

106TH CONGRESS
1ST SESSION

H. R. 2185

To amend the Internal Revenue Code of 1986 to allow individuals a refundable credit against income tax for the purchase of private health insurance through a pooling arrangement.

IN THE HOUSE OF REPRESENTATIVES

JUNE 14, 1999

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

A BILL

To amend the Internal Revenue Code of 1986 to allow individuals a refundable credit against income tax for the purchase of private health insurance through a pooling arrangement.

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.**

4 This Act may be cited as the “Health Insurance for
5 Americans Act of 1999”.

1 **TITLE I—REFUNDABLE CREDIT**
2 **FOR HEALTH INSURANCE**
3 **COVERAGE**

4 **SEC. 101. REFUNDABLE CREDIT FOR HEALTH INSURANCE**
5 **COVERAGE.**

6 (a) IN GENERAL.—Subpart C of part IV of sub-
7 chapter A of chapter 1 of the Internal Revenue Code of
8 1986 (relating to refundable credits) is amended by redес-
9 ignating section 35 as section 36 and by inserting after
10 section 34 the following new section:

11 **“SEC. 35. HEALTH INSURANCE COSTS.**

12 “(a) IN GENERAL.—In the case of an individual,
13 there shall be allowed as a credit against the tax imposed
14 by this subtitle an amount equal to the amount paid dur-
15 ing the taxable year for qualified health insurance for the
16 taxpayer, his spouse, and dependents.

17 “(b) LIMITATIONS.—

18 “(1) IN GENERAL.—The amount allowed as a
19 credit under subsection (a) to the taxpayer for the
20 taxable year shall not exceed the sum of the monthly
21 limitations for coverage months during such taxable
22 year for each individual referred to in subsection (a)
23 for whom the taxpayer paid during the taxable year
24 any amount for coverage under qualified health in-
25 surance.

1 “(2) MONTHLY LIMITATION.—

2 “(A) IN GENERAL.—The monthly limita-
3 tion for an individual for each coverage month
4 of such individual during the taxable year is the
5 amount equal to 1/12 of—

6 “(i) \$1,200 if such individual is the
7 taxpayer,

8 “(ii) \$1,200 if—

9 “(I) such individual is the spouse
10 of the taxpayer,

11 “(II) the taxpayer and such
12 spouse are married as of the first day
13 of such month, and

14 “(III) the taxpayer files a joint
15 return for the taxable year, and

16 “(iii) \$600 if such individual is an in-
17 dividual for whom a deduction under sec-
18 tion 151(c) is allowable to the taxpayer for
19 such taxable year.

20 “(B) LIMITATION TO 2 DEPENDENTS.—
21 Not more than 2 individuals may be taken into
22 account by the taxpayer under subparagraph
23 (A)(iii).

24 “(C) SPECIAL RULE FOR MARRIED INDIVIDUALS.—In the case of an individual—
25

1 “(i) who is married (within the mean-
2 ing of section 7703) as of the close of the
3 taxable year but does not file a joint return
4 for such year, and

5 “(ii) who does not live apart from
6 such individual’s spouse at all times during
7 the taxable year,
8 the limitation imposed by subparagraph (B)
9 shall be divided equally between the individual
10 and the individual’s spouse unless they agree on
11 a different division.

12 “(3) COVERAGE MONTH.—For purposes of this
13 subsection—

14 “(A) IN GENERAL.—The term ‘coverage
15 month’ means, with respect to an individual,
16 any month if—

17 “(i) as of the first day of such month
18 such individual is covered by qualified
19 health insurance, and

20 “(ii) the premium for coverage under
21 such insurance for such month is paid by
22 the taxpayer.

23 “(B) EMPLOYER-SUBSIDIZED COV-
24 ERAGE.—Such term shall not include any
25 month for which such individual participates in

1 any subsidized health plan (within the meaning
2 of section 162(l)(2)) maintained by any em-
3 ployer of the taxpayer or of the spouse of the
4 taxpayer.

