling through the
16 same method of enrollment. Nothing in this
17 subparagraph may be construed as preventing a
18 qualified small employer purchasing group from
19 negotiating a unique administrative charge with
20 an insurer for a group health plan.

21 “(B) ENROLLMENT THROUGH A QUALI-
22 FIED SMALL EMPLOYER PURCHASING GROUP.—
23 In the case of an administrative charge under
24 subparagraph (A) for enrollment through a
25 qualified small employer purchasing group, such

1 charge may not exceed the lowest charge of
2 such plan for enrollment other than through a
3 qualified small employer purchasing group in
4 such area.

5 “(c) TREATMENT OF NEGOTIATED RATE AS COMMU-
6 NITY RATE.—Notwithstanding any other provision of this
7 section, a group health plan and a health insurance issuer
8 offering health insurance coverage that negotiates a pre-
9 mium rate (exclusive of any administrative charge de-
10 scribed in subsection (b)(3)) with a qualified small em-
11 ployer purchasing group in a community rating area shall
12 charge the same premium rate to all eligible employees
13 and eligible individuals.

14 **“SEC. 2705D. RATING PRACTICES AND PAYMENT OF PRE-**
15 **MIUMS.**

16 “(a) FULL DISCLOSURE OF RATING PRACTICES.—

17 “(1) IN GENERAL.—A group health plan and a
18 health insurance issuer offering health insurance
19 coverage shall fully disclose rating practices for the
20 plan to the appropriate certifying authority.

21 “(2) NOTICE ON EXPIRATION.—A group health
22 plan and a health insurance issuer offering health
23 insurance coverage shall provide for notice of the

terms for renewal of a plan at the time of the offering of the plan and at least 90 days before the date of expiration of the plan.

“(3) ACTUARIAL CERTIFICATION.—Each group health plan and health insurance issuer offering health insurance coverage shall file annually with the appropriate certifying authority a written statement by a member of the American Academy of Actuaries (or other individual acceptable to such authority) who is not an employee of the group health plan or issuer certifying that, based upon an examination by the individual which includes a review of the appropriate records and of the actuarial assumptions of such plan or insurer and methods used by the plan or insurer in establishing premium rates and administrative charges for group health plans—

“(A) such plan or insurer is in compliance with the applicable provisions of this chapter; and

“(B) the rating methods are actuarially sound.

Each plan and insurer shall retain a copy of such statement at its principal place of business for examination by any individual.

“(b) PAYMENT OF PREMIUMS.—

1 “(1) IN GENERAL.—With respect to a new en-
2 rollee in a group health plan, the plan may require
3 advanced payment of an amount equal to the month-
4 ly applicable premium for the plan at the time such
5 individual is enrolled.

6 “(2) NOTIFICATION OF FAILURE TO RECEIVE
7 PREMIUM.—If a group health plan or a health insur-
8 ance issuer offering health insurance coverage fails
9 to receive payment on a premium due with respect
10 to an eligible employee or eligible individual covered
11 under the plan involved, the plan or issuer shall pro-
12 vide notice of such failure to the employee or individ-
13 ual within the 20-day period after the date on which
14 such premium payment was due. A plan or issuer
15 may not terminate the enrollment of an eligible em-
16 ployee or eligible individual unless such employee or
17 individual has been notified of any overdue pre-
18 miums and has been provided a reasonable oppor-
19 tunity to respond to such notice.

20 **“SEC. 2705E. QUALIFIED SMALL EMPLOYER PURCHASING**
21 **GROUPS.**

22 “(a) QUALIFIED SMALL EMPLOYER PURCHASING
23 GROUPS DESCRIBED.—

24 “(1) IN GENERAL.—A qualified small employer
25 purchasing group is an entity that—

1 “(A) is a nonprofit entity certified under
2 State law;

3 “(B) has a membership consisting solely of
4 small employers;

5 “(C) is administered solely under the au-
6 thority and control of its member employers;

7 “(D) with respect to each State in which
8 its members are located, consists of not fewer
9 than the number of small employers established
10 by the State as appropriate for such a group;

11 “(E) offers a program under which quali-
12 fied group health plans are offered to eligible
13 employees and eligible individuals through its
14 member employers and to certain uninsured in-
15 dividuals in accordance with section 2705D;
16 and

17 “(F) an insurer, agent, broker, or any
18 other individual or entity engaged in the sale of
19 insurance—

20 “(i) does not form or underwrite; and

21 “(ii) does not hold or control any
22 right to vote with respect to.

1 “(2) STATE CERTIFICATION.—A qualified small
2 employer purchasing group formed under this sec-
3 tion shall submit an application to the State for cer-
4 tification. The State shall determine whether to
5 issue a certification and otherwise ensure compliance
6 with the requirements of this chapter.

7 “(3) SPECIAL RULE.—Notwithstanding para-
8 graph (1)(B), an employer member of a small em-
9 ployer purchasing group that has been certified by
10 the State as meeting the requirements of paragraph
11 (1) may retain its membership in the group if the
12 number of employees of the employer increases such
13 that the employer is no longer a small employer.

14 “(b) BOARD OF DIRECTORS.—Each qualified small
15 employer purchasing group established under this section
16 shall be governed by a board of directors or have active
17 input from an advisory board consisting of individuals and
18 businesses participating in the group.

19 “(c) DOMICILIARY STATE.—For purposes of this sec-
20 tion, a qualified small employer purchasing group operat-
21 ing in more than one State shall be certified by the State
22 in which the group is domiciled.

23 “(d) MEMBERSHIP.—

24 “(1) IN GENERAL.—A qualified small employer
25 purchasing group shall accept all small employers

1 and certain uninsured individuals residing within the
 2 area served by the group as members if such em-
 3 ployers or individuals request such membership.

4 “(2) VOTING.—Members of a qualified small
 5 employer purchasing group shall have voting rights
 6 consistent with the rules established by the State.

7 “(e) DUTIES OF QUALIFIED SMALL EMPLOYER PUR-
 8 CHASING GROUPS.—Each qualified small employer pur-
 9 chasing group shall—

10 “(1) enter into agreements with insurers offer-
 11 ing qualified group health plans;

12 “(2) enter into agreements with small employ-
 13 ers under section 2705F;

14 “(3) enroll only eligible employees, eligible indi-
 15 viduals, and certain uninsured individuals in quali-
 16 fied group health plans, in accordance with section
 17 2705G;

18 “(4) provide enrollee information to the State;

19 “(5) meet the marketing requirements under
 20 section 2705I; and

21 “(6) carry out other functions provided for
 22 under this chapter.

23 “(f) LIMITATION ON ACTIVITIES.—A qualified small
 24 employer purchasing group shall not—

1 “(1) perform any activity involving approval or
2 enforcement of payment rates for providers;

3 “(2) perform any activity (other than the re-
4 porting of noncompliance) relating to compliance of
5 qualified group health plans with the requirements
6 of this chapter;

7 “(3) assume financial risk in relation to any
8 such health plan; or

9 “(4) perform other activities identified by the
10 State as being inconsistent with the performance of
11 its duties under this chapter.

12 “(g) RULES OF CONSTRUCTION.—

13 “(1) ESTABLISHMENT NOT REQUIRED.—Noth-
14 ing in this section shall be construed as requiring—

15 “(A) that a State organize, operate or oth-
16 erwise establish a qualified small employer pur-
17 chasing group, or otherwise require the estab-
18 lishment of purchasing groups; and

19 “(B) that there be only one qualified small
20 employer purchasing group established with re-
21 spect to a community rating area.

22 “(2) SINGLE ORGANIZATION SERVING MUL-
23 TIPLE AREAS AND STATES.—Nothing in this section
24 shall be construed as preventing a single entity from
25 being a qualified small employer purchasing group in

1 more than one community rating area or in more
 2 than one State.

3 “(3) VOLUNTARY PARTICIPATION.—Nothing in
 4 this section shall be construed as requiring any indi-
 5 vidual or small employer to purchase a qualified
 6 group health plan exclusively through a qualified
 7 small employer purchasing group.

8 **“SEC. 2705F. AGREEMENTS WITH SMALL EMPLOYERS.**

9 “(a) IN GENERAL.—A qualified small employer pur-
 10 chasing group shall offer to enter into an agreement under
 11 this section with each small employer that employs eligible
 12 employees in the area served by the group.

13 “(b) PAYROLL DEDUCTION.—

14 “(1) IN GENERAL.—Under an agreement under
 15 this section between a small employer and a quali-
 16 fied small employer purchasing group, the small em-
 17 ployer shall deduct premiums from an eligible em-
 18 ployee’s wages.

19 “(2) ADDITIONAL PREMIUMS.—If the amount
 20 withheld under paragraph (1) is not sufficient to
 21 cover the entire cost of the premiums, the eligible
 22 employee shall be responsible for paying directly to
 23 the qualified small employer purchasing group the
 24 difference between the amount of such premiums
 25 and the amount withheld.

1 **“SEC. 2705G. ENROLLING ELIGIBLE EMPLOYEES, ELIGIBLE**
2 **INDIVIDUALS, AND CERTAIN UNINSURED IN-**
3 **DIVIDUALS IN QUALIFIED GROUP HEALTH**
4 **PLANS.**

5 “(a) IN GENERAL.—Each qualified small employer
6 purchasing group shall offer—

7 “(1) eligible employees,

8 “(2) eligible individuals, and

9 “(3) certain uninsured individuals,

10 the opportunity to enroll in any qualified group health
11 plan which has an agreement with the qualified small em-
12 ployer purchasing group for the community rating area
13 in which such employees and individuals reside.

14 “(b) UNINSURED INDIVIDUALS.—For purposes of
15 this section, an individual is described in subsection (a)(3)
16 if such individual is an uninsured individual who is not
17 an eligible employee of a small employer that is a member
18 of a qualified small employer purchasing group or a de-
19 pendent of such individual.

20 **“SEC. 2705H. RECEIPT OF PREMIUMS.**

21 “(a) ENROLLMENT CHARGE.—The amount charged
22 by a qualified small employer purchasing group for cov-
23 erage under a qualified group health plan shall be equal
24 to the sum of—

25 “(1) the premium rate offered by such health
26 plan;

1 “(2) the administrative charge for such health
2 plan; and

3 “(3) the purchasing group administrative
4 charge for enrollment of eligible employees, eligible
5 individuals and certain uninsured individuals
6 through the group.

7 “(b) DISCLOSURE OF PREMIUM RATES AND ADMIN-
8 ISTRATIVE CHARGES.—Each qualified small employer
9 purchasing group shall, prior to the time of enrollment,
10 disclose to enrollees and other interested parties the pre-
11 mium rate for a qualified group health plan, the adminis-
12 trative charge for such plan, and the administrative charge
13 of the group, separately.

14 **“SEC. 2705I. MARKETING ACTIVITIES.**

15 “Each qualified small employer purchasing group
16 shall market qualified group health plans to members
17 through the entire community rating area served by the
18 purchasing group.

19 **“SEC. 2705J. GRANTS TO STATES AND QUALIFIED SMALL**
20 **EMPLOYER PURCHASING GROUPS.**

21 “(a) IN GENERAL.—The Secretary shall award
22 grants to States and small employer purchasing groups
23 to assist such States and groups in planning, developing,
24 and operating qualified small employer purchasing groups.

1 “(b) APPLICATION REQUIREMENTS.—To be eligible
2 to receive a grant under this section, a State or small em-
3 ployer purchasing group shall prepare and submit to the
4 Secretary an application in such form, at such time, and
5 containing such information, certifications, and assur-
6 ances as the Secretary shall reasonably require.