5 “(C) CAFETERIA PLAN AND FLEXIBLE
6 SPENDING ACCOUNT BENEFICIARIES.—Such
7 term shall not include any month during a tax-
8 able year if any amount is not includible in the
9 gross income of the taxpayer for such year
10 under section 106 with respect to—

11 “(i) a benefit chosen under a cafeteria
12 plan (as defined in section 125(d)), or

13 “(ii) a benefit provided under a flexi-
14 ble spending or similar arrangement.

15 “(D) MEDICARE AND MEDICAID.—Such
16 term shall not include any month with respect
17 to an individual if, as of the first day of such
18 month, such individual—

19 “(i) is entitled to any benefits under
20 title XVIII of the Social Security Act, or

21 “(ii) is a participant in the program
22 under title XIX of such Act.

23 “(E) CERTAIN OTHER COVERAGE.—Such
24 term shall not include any month during a tax-
25 able year with respect to an individual if, at any

1 time during such year, any benefit is provided
2 to such individual under—

3 “(i) chapter 17 of title 38, United
4 States Code, or

5 “(ii) any medical care program under
6 the Indian Health Care Improvement Act.

7 “(F) PRISONERS.—Such term shall not in-
8 clude any month with respect to an individual
9 if, as of the first day of such month, such indi-
10 vidual is imprisoned under Federal, State, or
11 local authority.

12 “(G) INSUFFICIENT PRESENCE IN UNITED
13 STATES.—Such term shall not include any
14 month during a taxable year with respect to an
15 individual if such individual is present in the
16 United States on fewer than 183 days during
17 such year (determined in accordance with sec-
18 tion 7701(b)(7)).

19 “(4) COORDINATION WITH DEDUCTION FOR
20 HEALTH INSURANCE COSTS OF SELF-EMPLOYED IN-
21 DIVIDUALS.—In the case of a taxpayer who is eligi-
22 ble to deduct any amount under section 162(l) for
23 the taxable year, this section shall apply only if the
24 taxpayer elects not to claim any amount as a deduc-
25 tion under such section for such year.

1 “(c) QUALIFIED HEALTH INSURANCE.—For pur-
2 poses of this section, the term ‘qualified health insurance’
3 means insurance sold through the Office of Health Insur-
4 ance under title II of the Health Insurance for Americans
5 Act of 1999.

6 “(d) COORDINATION WITH ADVANCE PAYMENTS OF
7 CREDIT.—

8 “(1) RECAPTURE OF EXCESS ADVANCE PAY-
9 MENTS.—If any payment is made by the Secretary
10 under section 7527 during any calendar year to a
11 provider of qualified health insurance for an indi-
12 vidual, then the tax imposed by this chapter for the
13 individual’s last taxable year beginning in such cal-
14 endar year shall be increased by the aggregate
15 amount of such payments.

16 “(2) RECONCILIATION OF PAYMENTS AD-
17 VANCED AND CREDIT ALLOWED.—Any increase in
18 tax under paragraph (1) shall not be treated as tax
19 imposed by this chapter for purposes of determining
20 the amount of any credit (other than the credit al-
21 lowed by subsection (a)) allowable under this sub-
22 part.

23 “(e) SPECIAL RULES.—

24 “(1) COORDINATION WITH MEDICAL EXPENSE
25 DEDUCTION.—The amount which would (but for this

1 paragraph) be taken into account by the taxpayer
2 under section 213 for the taxable year shall be re-
3 duced by the credit (if any) allowed by this section
4 to the taxpayer for such year.

5 “(2) DENIAL OF CREDIT TO DEPENDENTS.—No
6 credit shall be allowed under this section to any indi-
7 vidual with respect to whom a deduction under sec-
8 tion 151 is allowable to another taxpayer for a tax-
9 able year beginning in the calendar year in which
10 such individual’s taxable year begins.

11 “(3) INFLATION ADJUSTMENT.—

12 “(A) IN GENERAL.—In the case of any
13 taxable year beginning in a calendar year after
14 2001, each dollar amount contained in sub-
15 section (b)(2)(A) shall be increased by an
16 amount equal to—

17 “(i) such dollar amount, multiplied by

18 “(ii) the average of the inflation ad-
19 justments for the calendar year in which
20 the taxable year begins and the preceding
21 4 calendar years.

22 Any increase determined under the preceding
23 sentence shall be rounded to the nearest mul-
24 tiple of \$50.

“(B) INFLATION ADJUSTMENT.—For purposes of subparagraph (A), the inflation adjustment for any calendar year is the percentage (if any) by which—

“(i) the weighted average FEHBP cost for the preceding calendar year, exceeds

“(ii) the weighted average FEHBP cost for second preceding calendar year.

“(C) WEIGHTED AVERAGE FEHBP COST.—For purposes of subparagraph (B), the weighted average FEHBP cost for any calendar year is the weighted average determined under section 8906(a)(1)(A) of title 5, United States Code, as of October 1 of such calendar year based on the subscription charges that will be in effect during the following contract year.”

(b) INFORMATION REPORTING.—

(1) IN GENERAL.—Subpart B of part III of subchapter A of chapter 61 of such Code (relating to information concerning transactions with other persons) is amended by inserting after section 6050S the following new section:

1 **“SEC. 6050T. RETURNS RELATING TO PAYMENTS FOR**
2 **QUALIFIED HEALTH INSURANCE.**

3 “(a) IN GENERAL.—Any person who, in connection
4 with a trade or business conducted by such person, re-
5 ceives payments during any calendar year from any indi-
6 vidual for coverage of such individual or any other indi-
7 vidual under creditable health insurance, shall make the
8 return described in subsection (b) (at such time as the
9 Secretary may by regulations prescribe) with respect to
10 each individual from whom such payments were received.

11 “(b) FORM AND MANNER OF RETURNS.—A return
12 is described in this subsection if such return—

13 “(1) is in such form as the Secretary may pre-
14 scribe, and

15 “(2) contains—

16 “(A) the name, address, and TIN of the
17 individual from whom payments described in
18 subsection (a) were received,

19 “(B) the name, address, and TIN of each
20 individual who was provided by such person
21 with coverage under creditable health insurance
22 by reason of such payments and the period of
23 such coverage, and

24 “(C) such other information as the Sec-
25 retary may reasonably prescribe.

1 “(c) CREDITABLE HEALTH INSURANCE.—For pur-
2 poses of this section, the term ‘creditable health insurance’
3 means qualified health insurance (as defined in section
4 35(c)) other than—

5 “(1) insurance under a subsidized group health
6 plan maintained by an employer, or

7 “(2) to the extent provided in regulations pre-
8 scribed by the Secretary, any other insurance cov-
9 ering an individual if no credit is allowable under
10 section 35 with respect to such coverage.

11 “(d) STATEMENTS TO BE FURNISHED TO INDIVID-
12 UALS WITH RESPECT TO WHOM INFORMATION IS RE-
13 QUIRED.—Every person required to make a return under
14 subsection (a) shall furnish to each individual whose name
15 is required under subsection (b)(2)(A) to be set forth in
16 such return a written statement showing—

17 “(1) the name and address of the person re-
18 quired to make such return and the phone number
19 of the information contact for such person,

20 “(2) the aggregate amount of payments de-
21 scribed in subsection (a) received by the person re-
22 quired to make such return from the individual to
23 whom the statement is required to be furnished, and

24 “(3) the information required under subsection
25 (b)(2)(B) with respect to such payments.

1 The written statement required under the preceding sen-
2 tence shall be furnished on or before January 31 of the
3 year following the calendar year for which the return
4 under subsection (a) is required to be made.

5 “(e) RETURNS WHICH WOULD BE REQUIRED TO BE
6 MADE BY 2 OR MORE PERSONS.—Except to the extent
7 provided in regulations prescribed by the Secretary, in the
8 case of any amount received by any person on behalf of
9 another person, only the person first receiving such
10 amount shall be required to make the return under sub-
11 section (a).”.

12 (2) ASSESSABLE PENALTIES.—

13 (A) Subparagraph (B) of section
14 6724(d)(1) of such Code (relating to defini-
15 tions) is amended by redesignating clauses (xi)
16 through (xvii) as clauses (xii) through (xviii),
17 respectively, and by inserting after clause (x)
18 the following new clause:

19 “(xi) section 6050T (relating to re-
20 turns relating to payments for qualified
21 health insurance),”.