7 “(c) USE OF FUNDS.—Amounts awarded under this
8 section may be used to finance the costs associated with
9 planning, developing, and operating a qualified small em-
10 ployer purchasing group. Such costs may include the costs
11 associated with—

12 “(1) engaging in education and outreach efforts
13 to inform small employers, insurers, and the public
14 about the small employer purchasing group;

15 “(2) soliciting bids and negotiating with insur-
16 ers to make available group health plans;

17 “(3) preparing the documentation required to
18 receive certification by the Secretary as a qualified
19 small employer purchasing group; and

20 “(4) such other activities determined appro-
21 priate by the Secretary.

22 “(d) AUTHORIZATION OF APPROPRIATIONS.—There
23 are authorized to be appropriated for awarding grants
24 under this section such sums as may be necessary.

1 **“SEC. 2705K. QUALIFIED SMALL EMPLOYER PURCHASING**
 2 **GROUPS ESTABLISHED BY A STATE.**

3 “A State may establish a system in all or part of the
 4 State under which qualified small employer purchasing
 5 groups are the sole mechanism through which health care
 6 coverage for the eligible employees of small employers shall
 7 be purchased or provided.

8 **“SEC. 2705L. EFFECTIVE DATES.**

9 “(a) IN GENERAL.—Except as provided in this chap-
 10 ter, the provisions of this chapter are effective on the date
 11 of the enactment of this chapter.

12 “(b) EXCEPTION.—The provisions of section
 13 2705C(b) shall apply to contracts which are issued, or re-
 14 newed, after the date which is 18 months after the date
 15 of the enactment of this chapter.

16 **“Subchapter B—Required Coverage Options for Eli-**
 17 **gible Employees and Dependents of Small Em-**
 18 **ployers**

19 **“SEC. 2706. REQUIRING SMALL EMPLOYERS TO OFFER COV-**
 20 **ERAGE FOR ELIGIBLE INDIVIDUALS.**

21 “(a) REQUIREMENT TO OFFER.—Each small em-
 22 ployer shall make available with respect to each eligible
 23 employee a group health plan under which—

24 “(1) coverage of each eligible individual with re-
 25 spect to such an eligible employee may be elected on
 26 an annual basis for each plan year;

1 “(2) coverage is provided for at least the stand-
2 ard coverage specified in section 2705A(b); and

3 “(3) each eligible employee electing such cov-
4 erage may elect to have any premiums owed by the
5 employee collected through payroll deduction.

6 “(b) NO EMPLOYER CONTRIBUTION REQUIRED.—An
7 employer is not required under subsection (a) to make any
8 contribution to the cost of coverage under a group health
9 plan described in such subsection.

10 “(c) SPECIAL RULES.—

11 “(1) EXCLUSION OF NEW EMPLOYERS AND
12 CERTAIN VERY SMALL EMPLOYERS.—Subsection (a)
13 shall not apply to any small employer for any plan
14 year if, as of the beginning of such plan year—

15 “(A) such employer (including any prede-
16 cessor thereof) has been an employer for less
17 than 2 years;

18 “(B) such employer has no more than 2 el-
19 igible employees; or

20 “(C) no more than 2 eligible employees are
21 not covered under any group health plan.

22 “(2) EXCLUSION OF FAMILY MEMBERS.—Under
23 such procedures as the Secretary may prescribe, any
24 relative of a small employer may be, at the election
25 of the employer, excluded from consideration as an

1 eligible employee for purposes of applying the re-
 2 quirements of subsection (a). In the case of a small
 3 employer that is not an individual, an employee who
 4 is a relative of a key employee (as defined in section
 5 416(i)(1) of the Internal Revenue Code of 1986) of
 6 the employer may, at the election of the key em-
 7 ployee, be considered a relative excludable under this
 8 paragraph.

9 “(3) OPTIONAL APPLICATION OF WAITING PE-
 10 RIOD.—A group health plan and a health insurance
 11 issuer offering group health insurance coverage shall
 12 not be treated as failing to meet the requirements of
 13 subsection (a) solely because a period of service by
 14 an eligible employee of not more than 60 days is re-
 15 quired under the plan for coverage under the plan
 16 of eligible individuals with respect to such employee.

17 “(d) CONSTRUCTION.—Nothing in this section shall
 18 be construed as limiting the group health plans, or types
 19 of coverage under such a plan, that an employer may offer
 20 to an employee.

21 **“SEC. 2706A. COMPLIANCE WITH APPLICABLE REQUIRE-**
 22 **MENTS THROUGH MULTIPLE EMPLOYER**
 23 **HEALTH ARRANGEMENTS.**

24 “(a) IN GENERAL.—In any case in which an eligible
 25 employee is, for any plan year, a participant in a group

1 health plan which is a multiemployer plan, the require-
 2 ments of section 2722(a) shall be deemed to be met with
 3 respect to such employee for such plan year if the em-
 4 ployer requirements of subsection (b) are met with respect
 5 to the eligible employee, irrespective of whether, or to what
 6 extent, the employer makes employer contributions on be-
 7 half of the eligible employee.

8 “(b) EMPLOYER REQUIREMENTS.—The employer re-
 9 quirements of this subsection are met under a group
 10 health plan with respect to an eligible employee if—

11 “(1) the employee is eligible under the plan to
 12 elect coverage on an annual basis and is provided a
 13 reasonable opportunity to make the election in such
 14 form and manner and at such times as are provided
 15 by the plan;

16 “(2) coverage is provided for at least the stand-
 17 ard coverage specified in section 2705A(b);

18 “(3) the employer facilitates collection of any
 19 employee contributions under the plan and permits
 20 the employee to elect to have employee contributions
 21 under the plan collected through payroll deduction;
 22 and

23 “(4) in the case of a plan to which subchapter
 24 A does not otherwise apply, the employer provides to
 25 the employee a summary plan description described

1 in section 102(a)(1) in the form and manner and at
 2 such times as are required under such subchapter A
 3 with respect to employee welfare benefit plans.

4 **“Subchapter C—Required Coverage Options for**
 5 **Individuals Insured Through Association Plans**

6 **“SEC. 2707. TREATMENT OF QUALIFIED ASSOCIATION**
 7 **PLANS.**

8 “(a) GENERAL RULE.—For purposes of this chapter,
 9 in the case of a qualified association plan—

10 “(1) except as otherwise provided in this sub-
 11 chapter, the plan shall meet all applicable require-
 12 ments of chapter 1 and chapter 2 for group health
 13 plans offered to and by small employers;

14 “(2) if such plan is certified as meeting such
 15 requirements and the requirements of this sub-
 16 chapter, such plan shall be treated as a plan estab-
 17 lished and maintained by a small employer, and indi-
 18 viduals enrolled in such plan shall be treated as eli-
 19 gible employees; and

20 “(3) any individual who is a member of the as-
 21 sociation not enrolling in the plan shall not be treat-
 22 ed as an eligible employee solely by reason of mem-
 23 bership in such association.

1 “(b) ELECTION TO BE TREATED AS PURCHASING
2 COOPERATIVE.—Subsection (a) shall not apply to a quali-
3 fied association plan if—

4 “(1) the health insurance issuer makes an irrev-
5 ovable election to be treated as a qualified small em-
6 ployer purchasing group for purposes of section
7 2705D; and

8 “(2) such sponsor meets all requirements of
9 this chapter applicable to a purchasing cooperative.

10 **“SEC. 2707A. QUALIFIED ASSOCIATION PLAN DEFINED.**

11 “(a) GENERAL RULE.—For purposes of this chapter,
12 a plan is a qualified association plan if the plan is a mul-
13 tiple employer welfare arrangement or similar arrange-
14 ment—

15 “(1) which is maintained by a qualified associa-
16 tion;

17 “(2) which has at least 500 participants in the
18 United States;

19 “(3) under which the benefits provided consist
20 solely of medical care (as defined in section 213(d)
21 of the Internal Revenue Code of 1986);

22 “(4) which may not condition participation in
23 the plan, or terminate coverage under the plan, on

1 the basis of the health status or health claims expe-
2 rience of any employee or member or dependent of
3 either;

4 “(5) which provides for bonding, in accordance
5 with regulations providing rules similar to the rules
6 under section 412, of all persons operating or ad-
7 ministering the plan or involved in the financial af-
8 fairs of the plan; and

9 “(6) which notifies each participant or provider
10 that it is certified as meeting the requirements of
11 this chapter applicable to it.

12 “(b) SELF-INSURED PLANS.—In the case of a plan
13 which is not fully insured (within the meaning of section
14 514(b)(6)(D)), the plan shall be treated as a qualified as-
15 sociation plan only if—

16 “(1) the plan meets minimum financial solvency
17 and cash reserve requirements for claims which are
18 established by the Secretary and which shall be in
19 lieu of any other such requirements under this chap-
20 ter;

21 “(2) the plan provides an annual funding report
22 (certified by an independent actuary) and annual fi-
23 nancial statements to the Secretary and other inter-
24 ested parties; and

1 “(3) the plan appoints a plan sponsor who is
2 responsible for operating the plan and ensuring com-
3 pliance with applicable Federal and State laws.

4 “(c) CERTIFICATION.—

5 “(1) IN GENERAL.—A plan shall not be treated
6 as a qualified association plan for any period unless
7 there is in effect a certification by the Secretary that
8 the plan meets the requirements of this subchapter.
9 For purposes of this chapter, the Secretary shall be
10 the appropriate certifying authority with respect to
11 the plan.

12 “(2) FEE.—The Secretary shall require a
13 \$5,000 fee for the original certification under para-
14 graph (1) and may charge a reasonable annual fee
15 to cover the costs of processing and reviewing the
16 annual statements of the plan.

17 “(3) EXPEDITED PROCEDURES.—The Secretary
18 may by regulation provide for expedited registration,
19 certification, and comment procedures.

20 “(4) AGREEMENTS.—The Secretary of Labor
21 may enter into agreements with the States to carry
22 out the Secretary’s responsibilities under this sub-
23 chapter.

24 “(d) AVAILABILITY.—Notwithstanding any other
25 provision of this chapter, a qualified association plan may

1 limit coverage to individuals who are members of the
 2 qualified association establishing or maintaining the plan,
 3 an employee of such member, or a dependent of either.

4 “(e) SPECIAL RULES FOR EXISTING PLANS.—In the
 5 case of a plan in existence on January 1, 1997—

6 “(1) the requirements of subsection (a) (other
 7 than paragraphs (4), (5), and (6) thereof) shall not
 8 apply;

9 “(2) no original certification shall be required
 10 under this subchapter; and

11 “(3) no annual report or funding statement
 12 shall be required before January 1, 1999, but the
 13 plan shall file with the Secretary a description of the
 14 plan and the name of the health insurance issuer.

15 **“SEC. 2707B. DEFINITIONS AND SPECIAL RULES.**

16 “(a) QUALIFIED ASSOCIATION.—For purposes of this
 17 subchapter, the term ‘qualified association’ means any or-
 18 ganization which—

19 “(1) is organized and maintained in good faith
 20 by a trade association, an industry association, a
 21 professional association, a chamber of commerce, a
 22 religious organization, a public entity association, or
 23 other business association serving a common or simi-
 24 lar industry;

1 “(2) is organized and maintained for substan-
2 tial purposes other than to provide a health plan;

3 “(3) has a constitution, bylaws, or other similar
4 governing document which states its purpose; and

5 “(4) receives a substantial portion of its finan-
6 cial support from its active, affiliated, or federation
7 members.

8 “(b) COORDINATION.—The term ‘qualified associa-
9 tion plan’ shall not include a plan to which subchapter
10 B applies.

11 **“SEC. 2707C. SPECIAL RULE FOR CHURCH, MULTIEM-**
12 **PLOYER, AND COOPERATIVE PLANS.**

13 “(a) GENERAL RULE.—For purposes of this chapter,
14 in the case of a group health plan to which this section
15 applies—

16 “(1) except as otherwise provided in this sub-
17 chapter, the plan shall be required to meet all appli-
18 cable requirements of subchapter A and subchapter
19 B for group health plans offered to and by small em-
20 ployers;

21 “(2) if such plan is certified as meeting such
22 requirements, such plan shall be treated as a plan
23 established and maintained by a small employer and
24 individuals enrolled in such plan shall be treated as
25 eligible employees; and

1 “(3) any individual eligible to enroll in the plan
 2 who does not enroll in the plan shall not be treated
 3 as an eligible employee solely by reason of being eli-
 4 gible to enroll in the plan.

5 “(b) MODIFIED STANDARDS.—

6 “(1) CERTIFYING AUTHORITY.—For purposes
 7 of this chapter, the Secretary shall be the appro-
 8 priate certifying authority with respect to a plan to
 9 which this section applies.

10 “(2) AVAILABILITY.—Rules similar to the rules
 11 of subsection (e) of section 2723A shall apply to a
 12 plan to which this section applies.

13 “(3) ACCESS.—An employer which, pursuant to
 14 a collective bargaining agreement, offers an em-
 15 ployee the opportunity to enroll in a plan described
 16 in subsection (c)(2) shall not be required to make
 17 any other plan available to the employee.

18 “(4) TREATMENT UNDER STATE LAWS.—A
 19 church plan described in subsection (c)(1) which is
 20 certified as meeting the requirements of this section
 21 shall not be deemed to be a multiple employer wel-
 22 fare arrangement or an insurance company or other
 23 insurer, or to be engaged in the business of insur-
 24 ance, for purposes of any State law purporting to
 25 regulate insurance companies or insurance contracts.

1 “(c) PLANS TO WHICH SECTION APPLIES.—This sec-
2 tion shall apply to a health plan which—

3 “(1) is a church plan (as defined in section
4 414(e) of the Internal Revenue Code of 1986) which
5 has at least 100 participants in the United States;

6 “(2) is a multiemployer plan which is main-
7 tained by a health plan sponsor described in section
8 3(16)(B)(iii) and which has at least 500 participants
9 in the United States; or

10 “(3) is a plan which is maintained by a rural
11 electric cooperative or a rural telephone cooperative
12 association and which has at least 500 participants
13 in the United States.”.

14 (b) CONFORMING AMENDMENTS.—Section 2791(d)
15 of the Employee Retirement Income Security Act of 1974
16 (42 U.S.C. 300gg–91(d)) is amended by adding at the end
17 thereof the following new paragraphs:

18 “(15) ELIGIBLE EMPLOYEE.—The term ‘eligible
19 employee’ means, with respect to an employer, an
20 employee who normally performs on a monthly basis
21 at least 30 hours of service per week for that em-
22 ployer.

1 “(16) ELIGIBLE INDIVIDUAL.—The term ‘eligi-
2 ble individual’ means, with respect to an eligible em-
3 ployee, such employee, and any dependent of such
4 employee.

5 “(17) NAIC.—The term ‘NAIC’ means the Na-
6 tional Association of Insurance Commissioners.

7 “(18) QUALIFIED GROUP HEALTH PLAN.—The
8 term ‘qualified group health plan’ shall have the
9 meaning given the term in section 2705.”.

10 **SEC. 203. AMENDMENT TO THE PUBLIC HEALTH SERVICE**

11 **ACT RELATING TO THE INDIVIDUAL MARKET.**

12 Subpart 3 of part B of title XXVII of the Public
13 Health Service Act is amended by adding at the end the
14 following:

15 **“SEC. 2752. APPLICABILITY OF GENERAL INSURANCE MAR-**

16 **KET REFORMS.**

17 “The provisions of chapter 2 of subpart 2 of part A
18 shall apply to health insurance coverage offered by a
19 health insurance issuer in the individual market in the
20 same manner as they apply to health insurance coverage
21 offered by a health insurance issuer in connection with a
22 group health plan in the small or large group market.”.

1 **SEC. 204. EFFECTIVE DATE.**

2 The amendments made by this subtitle shall apply
3 with respect to health insurance coverage offered, sold, is-
4 sued, renewed, in effect, or operated on or after January
5 1, 19____.

6 **Subtitle B—Tax Provisions**

7 **SEC. 211. ENFORCEMENT WITH RESPECT TO HEALTH IN-**
8 **SURANCE ISSUERS.**

9 (a) IN GENERAL.—Chapter 43 of the Internal Reve-
10 nue Code of 1986 (relating to qualified pension, etc.,
11 plans) is amended by adding at the end the following:

12 **“SEC. 4980F. FAILURE OF INSURER TO COMPLY WITH CER-**
13 **TAIN STANDARDS FOR HEALTH INSURANCE**
14 **COVERAGE.**

15 “(a) IMPOSITION OF TAX.—

16 “(1) IN GENERAL.—There is hereby imposed a
17 tax on the failure of a health insurance issuer to
18 comply with the requirements applicable to such is-
19 suer under—

20 “(A) chapter 2 of subpart 2 of part A of
21 title XXVII of the Public Health Service Act;

22 “(B) section 2752 of the Public Health
23 Service Act; and

24 “(C) subpart C of part 7 of subtitle B of
25 title I of the Employee Retirement Income Se-
26 curity Act of 1974.

1 “(2) EXCEPTION.—Paragraph (1) shall not
2 apply to a failure by a health insurance issuer in a
3 State if the Secretary of Health and Human Serv-
4 ices determines that the State has in effect a regu-
5 latory enforcement mechanism that provides ade-
6 quate sanctions with respect to such a failure by
7 such an issuer.

8 “(b) AMOUNT OF TAX.—

9 “(1) IN GENERAL.—Subject to paragraph (2),
10 the amount of the tax imposed by subsection (a)
11 shall be \$100 for each day during which such failure
12 persists for each person to which such failure re-
13 lates. A rule similar to the rule of section
14 4980D(b)(3) shall apply for purposes of this section.

15 “(2) LIMITATION.—The amount of the tax im-
16 posed by subsection (a) for a health insurance issuer
17 with respect to health insurance coverage shall not
18 exceed 25 percent of the amounts received under the
19 coverage for coverage during the period such failure
20 persists.

21 “(c) LIABILITY FOR TAX.—The tax imposed by this
22 section shall be paid by the health insurance issuer.

23 “(d) LIMITATIONS ON AMOUNT OF TAX.—

1 “(1) TAX NOT TO APPLY TO FAILURES COR-
2 RECTED WITHIN 30 DAYS.—No tax shall be imposed
3 by subsection (a) on any failure if—

4 “(A) such failure was due to reasonable
5 cause and not to willful neglect, and

6 “(B) such failure is corrected during the
7 30-day period (or such period as the Secretary
8 may determine appropriate) beginning on the
9 first date the health insurance issuer knows, or
10 exercising reasonable diligence could have
11 known, that such failure existed.

12 “(2) WAIVER BY SECRETARY.—In the case of a
13 failure which is due to reasonable cause and not to
14 willful neglect, the Secretary may waive part or all
15 of the tax imposed by subsection (a) to the extent
16 that the payment of such tax would be excessive rel-
17 ative to the failure involved.

18 “(e) DEFINITIONS.—For purposes of this section, the
19 terms ‘health insurance coverage’ and ‘health insurance
20 issuer’ have the meanings given such terms in section
21 2791 of the Public Health Service Act and section 733
22 of the Employee Retirement Income Security Act of
23 1974.”.

1 (b) CONFORMING AMENDMENT.—The table of sec-
 2 tions for such chapter 43 is amended by adding at the
 3 end the following new item:

“Sec. 4980F. Failure of insurer to comply with certain standards
 for health insurance coverage.”.

4 (b) EFFECTIVE DATE.—The amendments made by
 5 subsection (a) shall take effect on the date of the enact-
 6 ment of this Act.

7 **SEC. 212. ENFORCEMENT WITH RESPECT TO SMALL EM-**
 8 **PLOYERS.**

9 (a) IN GENERAL.—Chapter 47 of the Internal Reve-
 10 nue Code of 1986 (relating to excise taxes on certain
 11 group health plans) is amended by inserting after section
 12 5000 the following new section:

13 **“SEC. 5000A. SMALL EMPLOYER REQUIREMENTS.**

14 “(a) GENERAL RULE.—There is hereby imposed a
 15 tax on the failure of any small employer to comply with
 16 the requirements applicable to such employer under—

17 “(1) subchapter C of chapter 2 of subpart 2 of
 18 part A of title XXVII of the Public Health Service
 19 Act;

20 “(2) section 2752 of the Public Health Service
 21 Act; and

22 “(3) chapter 2 of subpart C of part 7 of sub-
 23 title B of title I of the Employee Retirement Income
 24 Security Act of 1974.

1 “(b) AMOUNT OF TAX.—The amount of tax imposed
2 by subsection (a) shall be equal to \$100 for each day for
3 each individual for which such a failure occurs.

4 “(c) LIMITATION ON TAX.—

5 “(1) TAX NOT TO APPLY WHERE FAILURES
6 CORRECTED WITHIN 30 DAYS.—No tax shall be im-
7 posed by subsection (a) with respect to any failure
8 if—

9 “(A) such failure was due to reasonable
10 cause and not to willful neglect, and

11 “(B) such failure is corrected during the
12 30-day period (or such period as the Secretary
13 may determine appropriate) beginning on the
14 1st date any of the individuals on whom the tax
15 is imposed knew, or exercising reasonable dili-
16 gence would have known, that such failure ex-
17 isted.

18 “(2) WAIVER BY SECRETARY.—In the case of a
19 failure which is due to reasonable cause and not to
20 willful neglect, the Secretary may waive part or all
21 of the tax imposed by subsection (a) to the extent
22 that the payment of such tax would be excessive rel-
23 ative to the failure involved.”.

1 (b) CONFORMING AMENDMENT.—The table of sec-
 2 tions for such chapter 47 is amended by adding at the
 3 end the following new item:

“Sec. 5000A. Small employer requirements.”.

4 **SEC. 213. ENFORCEMENT BY EXCISE TAX ON QUALIFIED AS-**
 5 **SOCIATIONS.**

6 (a) IN GENERAL.—Chapter 43 of the Internal Reve-
 7 nue Code of 1986 (relating to qualified pension, etc.,
 8 plans), as amended by section 211, is amended by adding
 9 at the end the following new section:

10 **“SEC. 4980G. FAILURE OF QUALIFIED ASSOCIATIONS, ETC.,**
 11 **TO COMPLY WITH CERTAIN STANDARDS FOR**
 12 **HEALTH INSURANCE COVERAGE.**

13 “(a) IMPOSITION OF TAX.—

14 “(1) IN GENERAL.—There is hereby imposed a
 15 tax on the failure of a qualified association (as de-
 16 fined in section 2707A of the Public Health Service
 17 Act and section 723A of the Employee Retirement
 18 Income Security Act of 1974), church plan (as de-
 19 fined in section 414(e)), multiemployer plan, or plan
 20 maintained by a rural electric cooperative or a rural
 21 telephone cooperative association (within the mean-
 22 ing of section 3(40) of the Employee Retirement In-
 23 come Security Act of 1974) to comply with the re-
 24 quirements applicable to such association or plans
 25 under—

1 “(A) subchapter C of chapter 2 of subpart
2 2 of part A of title XXVII of the Public Health
3 Service Act;

4 “(B) section 2752 of the Public Health
5 Service Act; and

6 “(C) subchapters A and B of chapter 3 of
7 subpart C of part 7 of the Employee Retirement
8 Income Security Act of 1974.

9 “(2) EXCEPTION.—Paragraph (1) shall not
10 apply to a failure by a qualified association, church
11 plan, multiemployer plan, or plan maintained by a
12 rural electric cooperative or a rural telephone coop-
13 erative association in a State if the Secretary of
14 Health and Human Services determines that the
15 State has in effect a regulatory enforcement mecha-
16 nism that provides adequate sanctions with respect
17 to such a failure by such a qualified association or
18 plan.