22 (B) Paragraph (2) of section 6724(d) of
23 such Code is amended by striking “or” at the
24 end of the next to last subparagraph, by strik-
25 ing the period at the end of the last subpara-

1 graph and inserting “, or”, and by adding at
 2 the end the following new subparagraph:

3 “(BB) section 6050T(d) (relating to re-
 4 turns relating to payments for qualified health
 5 insurance).”.

6 (3) CLERICAL AMENDMENT.—The table of sec-
 7 tions for subpart B of part III of subchapter A of
 8 chapter 61 of such Code is amended by inserting
 9 after the item relating to section 6050S the fol-
 10 lowing new item:

“Sec. 6050T. Returns relating to payments for qualified health
 insurance.”.

11 (c) CONFORMING AMENDMENTS.—

12 (1) Paragraph (2) of section 1324(b) of title
 13 31, United States Code, is amended by inserting be-
 14 fore the period “, or from section 35 of such Code”.

15 (2) The table of sections for subpart C of part
 16 IV of subchapter A of chapter 1 of such Code is
 17 amended by striking the last item and inserting the
 18 following new items:

“Sec. 35. Health insurance costs.
 “Sec. 36. Overpayments of tax.”.

19 (d) EFFECTIVE DATE.—The amendments made by
 20 this section shall apply to taxable years beginning after
 21 December 31, 2000.

1 **SEC. 102. ADVANCE PAYMENT OF CREDIT FOR PUR-**
2 **CHASERS OF QUALIFIED HEALTH INSUR-**
3 **ANCE.**

4 (a) IN GENERAL.—Chapter 77 of the Internal Rev-
5 enue Code of 1986 (relating to miscellaneous provisions)
6 is amended by adding at the end the following new section:

7 **“SEC. 7527. ADVANCE PAYMENT OF HEALTH INSURANCE**
8 **CREDIT FOR PURCHASERS OF QUALIFIED**
9 **HEALTH INSURANCE.**

10 “(a) GENERAL RULE.—In the case of an eligible indi-
11 vidual, the Secretary shall make payments to the provider
12 of such individual’s qualified health insurance equal to
13 such individual’s qualified health insurance credit advance
14 amount with respect to such provider.

15 “(b) ELIGIBLE INDIVIDUAL.—For purposes of this
16 section, the term ‘eligible individual’ means any
17 individual—

18 “(1) who purchases qualified health insurance
19 (as defined in section 35(c)), and

20 “(2) for whom a qualified health insurance
21 credit eligibility certificate is in effect.

22 “(c) QUALIFIED HEALTH INSURANCE CREDIT ELIGI-
23 BILITY CERTIFICATE.—For purposes of this section, a
24 qualified health insurance credit eligibility certificate is a
25 statement furnished by an individual to the Secretary
26 which—

1 “(1) certifies that the individual will be eligible
2 to receive the credit provided by section 35 for the
3 taxable year,

4 “(2) estimates the amount of such credit for
5 such taxable year, and

6 “(3) provides such other information as the
7 Secretary may require for purposes of this section.

8 “(d) QUALIFIED HEALTH INSURANCE CREDIT AD-
9 VANCE AMOUNT.—For purposes of this section, the term
10 ‘qualified health insurance credit advance amount’ means,
11 with respect to any provider of qualified health insurance,
12 the Secretary’s estimate of the amount of credit allowable
13 under section 35 to the individual for the taxable year
14 which is attributable to the insurance provided to the indi-
15 vidual by such provider.

16 “(e) REGULATIONS.—The Secretary shall prescribe
17 such regulations as may be necessary to carry out the pur-
18 poses of this section.”.

19 (b) CLERICAL AMENDMENT.—The table of sections
20 for chapter 77 of such Code is amended by adding at the
21 end the following new item:

 “Sec. 7527. Advance payment of health insurance credit for pur-
 chasers of qualified health insurance.”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall take effect on January 1, 2001.