19 “(b) AMOUNT OF TAX.—The amount of the tax im-
20 posed by subsection (a) shall be \$100 for each day during
21 which such failure persists for each person to which such
22 failure relates. A rule similar to the rule of section
23 4980D(b)(3) shall apply for purposes of this section.

24 “(c) LIABILITY FOR TAX.—The tax imposed by this
25 section shall be paid by the qualified association or plan.

1 “(d) LIMITATIONS ON AMOUNT OF TAX.—

2 “(1) TAX NOT TO APPLY TO FAILURES COR-
3 RECTED WITHIN 30 DAYS.—No tax shall be imposed
4 by subsection (a) on any failure if—

5 “(A) such failure was due to reasonable
6 cause and not to willful neglect, and

7 “(B) such failure is corrected during the
8 30-day period (or such period as the Secretary
9 may determine appropriate) beginning on the
10 first date the qualified association, church plan,
11 multiemployer plan, or plan maintained by a
12 rural electric cooperative or a rural telephone
13 cooperative association knows, or exercising rea-
14 sonable diligence could have known, that such
15 failure existed.

16 “(2) WAIVER BY SECRETARY.—In the case of a
17 failure which is due to reasonable cause and not to
18 willful neglect, the Secretary may waive part or all
19 of the tax imposed by subsection (a) to the extent
20 that the payment of such tax would be excessive rel-
21 ative to the failure involved.”.

22 (b) CONFORMING AMENDMENT.—The table of sec-
23 tions for such chapter 43, as amended by section 231, is
24 amended by adding at the end the following new item:

“Sec. 4980G. Failure of qualified associations, etc., to comply
with certain standards for health insurance plans.”.

1 **SEC. 214. DEDUCTION FOR HEALTH INSURANCE COSTS OF**
 2 **SELF-EMPLOYED INDIVIDUALS.**

3 (a) FULL DEDUCTION IN 2007.—The table contained
 4 in section 162(l)(1)(B) of the Internal Revenue Code of
 5 1986 (relating to special rules for health insurance costs
 6 of self-employed individuals) is amended—

7 (1) by striking “2006 or thereafter” and insert-
 8 ing “2006”; and

9 (2) by adding at the end the following:

“2007 or thereafter 100 percent.”.

10 (b) EFFECTIVE DATE.—The amendments made by
 11 this section shall apply to taxable years beginning after
 12 December 31, 2006.

13 **SEC. 215. AMENDMENTS TO COBRA.**

14 (a) LOWER COST COVERAGE OPTIONS.—Subpara-
 15 graph (A) of section 4980B(f)(2) of the Internal Revenue
 16 Code of 1986 (relating to continuation coverage require-
 17 ments of group health plans) is amended to read as fol-
 18 lows:

19 “(A) TYPE OF BENEFIT COVERAGE.—The
 20 coverage must consist of coverage which, as of
 21 the time the coverage is being provided—

22 “(i) is identical to the coverage pro-
 23 vided under the plan to similarly situated
 24 beneficiaries under the plan with respect to
 25 whom a qualifying event has not occurred,

1 “(ii) is so identical, except such cov-
 2 erage is offered with an annual \$1,000 de-
 3 ductible, and

4 “(iii) is so identical, except such cov-
 5 erage is offered with an annual \$3,000 de-
 6 ductible.

7 If coverage under the plan is modified for any
 8 group of similarly situated beneficiaries, the
 9 coverage shall also be modified in the same
 10 manner for all individuals who are qualified
 11 beneficiaries under the plan pursuant to this
 12 subsection in connection with such group.”.

13 (b) TERMINATION OF COBRA COVERAGE AFTER
 14 ELIGIBLE FOR EMPLOYER-BASED COVERAGE FOR 90
 15 DAYS.—Clause (iv) of section 4980B(f)(2)(B) of such
 16 Code (relating to period of coverage) is amended—

17 (1) by striking “or” at the end of subclause (I),

18 (2) by redesignating subclause (II) as subclause
 19 (III), and

20 (3) by inserting after subclause (I) the follow-
 21 ing new subclause:

22 “(II) eligible for such employer-
 23 based coverage for more than 90 days,
 24 or”.

1 (c) REDUCTION OF PERIOD OF COVERAGE.—Clause
 2 (i) of section 4980B(f)(2)(B) of such Code (relating to pe-
 3 riod of coverage) is amended by striking “18 months”
 4 each place it appears and inserting “24 months”.

5 (d) EFFECTIVE DATE.—The amendments made by
 6 this section shall apply to qualifying events occurring after
 7 the date of the enactment of this Act.

8 **TITLE III—PRIMARY AND** 9 **PREVENTIVE CARE SERVICES**

10 **SEC. 301. AUTHORIZATION OF APPROPRIATIONS FOR** 11 **HEALTHY START PROGRAM.**

12 (a) AUTHORIZATION OF APPROPRIATIONS.—To en-
 13 able the Secretary of Health and Human Services to carry
 14 out the healthy start program established under the au-
 15 thority of section 301 of the Public Health Service Act
 16 (42 U.S.C. 241), there are authorized to be appropriated
 17 \$100,000,000 for fiscal year 1998, \$150,000,000 for fis-
 18 cal year 1999, \$250,000,000 for fiscal year 2000, and
 19 \$300,000,000 for each of the fiscal years 2001 through
 20 2003.

21 (b) MODEL PROJECTS.—

22 (1) IN GENERAL.—Of the amount appropriated
 23 under subsection (a) for a fiscal year, the Secretary
 24 of Health and Human Services shall reserve
 25 \$50,000,000 for such fiscal year to be distributed to

1 model projects determined to be eligible under para-
2 graph (2).

3 (2) ELIGIBILITY.—To be eligible to receive
4 funds under paragraph (1), a model project shall—

5 (A) have been one of the original 15
6 Healthy Start projects; and

7 (B) be determined by Secretary of Health
8 and Human Services to have been successful in
9 serving needy areas and reducing infant mortal-
10 ity.

11 (3) USE OF PROJECTS.—A model project that
12 receives funding under paragraph (1) shall be uti-
13 lized as a resource center to assist in the training
14 of those individuals to be involved in projects estab-
15 lished under subsection (c). It shall be the goal of
16 such projects to become self-sustaining within the
17 project area.

18 (4) PROVISION OF MATCHING FUNDS.—In pro-
19 viding assistance to a project under this subsection,
20 the Secretary of Health and Human Services shall
21 ensure that—

22 (A) with respect to fiscal year 1998, the
23 project shall make non-Federal contributions
24 (in cash or in-kind) towards the costs of such

1 project in an amount equal to not less than 20
2 percent of such costs;

3 (B) with respect to fiscal year 1999, the
4 project shall make non-Federal contributions
5 (in cash or in-kind) towards the costs of such
6 project in an amount equal to not less than 30
7 percent of such costs;

8 (C) with respect to fiscal year 2000, the
9 project shall make non-Federal contributions
10 (in cash or in-kind) towards the costs of such
11 project in an amount equal to not less than 40
12 percent of such costs; and

13 (D) with respect to each of the fiscal years
14 2001 through 2003, the project shall make non-
15 Federal contributions (in cash or in-kind) to-
16 wards the costs of such project in an amount
17 equal to not less than 50 percent of such costs
18 for each such fiscal year.

19 (c) NEW PROJECTS.—Of the amount appropriated
20 under subsection (a) for a fiscal year, the Secretary of
21 Health and Human Services shall allocate amounts re-
22 maining after the reservation under subsection (b) for
23 such fiscal year among new demonstration projects and
24 existing special projects that have proven to be successful
25 as determined by the Secretary of Health and Human

1 Services. Such projects shall be community-based and
 2 shall attempt to replicate healthy start model projects that
 3 have been determined by the Secretary of Health and
 4 Human Services to be successful.

5 **SEC. 302. REAUTHORIZATION OF CERTAIN PROGRAMS PRO-**
 6 **VIDING PRIMARY AND PREVENTIVE CARE.**

7 (a) TUBERCULOSIS PREVENTION GRANTS.—Section
 8 317(j)(1) of the Public Health Service Act (42 U.S.C.
 9 247b(j)(1)) is amended—

10 (1) by striking “and such sums” and inserting
 11 “such sums”; and

12 (2) by inserting after “1995” the following: “,
 13 and \$150,000,000 for fiscal year 1998 such sums as
 14 may be necessary for each of the fiscal years 1999
 15 through 2001”.

16 (b) SEXUALLY TRANSMITTED DISEASES.—Section
 17 318(e)(1) of the Public Health Service Act (42 U.S.C.
 18 247c(e)(1)) is amended—

19 (1) by striking “and such sums” and inserting
 20 “such sums”;

21 (2) by striking “1998” and inserting “1997”;
 22 and

23 (3) by inserting before the period the following:
 24 “\$125,000,000 for fiscal years 1998 and 1999, and

1 such sums as may be necessary for each of the fiscal
2 years 2000 through 2002”.

3 (c) FAMILY PLANNING PROJECT GRANTS.—Section
4 1001(d) of the Public Health Service Act (42 U.S.C.
5 300(d)) is amended—

6 (1) by striking “and \$158,400,000” and insert-
7 ing “\$158,400,000”; and

8 (2) by inserting before the period the following:
9 “; \$400,000,000 for fiscal year 1998, and such sums
10 as may be necessary for each of the fiscal years
11 1999 through 2001”.

12 (d) BREAST AND CERVICAL CANCER PREVENTION.—
13 Section 1510(a) of the Public Health Service Act (42
14 U.S.C. 300n–5(a)) is amended—

15 (1) by striking “and such sums” and inserting
16 “such sums”; and

17 (2) by inserting before the period the following:
18 “, \$100,000,000 for fiscal year 1998, and such sums
19 as may be necessary for each of the fiscal years
20 1999 through 2001”.

21 (e) PREVENTIVE HEALTH AND HEALTH SERVICES
22 BLOCK GRANT.—Section 1901(a) of the Public Health
23 Service Act (42 U.S.C. 300w(a)) is amended by striking
24 “\$205,000,000” and inserting “\$235,000,000”.

1 (f) MATERNAL AND CHILD HEALTH SERVICES
 2 BLOCK GRANT.—Section 501(a) of the Social Security
 3 Act (42 U.S.C. 701(a)) is amended by striking
 4 “\$705,000,000 for fiscal year 1994 and each fiscal year
 5 thereafter” and inserting “\$705,000,000 for fiscal years
 6 1994 through 1997, \$800,000,000 for fiscal year 1998,
 7 and such sums as may be necessary in each of the fiscal
 8 years 1999 through 2001”.

9 **SEC. 303. COMPREHENSIVE SCHOOL HEALTH EDUCATION**
 10 **PROGRAM.**

11 (a) PURPOSE.—It is the purpose of this section to
 12 establish a comprehensive school health education and pre-
 13 vention program for elementary and secondary school stu-
 14 dents.

15 (b) PROGRAM AUTHORIZED.—The Secretary of Edu-
 16 cation (referred to in this section as the “Secretary”),
 17 through the Office of Comprehensive School Health Edu-
 18 cation established in subsection (e), shall award grants to
 19 States from allotments under subsection (c) to enable such
 20 States to—

21 (1) award grants to local or intermediate edu-
 22 cational agencies, and consortia thereof, to enable
 23 such agencies or consortia to establish, operate, and
 24 improve local programs of comprehensive health edu-
 25 cation and prevention, early health intervention, and

1 health education, in elementary and secondary
 2 schools (including preschool, kindergarten, inter-
 3 mediate, and junior high schools); and

4 (2) develop training, technical assistance, and
 5 coordination activities for the programs assisted pur-
 6 suant to paragraph (1).

7 (c) RESERVATIONS AND STATE ALLOTMENTS.—

8 (1) RESERVATIONS.—From the sums appro-
 9 priated pursuant to the authority of subsection (f)
 10 for any fiscal year, the Secretary shall reserve—

11 (A) 1 percent for payments to Guam,
 12 American Samoa, the Virgin Islands, the Re-
 13 public of the Marshall Islands, the Federated
 14 States of Micronesia, the Northern Mariana Is-
 15 lands, and the Republic of Palau, to be allotted
 16 in accordance with their respective needs; and

17 (B) 1 percent for payments to the Bureau
 18 of Indian Affairs.

19 (2) STATE ALLOTMENTS.—From the remainder
 20 of the sums not reserved under paragraph (1), the
 21 Secretary shall allot to each State an amount which
 22 bears the same ratio to the amount of such remain-
 23 der as the school-age population of the State bears
 24 to the school-age population of all States, except

1 that no State shall be allotted less than an amount
2 equal to 0.5 percent of such remainder.

3 (3) REALLOTMENT.—The Secretary may reallo-
4 any amount of any allotment to a State to the extent
5 that the Secretary determines that the State will not
6 be able to obligate such amount within 2 years of
7 allotment. Any such reallo-
8 tment shall be made on
9 the same basis as an allotment under paragraph (2).

10 (d) USE OF FUNDS.—Grant funds provided to local
11 or intermediate educational agencies, or consortia thereof,
12 under this section may be used to improve elementary and
13 secondary education in the areas of—

14 (1) personal health and fitness;

15 (2) prevention of chronic diseases;

16 (3) prevention and control of communicable dis-
17 eases;

18 (4) nutrition;

19 (5) substance use and abuse;

20 (6) accident prevention and safety;

21 (7) community and environmental health;

22 (8) mental and emotional health;

23 (9) parenting and the challenges of raising chil-
24 dren; and

25 (10) the effective use of the health services de-
 livery system.

1 (e) OFFICE OF COMPREHENSIVE SCHOOL HEALTH
2 EDUCATION.—The Secretary shall establish within the Of-
3 fice of the Secretary an Office of Comprehensive School
4 Health Education which shall have the following respon-
5 sibilities:

6 (1) To recommend mechanisms for the coordi-
7 nation of school health education programs con-
8 ducted by the various departments and agencies of
9 the Federal Government.

10 (2) To advise the Secretary on formulation of
11 school health education policy within the Depart-
12 ment of Education.

13 (3) To disseminate information on the benefits
14 to health education of utilizing a comprehensive
15 health curriculum in schools.

16 (f) AUTHORIZATION OF APPROPRIATIONS.—

17 (1) IN GENERAL.—There are authorized to be
18 appropriated \$50,000,000 for fiscal year 1998 and
19 such sums as may be necessary for each of the fiscal
20 years 1999 and 2000 to carry out this section.

21 (2) AVAILABILITY.—Funds appropriated pursu-
22 ant to the authority of paragraph (1) in any fiscal
23 year shall remain available for obligation and ex-
24 penditure until the end of the fiscal year succeeding

1 the fiscal year for which such funds were appro-
2 priated.

3 **SEC. 304. COMPREHENSIVE EARLY CHILDHOOD HEALTH**
4 **EDUCATION PROGRAM.**

5 (a) PURPOSE.—It is the purpose of this section to
6 establish a comprehensive early childhood health education
7 program.

8 (b) PROGRAM.—The Secretary of Health and Human
9 Services (referred to in this section as the “Secretary”)
10 shall conduct a program of awarding grants to agencies
11 conducting Head Start training to enable such agencies
12 to provide training and technical assistance to Head Start
13 teachers and other child care providers. Such program
14 shall—

15 (1) establish a training system through the
16 Head Start agencies and organizations conducting
17 Head Start training for the purpose of enhancing
18 teacher skills and providing comprehensive early
19 childhood health education curriculum;

20 (2) enable such agencies and organizations to
21 provide training to day care providers in order to
22 strengthen the skills of the early childhood workforce
23 in providing health education;

24 (3) provide technical support for health edu-
25 cation programs and curricula; and

1 (4) provide cooperation with other early child-
2 hood providers to ensure coordination of such pro-
3 grams and the transition of students into the public
4 school environment.

5 (c) USE OF FUNDS.—Grant funds under this section
6 may be used to provide training and technical assistance
7 in the areas of—

- 8 (1) personal health and fitness;
- 9 (2) prevention of chronic diseases;
- 10 (3) prevention and control of communicable dis-
11 eases;
- 12 (4) dental health;
- 13 (5) nutrition;
- 14 (6) substance use and abuse;
- 15 (7) accident prevention and safety;
- 16 (8) community and environmental health;
- 17 (9) mental and emotional health; and
- 18 (10) strengthening the role of parent involve-
19 ment.

20 (d) RESERVATION FOR INNOVATIVE PROGRAMS.—
21 The Secretary shall reserve 5 percent of the funds appro-
22 priated pursuant to the authority of subsection (e) in each
23 fiscal year for the development of innovative model health
24 education programs or curricula.

1 (e) AUTHORIZATION OF APPROPRIATIONS.—There
 2 are authorized to be appropriated \$40,000,000 for fiscal
 3 year 1998 and such sums as may be necessary for each
 4 of the fiscal years 1999 and 2000 to carry out this section.

5 **SEC. 305. ADOLESCENT FAMILY LIFE AND ABSTINENCE.**

6 (a) DEFINITIONS.—Section 2002(a)(4)(G) of the
 7 Public Health Service Act (42 U.S.C. 300z–1(a)(4)(G))
 8 is amended by inserting “and abstinence” after “adop-
 9 tion”.

10 (b) GEOGRAPHIC DIVERSITY.—Section 2005 of the
 11 Public Health Service Act (42 U.S.C. 300z–4) is amend-
 12 ed—

13 (1) by redesignating subsections (b) and (c) as
 14 subsections (c) and (d), respectively; and

15 (2) by inserting after subsection (a) the follow-
 16 ing:

17 “(b) In approving applications for grants for dem-
 18 onstration projects for services under this title, the Sec-
 19 retary shall, to the maximum extent practicable, ensure
 20 adequate representation of both urban and rural areas.”.

21 (c) SIMPLIFIED APPLICATION PROCESS.—Section
 22 2006 of the Public Health Service Act (42 U.S.C. 300z–
 23 5) is amended by adding at the end following:

24 “(g) The Secretary shall develop and implement a
 25 simplified and expedited application process for applicants

1 seeking less than \$15,000 of funds available under this
 2 title for a demonstration project.”.

3 (d) AUTHORIZATION OF APPROPRIATIONS.—Section
 4 2010(a) of the Public Health Service Act (42 U.S.C.
 5 300z–9) is amended to read as follows:

6 “(a) For the purpose of carrying out this title, there
 7 are authorized to be appropriated \$75,000,000 for each
 8 of the fiscal years 1996 through 2000.”.

9 **TITLE IV—PATIENT’S RIGHT TO** 10 **DECLINE MEDICAL TREATMENT**

11 **SEC. 401. PATIENT’S RIGHT TO DECLINE MEDICAL TREAT-** 12 **MENT.**

13 (a) RIGHT TO DECLINE MEDICAL TREATMENT.—

14 (1) RIGHTS OF COMPETENT ADULTS.—

15 (A) IN GENERAL.—Except as provided in
 16 subparagraph (B), a State may not restrict the
 17 right of a competent adult to consent to, or to
 18 decline, medical treatment.

19 (B) LIMITATIONS.—

20 (i) AFFECT ON THIRD PARTIES.—A
 21 State may impose limitations on the right
 22 of a competent adult to decline treatment
 23 if such limitations protect third parties (in-
 24 cluding minor children) from harm.

1 (ii) TREATMENT WHICH IS NOT MEDI-
 2 CALLY INDICATED.—Nothing in this sub-
 3 section shall be construed to require that
 4 any individual be offered, or to state that
 5 any individual may demand, medical treat-
 6 ment which the health care provider does
 7 not have available, or which is, under pre-
 8 vailing medical standards, either futile or
 9 otherwise not medically indicated.

10 (2) RIGHTS OF INCAPACITATED ADULTS.—

11 (A) IN GENERAL.—Except as provided in
 12 subparagraph (B)(i) of paragraph (1), States
 13 may not restrict the right of an incapacitated
 14 adult to consent to, or to decline, medical treat-
 15 ment as exercised through the documents speci-
 16 fied in this paragraph, or through similar docu-
 17 ments or other written methods of directive
 18 which evidence the adult's treatment choices.

19 (B) ADVANCE DIRECTIVES AND POWERS
 20 OF ATTORNEY.—

21 (i) IN GENERAL.—In order to facili-
 22 tate the communication, despite incapacity,
 23 of an adult's treatment choices, the Sec-
 24 retary, in consultation with the Attorney

1 General, shall develop a national advance
2 directive form that—

3 (I) shall not limit or otherwise
4 restrict, except as provided in sub-
5 paragraph (B)(i) of paragraph (1), an
6 adult's right to consent to, or to de-
7 cline, medical treatment; and

8 (II) shall, at minimum—

9 (aa) provide the means for
10 an adult to declare such adult's
11 own treatment choices in the
12 event of a terminal condition;

13 (bb) provide the means for
14 an adult to declare, at such
15 adult's option, treatment choices
16 in the event of other conditions
17 which are medically incurable,
18 and from which such adult likely
19 will not recover; and

20 (cc) provide the means by
21 which an adult may, at such
22 adult's option, declare such
23 adult's wishes with respect to all

forms of medical treatment, including forms of medical treatment such as the provision of nutrition and hydration by artificial means which may be, in some circumstances, relatively nonburdensome.

(ii) NATIONAL DURABLE POWER OF ATTORNEY FORM.—The Secretary, in consultation with the Attorney General, shall develop a national durable power of attorney form for health care decisionmaking. The form shall provide a means for any adult to designate another adult or adults to exercise the same decisionmaking powers which would otherwise be exercised by the patient if the patient were competent.

(iii) HONORED BY ALL HEALTH CARE PROVIDERS.—The national advance directive and durable power of attorney forms developed by the Secretary shall be honored by all health care providers.

(iv) LIMITATIONS.—No individual shall be required to execute an advance directive. This section makes no presumption

1 concerning the intention of an individual
2 who has not executed an advance directive.
3 An advance directive shall be sufficient,
4 but not necessary, proof of an adult's
5 treatment choices with respect to the cir-
6 cumstances addressed in the advance direc-
7 tive.

8 (C) DEFINITION.—For purposes of this
9 paragraph, the term “incapacity” means the in-
10 ability to understand or to communicate con-
11 cerning the nature and consequences of a health
12 care decision (including the intended benefits
13 and foreseeable risks of, and alternatives to,
14 proposed treatment options), and to reach an
15 informed decision concerning health care.

16 (3) HEALTH CARE PROVIDERS.—

17 (A) IN GENERAL.—No health care provider
18 may provide treatment to an adult contrary to
19 the adult's wishes as expressed personally, by
20 an advance directive as provided for in para-
21 graph (2)(B), or by a similar written advance
22 directive form or another written method of di-
23 rective which clearly and convincingly evidence
24 the adult's treatment choices. A health provider

1 who acts in good faith pursuant to the preced-
 2 ing sentence shall be immune from criminal or
 3 civil liability or discipline for professional mis-
 4 conduct.

5 (B) HEALTH CARE PROVIDERS UNDER
 6 THE MEDICARE AND MEDICAID PROGRAMS.—

7 Any health care provider who knowingly pro-
 8 vides services to an adult contrary to the adult's
 9 wishes as expressed personally, by an advance
 10 directive as provided for in paragraph (2)(B),
 11 or by a similar written advance directive form
 12 or another written method of directive which
 13 clearly and convincingly evidence the adult's
 14 treatment choices, shall be denied payment for
 15 such services under titles XVIII and XIX of the
 16 Social Security Act.