1 **TITLE II—MAKING HEALTH IN-**
2 **SURANCE COVERAGE AVAIL-**
3 **ABLE**

4 **SEC. 201. REQUIREMENT FOR OFFERING BY CARRIERS**
5 **PARTICIPATING IN THE FEDERAL EMPLOY-**
6 **EES' HEALTH BENEFITS PROGRAM (FEHBP).**

7 (a) IN GENERAL.—As a condition for entering into
8 a contract for the offering of a health benefits plan under
9 FEHBP on and after January 1, 2001, if the carrier of-
10 fering the plan is a health insurance issuer the carrier of-
11 fering the plan—

12 (1) shall make available qualified health insur-
13 ance under this title to qualified individuals;

14 (2) shall provide for an annual open enrollment
15 period (consistent with section 202(c)) during which
16 such individuals may enroll in such insurance; and

17 (3) shall permit enrollment at other times and
18 may impose (with respect to enrollment at such
19 times) a waiting period of not longer than 60 days.

20 (b) QUALIFIED HEALTH INSURANCE DEFINED.—
21 For purposes of this title, the term “qualified health insur-
22 ance” means, with respect to a carrier, health insurance
23 coverage—

24 (1) that provides benefits that are the same as
25 (or actuarially equivalent to) the benefits offered by

1 the carrier under a health benefits plan under
2 FEHBP;

3 (2) for which there is no pre-existing exclusion
4 or waiting period (except as permitted under sub-
5 section (a)(3)); and

6 (3) for which the premiums charged and quality
7 of care standards are negotiated between the carrier
8 and the Office of Health Insurance established
9 under section 202 and for such which the premiums
10 are established and applied on a uniform, commu-
11 nity-rated basis.

12 (c) VARIATION IN BENEFITS.—The benefits offered
13 under qualified health insurance may vary from those of-
14 fered by the carrier under FEHBP but only insofar as
15 the Director of the Office of Health Insurance determines
16 that such variation does not result in improper favorable
17 selection. Such variation shall be permitted to enable the
18 carrier to offer health insurance coverage the premium for
19 which is equal to the credit amount available under section
20 35 of the Internal Revenue Code of 1986 and which does
21 not require a premium payment by the qualified indi-
22 vidual.

23 (d) QUALIFIED INDIVIDUAL DEFINED.—For pur-
24 poses of this title, the term “qualified individual” means
25 an individual who is eligible for an income tax credit under

1 section 35 of the Internal Revenue Code of 1986 for the
2 purchase of qualified health insurance.

3 (e) ADDITIONAL DEFINITIONS.—For purposes of this
4 title:

5 (1) CARRIER.—The term “carrier” has the
6 meaning given such term in section 8901 of title 5,
7 United States Code.

8 (2) FEHBP.—The term “FEHBP” means the
9 program of health benefits offered under chapter 89
10 of title 5, United States Code.

11 (3) HEALTH INSURANCE COVERAGE; HEALTH
12 INSURANCE ISSUER.—The terms “health insurance
13 coverage” and “health insurance issuer” have the
14 meanings given such terms in paragraphs (1) and
15 (2) of section 9832(b) of the Internal Revenue Code
16 of 1986.

17 **SEC. 202. OFFICE OF HEALTH INSURANCE.**

18 (a) ESTABLISHMENT.—The Secretary of Health and
19 Human Services shall establish an Office of Health Insur-
20 ance (in this title referred to as the “Office”), to be head-
21 ed by a Director (in this title referred to as the “Direc-
22 tor”) appointed by the Secretary.

23 (b) FUNCTIONS.—In relation to carrying out section
24 201, the Office and the Director shall have the same au-
25 thorities as the Office of Personnel Management and the

1 Director of such Office have in carrying out FEHBP. The
2 Office shall be responsible for the offering to qualified in-
3 dividuals of qualified health insurance made available
4 under such section.

5 (c) PROVISION OF INFORMATION.—The Director
6 shall be responsible for the distribution of such informa-
7 tion (including information in comparative form) and the
8 conduct of a coordinated annual open enrollment period
9 in a manner designed to encourage competition and facili-
10 tate consumer choice among the qualified health insurance
11 offered under this title.

12 **SEC. 203. EFFECTIVE DATE.**

13 This title takes effect on January 1, 2001.