17 (C) TRANSFERS.—Health care providers
 18 who object to the provision of medical care in
 19 accordance with an adult's wishes shall transfer
 20 the adult to the care of another health care pro-
 21 vider.

22 (4) DEFINITION.—For purposes of this sub-
 23 section, the term “adult” means—

24 (A) an individual who is 18 years of age or
 25 older; or

1 (B) an emancipated minor.

2 (b) FEDERAL RIGHT ENFORCEABLE IN FEDERAL
3 COURTS.—The rights recognized in this section may be
4 enforced by filing a civil action in an appropriate district
5 court of the United States.

6 (c) SUICIDE AND HOMICIDE.—Nothing in this section
7 shall be construed to permit, condone, authorize, or ap-
8 prove suicide or mercy killing, or any affirmative act to
9 end a human life.

10 (d) RIGHTS GRANTED BY STATES.—Nothing in this
11 section shall impair or supersede rights granted by State
12 law which exceed the rights recognized by this section.

13 (e) EFFECT ON OTHER LAWS.—

14 (1) IN GENERAL.—Except as specified in para-
15 graph (2), written policies and written information
16 adopted by health care providers pursuant to sec-
17 tions 4206 and 4751 of the Omnibus Budget Rec-
18 onciliation Act of 1990 (Public Law 101–508), shall
19 be modified within 6 months after the enactment of
20 this section to conform to the provisions of this sec-
21 tion.

22 (2) DELAY PERIOD FOR UNIFORM FORMS.—
23 Health care providers shall modify any written forms
24 distributed as written information under sections

1 4206 and 4751 of the Omnibus Budget Reconcili-
2 ation Act of 1990 (Public Law 101–508) not later
3 than 6 months after promulgation of the forms re-
4 ferred to in clauses (i) and (ii) of subsection
5 (a)(2)(B) by the Secretary.

6 (f) INFORMATION PROVIDED TO CERTAIN INDIVID-
7 UALS.—The Secretary shall provide on a periodic basis
8 written information regarding an individual’s right to con-
9 sent to, or to decline, medical treatment as provided in
10 this section to individuals who are beneficiaries under ti-
11 tles II, XVI, XVIII, and XIX of the Social Security Act.

12 (g) RECOMMENDATIONS TO CONGRESS ON ISSUES
13 RELATING TO A PATIENT’S RIGHT OF SELF-DETERMINA-
14 TION.—Not later than 180 days after the date of the en-
15 actment of this Act, and annually thereafter for a period
16 of 3 years, the Secretary shall provide recommendations
17 to Congress concerning the medical, legal, ethical, social,
18 and educational issues related to in this section. In devel-
19 oping recommendations under this subsection the Sec-
20 retary shall address the following issues:

21 (1) The contents of the forms referred to in
22 clauses (i) and (ii) of subsection (a)(2)(B).

23 (2) Issues pertaining to the education and
24 training of health care professionals concerning pa-
25 tients’ self-determination rights.

1 (3) Issues pertaining to health care profes-
2 sionals' duties with respect to patients' rights, and
3 health care professionals' roles in identifying, assess-
4 ing, and presenting for patient consideration medi-
5 cally indicated treatment options.

6 (4) Issues pertaining to the education of pa-
7 tients concerning their rights to consent to, and de-
8 cline, treatment, including how individuals might
9 best be informed of such rights prior to hospitaliza-
10 tion and how uninsured individuals, and individuals
11 not under the regular care of a physician or another
12 provider, might best be informed of their rights.

13 (5) Issues relating to appropriate standards to
14 be adopted concerning decisionmaking by incapaci-
15 tated adult patients whose treatment choices are not
16 known.

17 (6) Such other issues as the Secretary may
18 identify.

19 (h) EFFECTIVE DATE.—

20 (1) IN GENERAL.—This section shall take effect
21 on the date that is 6 months after the date of enact-
22 ment of this Act.

23 (2) SUBSECTION (g).—The provisions of sub-
24 section (g) shall take effect on the date of enactment
25 of this Act.

1 **TITLE V—PRIMARY AND**
 2 **PREVENTIVE CARE PROVIDERS**

3 **SEC. 501. EXPANDED COVERAGE OF CERTAIN NONPHYSI-**
 4 **CIAN PROVIDERS UNDER THE MEDICARE**
 5 **PROGRAM.**

6 (a) IN GENERAL.—Section 1833(a)(1) of the Social
 7 Security Act (42 U.S.C. 1395l(a)(1)) is amended—

8 (1) in subparagraph (K), by striking “80 per-
 9 cent” and all that follows through “physician)” and
 10 inserting “85 percent of the fee schedule amount
 11 provided under section 1848 for the same service
 12 performed by a physician”; and

13 (2) by striking subparagraph (O) and inserting
 14 the following: “(O) with respect to services described
 15 in section 1861(s)(2)(K) (relating to services pro-
 16 vided by a nurse practitioner, clinical nurse special-
 17 ist, or physician assistant) the amounts paid shall be
 18 85 percent of the fee schedule amount provided
 19 under section 1848 for the same service performed
 20 by a physician, and”.

21 (b) NURSE PRACTITIONERS AND PHYSICIAN ASSIST-
 22 ANTS.—Section 1842(b)(12) of the Social Security Act
 23 (42 U.S.C. 1395u(b)(12)) is amended to read as follows:

1 “(12) With respect to services described in clause (i),
 2 (ii), or (iv) of section 1861(s)(2)(K) (relating to physician
 3 assistants and nurse practitioners)—

4 “(A) payment under this part may only be
 5 made on an assignment-related basis; and

6 “(B) the prevailing charges determined under
 7 paragraph (3) shall not exceed—

8 “(i) in the case of services performed as an
 9 assistant at surgery, 85 percent of the amount
 10 that would otherwise be recognized if performed
 11 by a physician who is serving as an assistant at
 12 surgery, or

13 “(ii) in other cases, 85 percent of the fee
 14 schedule amount specified in section 1848 for
 15 such services performed by physicians who are
 16 not specialists.”.

17 (c) DIRECT PAYMENT FOR ALL NURSE PRACTITION-
 18 ERS OR CLINICAL NURSE SPECIALISTS.—

19 (1) IN GENERAL.—Section 1832(a)(2)(B)(iv) of
 20 the Social Security Act (42 U.S.C.
 21 1395k(a)(2)(B)(iv)) is amended by striking “pro-
 22 vided in a rural area (as defined in section
 23 1886(d)(2)(D))”.

24 (2) CONFORMING AMENDMENT.—Subparagraph
 25 (C) of section 1842(b)(6) of such Act (42 U.S.C.

1 1395u(b)(6)) is amended by striking “shall” and in-
 2 serting “may”.

3 (d) REMOVAL OF RESTRICTIONS ON SETTINGS.—
 4 Section 1861(s)(2)(K) of the Social Security Act (42
 5 U.S.C. 1395x(s)(2)(K)) is amended—

6 (1) in clause (i), by striking “(I) in a hospital”
 7 and all that follows through “professional shortage
 8 area,”;

9 (2) in clause (ii), by striking “in a skilled” and
 10 all that follows through “1919(a))”; and

11 (3) in clause (iii), by striking “in a rural” and
 12 all that follows through “(d)(2)(D))”.

13 **SEC. 502. REQUIRING COVERAGE OF CERTAIN NONPHYSI-**
 14 **CIAN PROVIDERS UNDER THE MEDICAID**
 15 **PROGRAM.**

16 Section 1905(a) of the Social Security Act (42 U.S.C.
 17 1396d(a)) is amended—

18 (1) by striking “and” at the end of paragraph
 19 (24),

20 (2) by redesignating paragraph (25) as para-
 21 graph (26), and

22 (3) by inserting after paragraph (24) the fol-
 23 lowing new paragraph:

24 “(25) services furnished by a physician assist-
 25 ant, nurse practitioner, clinical nurse specialist (as

1 defined in section 1861(aa)(5)), and certified reg-
 2 istered nurse anesthetist (as defined in section
 3 1861(bb)(2)); and”.

4 **SEC. 503. MEDICAL STUDENT TUTORIAL PROGRAM**
 5 **GRANTS.**

6 Part C of title VII of the Public Health Service Act
 7 (42 U.S.C. 293j et seq.) is amended by adding at the end
 8 thereof the following new section:

9 **“SEC. 753. MEDICAL STUDENT TUTORIAL PROGRAM**
 10 **GRANTS.**

11 “(a) ESTABLISHMENT.—The Secretary shall estab-
 12 lish a program to award grants to eligible schools of medi-
 13 cine or osteopathic medicine to enable such schools to pro-
 14 vide medical students for tutorial programs or as partici-
 15 pants in clinics designed to interest high school or college
 16 students in careers in general medical practice.

17 “(b) APPLICATION.—To be eligible to receive a grant
 18 under this section, a school of medicine or osteopathic
 19 medicine shall prepare and submit to the Secretary an ap-
 20 plication at such time, in such manner, and containing
 21 such information as the Secretary may require, including
 22 assurances that the school will use amounts received under
 23 the grant in accordance with subsection (c).

24 “(c) USE OF FUNDS.—

1 “(1) IN GENERAL.—Amounts received under a
2 grant awarded under this section shall be used to—

3 “(A) fund programs under which students
4 of the grantee are provided as tutors for high
5 school and college students in the areas of
6 mathematics, science, health promotion and
7 prevention, first aide, nutrition and prenatal
8 care;

9 “(B) fund programs under which students
10 of the grantee are provided as participants in
11 clinics and seminars in the areas described in
12 paragraph (1); and

13 “(C) conduct summer institutes for high
14 school and college students to promote careers
15 in medicine.

16 “(2) DESIGN OF PROGRAMS.—The programs,
17 institutes, and other activities conducted by grantees
18 under paragraph (1) shall be designed to—

19 “(A) give medical students desiring to
20 practice general medicine access to the local
21 community;

22 “(B) provide information to high school
23 and college students concerning medical school
24 and the general practice of medicine; and

25 “(C) promote careers in general medicine.

1 “(d) AUTHORIZATION OF APPROPRIATIONS.—There
 2 are authorized to be appropriated to carry out this section,
 3 \$5,000,000 for fiscal year 1998, and such sums as may
 4 be necessary for fiscal year 1999.”.

5 **SEC. 504. GENERAL MEDICAL PRACTICE GRANTS.**

6 Part C of title VII of the Public Health Service Act
 7 (as amended by section 503) is further amended by adding
 8 at the end thereof the following new section:

9 **“SEC. 754. GENERAL MEDICAL PRACTICE GRANTS.**

10 “(a) ESTABLISHMENT.—The Secretary shall estab-
 11 lish a program to award grants to eligible public or private
 12 nonprofit schools of medicine or osteopathic medicine, hos-
 13 pitals, residency programs in family medicine or pedi-
 14 atrics, or to a consortium of such entities, to enable such
 15 entities to develop effective strategies for recruiting medi-
 16 cal students interested in the practice of general medicine
 17 and placing such students into general practice positions
 18 upon graduation.

19 “(b) APPLICATION.—To be eligible to receive a grant
 20 under this section, an entity of the type described in sub-
 21 section (a) shall prepare and submit to the Secretary an
 22 application at such time, in such manner, and containing
 23 such information as the Secretary may require, including
 24 assurances that the entity will use amounts received under
 25 the grant in accordance with subsection (c).

1 “(c) USE OF FUNDS.—Amounts received under a
 2 grant awarded under this section shall be used to fund
 3 programs under which effective strategies are developed
 4 and implemented for recruiting medical students inter-
 5 ested in the practice of general medicine and placing such
 6 students into general practice positions upon graduation.

7 “(d) AUTHORIZATION OF APPROPRIATIONS.—There
 8 are authorized to be appropriated to carry out this section,
 9 \$25,000,000 for each of the fiscal years 1998 through
 10 2002, and such sums as may be necessary for fiscal years
 11 thereafter.”.

12 **TITLE VI—COST CONTAINMENT**

13 **SEC. 601. NEW DRUG CLINICAL TRIALS PROGRAM.**

14 Part B of title IV of the Public Health Service Act
 15 (42 U.S.C. 284 et seq.) is amended by adding at the end
 16 the following new section:

17 **“SEC. 409B. NEW DRUG CLINICAL TRIALS PROGRAM.**

18 “(a) IN GENERAL.—The Director of the National In-
 19 stitutes of Health (referred to in this section as the ‘Direc-
 20 tor’) is authorized to establish and implement a program
 21 for the conduct of clinical trials with respect to new drugs
 22 and disease treatments determined to be promising by the
 23 Director. In determining the drugs and disease treatments

1 that are to be the subject of such clinical trials, the Direc-
 2 tor shall give priority to those drugs and disease treat-
 3 ments targeted toward the diseases determined—

4 “(1) to be the most costly to treat;

5 “(2) to have the highest mortality; or

6 “(3) to affect the greatest number of individ-
 7 uals.

8 “(b) AUTHORIZATION OF APPROPRIATIONS.—There
 9 are authorized to be appropriated to carry out this section,
 10 \$120,000,000 for fiscal year 1998, and such sums as may
 11 be necessary for each of the fiscal years 1999 through
 12 2002.”.

13 **SEC. 602. MEDICAL TREATMENT EFFECTIVENESS.**

14 (a) RESEARCH ON COST-EFFECTIVE METHODS OF
 15 HEALTH CARE.—Section 926 of the Public Health Service
 16 Act (42 U.S.C. 299c–5) is amended—

17 (1) in subsection (a), by inserting before the pe-
 18 riod the following: “and such sums as may be nec-
 19 essary for each of the fiscal years 1998 through
 20 2000”; and

21 (2) by adding at the end the following new sub-
 22 section:

23 “(f) USE OF ADDITIONAL APPROPRIATIONS.—Within
 24 amounts appropriated under subsection (a) for each of the
 25 fiscal years 1998 through 2000 that are in excess of the

1 amounts appropriated under such subsection for fiscal
 2 year 1997, the Secretary shall give priority to expanding
 3 research conducted to determine the most cost-effective
 4 methods of health care and for developing and disseminat-
 5 ing new practice guidelines related to such methods. In
 6 utilizing such amounts, the Secretary shall give priority
 7 to diseases and disorders that the Secretary determines
 8 are the most costly to the United States and evidence a
 9 wide variation in current medical practice.”.

10 (b) RESEARCH ON MEDICAL TREATMENT OUT-
 11 COMES.—

12 (1) IMPOSITION OF TAX ON HEALTH INSUR-
 13 ANCE POLICIES.—

14 (A) IN GENERAL.—Chapter 36 of the In-
 15 ternal Revenue Code of 1986 (relating to cer-
 16 tain other excise taxes) is amended by adding
 17 at the end the following:

18 **“Subchapter G—Tax on Health Insurance**
 19 **Policies**

“Sec. 4501. Imposition of tax.

“Sec. 4502. Liability for tax.

20 **“SEC. 4501. IMPOSITION OF TAX.**

21 “(a) GENERAL RULE.—There is hereby imposed a
 22 tax equal to .001 cent on each dollar, or fractional part
 23 thereof, of the premium paid on a policy of health
 24 insurance.

1 “(b) DEFINITION.—For purposes of subsection (a),
 2 the term ‘policy of health insurance’ means any policy or
 3 other instrument by whatever name called whereby a con-
 4 tract of insurance is made, continued, or renewed with re-
 5 spect to the health of an individual or group of individuals.

6 **“SEC. 4502. LIABILITY FOR TAX.**

7 “The tax imposed by this subchapter shall be paid,
 8 on the basis of a return, by any person who makes, signs,
 9 issues, or sells any of the documents and instruments sub-
 10 ject to the tax, or for whose use or benefit the same are
 11 made, signed, issued, or sold. The United States or any
 12 agency or instrumentality thereof shall not be liable for
 13 the tax.”.

14 (B) CONFORMING AMENDMENT.—The
 15 table of subchapters for chapter 36 of the Inter-
 16 nal Revenue Code of 1986 is amended by add-
 17 ing at the end the following:

“SUBCHAPTER G. Tax on health insurance policies.”.

18 (2) ESTABLISHMENT OF TRUST FUND.—

19 (A) IN GENERAL.—Subchapter A of chap-
 20 ter 98 of such Code (relating to trust fund
 21 code) is amended by adding at the end the fol-
 22 lowing:

10 “(b) TRANSFERS TO TRUST FUND.—There is hereby
11 appropriated to the Trust Fund an amount equivalent to
12 the taxes received in the Treasury under section 4501 (re-
13 lating to tax on health insurance policies).

(B) CONFORMING AMENDMENT.—The table of sections for subchapter A of chapter 98 of such Code is amended by adding at the end the following:

S 24 IS2S

1 (3) EFFECTIVE DATE.—The amendments made
 2 by this subsection shall apply to policies issued after
 3 December 31, 1997.

4 **SEC. 603. NATIONAL HEALTH INSURANCE DATA AND**
 5 **CLAIMS SYSTEM.**

6 (a) IN GENERAL.—Using advanced technologies to
 7 the maximum extent practicable, the Secretary of Health
 8 and Human Services (referred to in this section as the
 9 “Secretary”) shall establish and maintain a national
 10 health insurance data and claims system, which shall be
 11 comprised of—

12 (1) a centralized national data base for health
 13 insurance and health outcomes information;

14 (2) a standardized, universal mechanism for
 15 electronically processing health insurance and health
 16 outcomes data; and

17 (3) a standardized system for uniform claims
 18 and uniform transmission of claims.

19 (b) NATIONAL DATA BASE FOR HEALTH INSURANCE
 20 INFORMATION.—The national data base for health insur-
 21 ance and health outcomes information shall—

22 (1) be centrally located;

23 (2) rely on advanced technologies to the maxi-
 24 mum extent practicable; and

1 (3) be readily accessible for data input and re-
2 retrieval.

3 (c) STANDARDIZED SYSTEM FOR UNIFORM CLAIMS
4 AND TRANSMISSION OF CLAIMS.—

5 (1) CONSULTATION WITH THE NAIC.—The Sec-
6 retary shall consult with the National Association of
7 Insurance Commissioners in connection with the es-
8 tablishment of the system under subsection (a)(3).

9 (2) USE OF RECOGNIZED STANDARDS.—The
10 Secretary shall, to the maximum extent practicable,
11 establish standards for the system under subsection
12 (a)(3) that are consistent with standards that are
13 widely recognized and adopted.

14 (3) TIMING FOR ESTABLISHMENT OF SYS-
15 TEM.—

16 (A) IN GENERAL.—Not later than 12
17 months after the date of the enactment of this
18 Act, the Secretary shall establish standards for
19 the system under subsection (a)(3).

20 (B) REVIEW.—Not later than 24 months
21 after standards have been established under
22 subparagraph (A), the Secretary shall review
23 such standards and make any modifications de-
24 termined appropriate by the Secretary.

1 (4) USE OF FORMS.—The standards established
 2 under this subsection shall require that any uniform
 3 forms developed by the Secretary under this section
 4 be utilized by health insurance issuers and health
 5 care providers to provide and process health insur-
 6 ance and health outcomes information.

7 (d) CONFIDENTIALITY.—The Secretary shall ensure
 8 that all patient information collected under this section is
 9 managed so that confidentiality is protected.

10 (e) AUTHORIZATION OF APPROPRIATIONS.—There
 11 shall be authorized to be appropriated such sums as may
 12 be necessary to carry out the purposes of this section.

13 **SEC. 604. HEALTH CARE COST CONTAINMENT AND QUALITY**
 14 **INFORMATION PROGRAM.**

15 (a) GRANT PROGRAM.—

16 (1) IN GENERAL.—The Secretary of Health and
 17 Human Services (referred to in this section as the
 18 “Secretary”) shall make grants to States that estab-
 19 lish or operate health care cost containment and
 20 quality information systems (as defined in subsection
 21 (f)(1)). In order to be eligible for a grant under this
 22 section, a State must establish or operate a system
 23 which, at a minimum, meets the Federal standards
 24 established under subsection (c).

1 (2) USE OF FUNDS.—States may use grant
2 funds received under this section only to establish a
3 health care cost containment and quality information
4 system or to improve an existing system operated by
5 the State.

6 (b) SUBMISSION OF APPLICATIONS.—To be eligible
7 for a grant under this section, a State must submit an
8 application to the Secretary within 2 years after the date
9 of the enactment of this section. Such application shall
10 be submitted in a manner determined appropriate by the
11 Secretary and shall include the designation of a State
12 agency that will operate the health care cost containment
13 and quality information system for the State. The Sec-
14 retary shall approve or disapprove a State application
15 within 6 months after its submission.

16 (c) MINIMUM FEDERAL STANDARDS.—Not later than
17 6 months after the date of the enactment of this section,
18 the Secretary, after consultation with the Agency for
19 Health Care Policy and Research, other Federal agencies,
20 the Joint Commission on Accreditation of Hospitals,
21 States, health care providers, consumers, insurers, health
22 maintenance organizations, businesses, academic health
23 centers, and labor organizations that purchase health care,
24 shall establish Federal standards for the operation of

1 health care cost containment and quality information sys-
2 tems by States receiving grants under this section.

3 (d) COLLECTION AND PUBLIC DISSEMINATION OF
4 INFORMATION BY STATES.—

5 (1) IN GENERAL.—A State receiving a grant
6 under this section shall require that a health care
7 cost containment and quality information system will
8 collect at least the information described in para-
9 graph (2) and publicly disseminate such information
10 in a useful format to appropriate persons such as
11 businesses, consumers of health care services, labor
12 organizations, health plans, hospitals, and other
13 States.

14 (2) INFORMATION DESCRIBED.—The informa-
15 tion described in this paragraph is the following:

16 (A) Information on hospital charges.

17 (B) Clinical data.

18 (C) Demographic data.

19 (D) Information regarding treatment of in-
20 dividuals by particular health care providers.

21 (3) ELECTRONIC TRANSMISSION OF INFORMA-
22 TION.—The State program under this section shall
23 provide that any information described in paragraph
24 (2) with respect to which the Secretary has estab-
25 lished standards for data elements and information

1 transactions under section 603 shall be transmitted
2 to the State health care cost containment and qual-
3 ity information system in accordance with such
4 standards.

5 (4) PRIVACY AND CONFIDENTIALITY.—The
6 State cost containment and quality information sys-
7 tem shall ensure that patient privacy and confiden-
8 tiality is protected at all times.

9 (e) COMPLIANCE.—If the Secretary determines that
10 a State receiving grant funds under this section has failed
11 to operate a system in accordance with the terms of its
12 approved application, the Secretary may withhold payment
13 of such funds until the State remedies such noncompli-
14 ance.

15 (f) DEFINITIONS.—For purposes of this section—

16 (1) the term “health care cost containment and
17 quality information system” means a system which
18 is established or operated by a State in order to col-
19 lect and disseminate the information described in
20 subsection (d)(2) in accordance with subsection
21 (d)(1) for the purpose of providing information on
22 health care costs and outcomes in the State; and

23 (2) the term “State” means a State, the Dis-
24 trict of Columbia, the Commonwealth of Puerto
25 Rico, the Virgin Islands, Guam, American Samoa,

1 and includes the Commonwealth of the Northern
2 Mariana Islands.

3 (g) AUTHORIZATION.—

4 (1) IN GENERAL.—There are authorized to be
5 appropriated for the purpose of carrying out this
6 section not more than \$150,000,000 for fiscal years
7 1998 through 2000, and such sums as may be nec-
8 essary thereafter, to remain available until expended.

9 (2) ALLOCATION TO STATES.—The Secretary
10 shall allocate the amounts available for grants under
11 this section in any fiscal year in accordance with a
12 formula developed by the Secretary which takes into
13 account—

14 (A) the number of hospitals in a State rel-
15 ative to the total number of hospitals in all
16 States;

17 (B) the population of the State relative to
18 the total population of all States; and

19 (C) the type of system operated or in-
20 tended to be operated by the State, including
21 whether the State establishes an independent
22 State agency to operate the system.

1 **TITLE VII—TAX INCENTIVES FOR**
 2 **PURCHASE OF QUALIFIED**
 3 **LONG-TERM CARE INSUR-**
 4 **ANCE**

5 **SEC. 701. CREDIT FOR QUALIFIED LONG-TERM CARE PRE-**
 6 **MIUMS.**

7 (a) GENERAL RULE.—Subpart C of part IV of sub-
 8 chapter A of chapter 1 of the Internal Revenue Code of
 9 1986 (relating to refundable credits) is amended by redes-
 10 ignating section 35 as section 36 and by inserting after
 11 section 34 the following:

12 **“SEC. 35. LONG-TERM CARE INSURANCE CREDIT.**

13 “(a) GENERAL RULE.—In the case of an individual,
 14 there shall be allowed as a credit against the tax imposed
 15 by this subtitle for the taxable year an amount equal to
 16 the applicable percentage of the premiums for a qualified
 17 long-term care insurance contract (as defined in section
 18 7702B(b)) paid during such taxable year for such individ-
 19 ual or the spouse of such individual.

20 “(b) APPLICABLE PERCENTAGE.—

21 “(1) IN GENERAL.—For purposes of this sec-
 22 tion, the term ‘applicable percentage’ means 28 per-
 23 cent reduced (but not below zero) by 1 percentage
 24 point for each \$1,000 (or fraction thereof) by which

1 the taxpayer's adjusted gross income for the taxable
 2 year exceeds the base amount.

3 “(2) BASE AMOUNT.—For purposes of para-
 4 graph (1) the term ‘base amount’ means—

5 “(A) except as otherwise provided in this
 6 paragraph, \$25,000,

7 “(B) \$40,000 in the case of a joint return,
 8 and

9 “(C) zero in the case of a taxpayer who—
 10 “(i) is married at the close of the tax-
 11 able year (within the meaning of section
 12 7703) but does not file a joint return for
 13 such taxable year, and

14 “(ii) does not live apart from the tax-
 15 payer's spouse at all times during the tax-
 16 able year.

17 “(c) COORDINATION WITH MEDICAL EXPENSE DE-
 18 Duction.—Any amount allowed as a credit under this
 19 section shall not be taken into account under section
 20 213.”.

21 (b) CONFORMING AMENDMENT.—The table of sec-
 22 tions for such subpart C is amended by striking the item
 23 relating to section 35 and inserting the following:

“Sec. 35. Long-term care insurance credit.
 “Sec. 36. Overpayments of tax.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 1997.

4 **SEC. 702. INCLUSION OF QUALIFIED LONG-TERM CARE IN-**
5 **SURANCE IN CAFETERIA PLANS AND FLEXI-**
6 **BLE SPENDING ARRANGEMENTS.**

7 (a) CAFETERIA PLANS.—The last sentence of section
8 125(f) of the Internal Revenue Code of 1986 (defining
9 qualified benefits) is amended by striking “shall not” and
10 inserting “shall”.

11 (b) FLEXIBLE SPENDING ARRANGEMENTS.—Section
12 106(c) of the Internal Revenue Code of 1986 (relating to
13 contributions by employer to accident and health plans)
14 is amended—

15 (1) in paragraph (1), by striking “include” and
16 inserting “shall not”; and

17 (2) in the heading, by striking “INCLUSION”
18 and inserting “EXCLUSION”.

19 (c) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to taxable years beginning after
21 December 31, 1996.

1 **SEC. 703. EXCLUSION FROM GROSS INCOME FOR AMOUNTS**
 2 **RECEIVED ON CANCELLATION OF LIFE IN-**
 3 **SURANCE POLICIES AND USED FOR QUALI-**
 4 **FIED LONG-TERM CARE INSURANCE CON-**
 5 **TRACTS.**

6 (a) IN GENERAL.—

7 (1) EXCLUSION FROM GROSS INCOME.—

8 (A) IN GENERAL.—Part III of subchapter
 9 B of chapter 1 of the Internal Revenue Code of
 10 1986 (relating to items specifically excluded
 11 from gross income) is amended by redesignat-
 12 ing section 138 as section 139 and by inserting
 13 after section 137 the following new section:

14 **“SEC. 138. AMOUNTS RECEIVED ON CANCELLATION, ETC.**
 15 **OF LIFE INSURANCE CONTRACTS AND USED**
 16 **TO PAY PREMIUMS FOR QUALIFIED LONG-**
 17 **TERM CARE INSURANCE.**

18 “No amount (which but for this section would be in-
 19 cludible in the gross income of an individual) shall be in-
 20 cluded in gross income on the whole or partial surrender,
 21 cancellation, or exchange of any life insurance contract
 22 during the taxable year if—

23 “(1) such individual has attained age 59½ on
 24 or before the date of the transaction, and

25 “(2) the amount otherwise includible in gross
 26 income is used during such year to pay for any

1 qualified long-term care insurance contract (as de-
 2 fined in section 7702B(b)) which—

3 “(A) is for the benefit of such individual or
 4 the spouse of such individual if such spouse has
 5 attained age 59½ on or before the date of the
 6 transaction, and

7 “(B) may not be surrendered for cash.”.

8 (B) CONFORMING AMENDMENT.—The
 9 table of sections for such part III is amended
 10 by striking the item relating to section 138 and
 11 inserting the following:

“Sec. 138. Amounts received on cancellation, etc. of life insurance
 contracts and used to pay premiums for qualified
 long-term care insurance.

“Sec. 139. Cross references to other Acts.”.

12 (2) CERTAIN EXCHANGES NOT TAXABLE.—Sec-
 13 tion 1035(a) of such Code (relating to certain ex-
 14 changes of insurance contracts) is amended by strik-
 15 ing the period at the end of paragraph (3) and in-
 16 serting “; or”, and by adding at the end the follow-
 17 ing:

18 “(4) in the case of an individual who has at-
 19 tained age 59½, a contract of life insurance or an
 20 endowment or annuity contract for a qualified long-
 21 term care insurance contract (as defined in section
 22 7702B(b)), if the qualified long-term care insurance
 23 contract may not be surrendered for cash.”.

1 (b) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to taxable years beginning after
 3 December 31, 1997.

4 **SEC. 704. USE OF GAIN FROM SALE OF PRINCIPAL RESI-**
 5 **DENCE FOR PURCHASE OF QUALIFIED LONG-**
 6 **TERM HEALTH CARE INSURANCE.**

7 (a) IN GENERAL.—Subsection (d) of section 121 of
 8 the Internal Revenue Code of 1986 (relating to one-time
 9 exclusion of gain from sale of principal residence by indi-
 10 vidual who has attained age 55) is amended by adding
 11 at the end the following:

12 “(10) ELIGIBILITY OF HOME EQUITY CONVER-
 13 SION SALE-LEASEBACK TRANSACTION FOR EXCLU-
 14 SION.—

15 “(A) IN GENERAL.—For purposes of this
 16 section, the term ‘sale or exchange’ includes a
 17 home equity conversion sale-leaseback trans-
 18 action.

19 “(B) HOME EQUITY CONVERSION SALE-
 20 LEASEBACK TRANSACTION.—For purposes of
 21 subparagraph (A), the term ‘home equity con-
 22 version sale-leaseback’ means a transaction in
 23 which—

24 “(i) the seller-lessee—

1 “(I) has attained the age of 55
2 before the date of the transaction,

3 “(II) sells property which during
4 the 5-year period ending on the date
5 of the transaction has been owned and
6 used as a principal residence by such
7 seller-lessee for periods aggregating 3
8 years or more,

9 “(III) uses a portion of the pro-
10 ceeds from such sale to purchase a
11 qualified long-term care insurance
12 contract (as defined in section
13 7702B(b)), which contract may not be
14 surrendered for cash,

15 “(IV) obtains occupancy rights in
16 such property pursuant to a written
17 lease requiring a fair rental, and

18 “(V) receives no option to repur-
19 chase the property at a price less than
20 the fair market price of the property
21 unencumbered by any leaseback at the
22 time such option is exercised, and

23 “(ii) the purchaser-lessor—

24 “(I) is a person,

1 “(II) is contractually responsible
2 for the risks and burdens of owner-
3 ship and receives the benefits of own-
4 ership (other than the seller-lessee’s
5 occupancy rights) after the date of
6 such transaction, and

7 “(III) pays a purchase price for
8 the property that is not less than the
9 fair market price of such property en-
10 cumbered by a leaseback, and taking
11 into account the terms of the lease.

12 “(C) ADDITIONAL DEFINITIONS.—For pur-
13 poses of subparagraph (B)—

14 “(i) OCCUPANCY RIGHTS.—The term
15 ‘occupancy rights’ means the right to oc-
16 cupy the property for any period of time,
17 including a period of time measured by the
18 life of the seller-lessee on the date of the
19 sale-leaseback transaction (or the life of
20 the surviving seller-lessee, in the case of
21 jointly held occupancy rights), or a periodic
22 term subject to a continuing right of re-
23 newal by the seller-lessee (or by the surviv-
24 ing seller-lessee, in the case of jointly held
25 occupancy rights).

1 “(ii) FAIR RENTAL.—The term ‘fair
2 rental’ means a rental for any subsequent
3 year which equals or exceeds the rental for
4 the 1st year of a sale-leaseback trans-
5 action.”.

6 (b) EFFECTIVE DATE.—The amendment made by
7 this section shall apply to sales after December 31, 1997,
8 in taxable years beginning after such date.

9 **TITLE VIII—NATIONAL FUND** 10 **FOR HEALTH RESEARCH**

11 **SEC. 801. ESTABLISHMENT OF NATIONAL FUND FOR** 12 **HEALTH RESEARCH.**

13 Part A of title IV (42 U.S.C. 281 et seq.), as amend-
14 ed by section 611, is further amended by adding at the
15 end thereof the following new section:

16 **“SEC. 404G. ESTABLISHMENT OF NATIONAL FUND FOR** 17 **HEALTH RESEARCH.**

18 “(a) ESTABLISHMENT.—There is established in the
19 Treasury of the United States a fund, to be known as the
20 ‘National Fund for Health Research’ (hereafter in this
21 section referred to as the ‘Fund’), consisting of such
22 amounts as are transferred to the Fund and any interest
23 earned on investment of amounts in the Fund.

24 “(b) OBLIGATIONS FROM FUND.—

1 “(1) IN GENERAL.—Subject to the provisions of
2 paragraph (2), with respect to the amounts made
3 available in the Fund in a fiscal year, the Secretary
4 shall distribute all of such amounts during any fiscal
5 year to research institutes and centers of the Na-
6 tional Institutes of Health in the same proportion to
7 the total amount received under this section, as the
8 amount of annual appropriations under appropria-
9 tions Acts for each member institute and centers for
10 the fiscal year bears to the total amount of appro-
11 priations under appropriations Acts for all research
12 institutes and centers of the National Institutes of
13 Health for the fiscal year.

14 “(2) TRIGGER AND RELEASE OF MONIES.—No
15 expenditure shall be made under paragraph (1) dur-
16 ing any fiscal year in which the annual amount ap-
17 propriated for the National Institutes of Health is
18 less than the amount so appropriated for the prior
19 fiscal year.”.

○