

106TH CONGRESS
1ST SESSION

H. R. 2771

To establish a medical education trust fund, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

AUGUST 5, 1999

Mrs. LOWEY (for herself, Ms. SLAUGHTER, Mr. MCGOVERN, and Mr. MOAKLEY) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Commerce, 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 establish a medical education trust fund, 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 “Medical Education Trust Fund Act of 1999”.

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

- Sec. 1. Short title; table of contents.
- Sec. 2. Medical Education Trust Fund.
- Sec. 3. Amendments to medicare program.
- Sec. 4. Amendments to medicaid program.

Sec. 5. Assessments on insured and self-insured health plans.
 Sec. 6. Medical Education Advisory Commission.
 Sec. 7. Demonstration projects.

1 **SEC. 2. MEDICAL EDUCATION TRUST FUND.**

2 The Social Security Act (42 U.S.C. 300 et seq.) is
 3 amended by adding after title XXI the following new title:

4 “TITLE XXII—MEDICAL EDUCATION TRUST
 5 FUND

6 “TABLE OF CONTENTS OF TITLE

“Sec. 2201. Establishment of Trust Fund.
 “Sec. 2202. Payments to medical schools.
 “Sec. 2203. Payments to teaching hospitals.

7 **“SEC. 2201. ESTABLISHMENT OF TRUST FUND.**

8 “(a) IN GENERAL.—There is established in the
 9 Treasury of the United States a fund to be known as the
 10 Medical Education Trust Fund (in this title referred to
 11 as the ‘Trust Fund’), consisting of the following accounts:

12 “(1) The Medical School Account.

13 “(2) The Medicare Teaching Hospital Indirect
 14 Account.

15 “(3) The Medicare Teaching Hospital Direct
 16 Account.

17 “(4) The Non-Medicare Teaching Hospital In-
 18 direct Account.

19 “(5) The Non-Medicare Teaching Hospital Di-
 20 rect Account.

21 Each such account shall consist of such amounts as are
 22 allocated and transferred to such account under this sec-

1 tion, sections 1886(l) and 1936, and section 4503 of the
2 Internal Revenue Code of 1986. Amounts in the accounts
3 of the Trust Fund shall remain available until expended.

4 “(b) EXPENDITURES FROM TRUST FUND.—
5 Amounts in the accounts of the Trust Fund are available
6 to the Secretary for making payments under sections 2202
7 and 2203.

8 “(c) INVESTMENT.—

9 “(1) IN GENERAL.—The Secretary of the
10 Treasury shall invest amounts in the accounts of the
11 Trust Fund which the Secretary determines are not
12 required to meet current withdrawals from the Trust
13 Fund. Such investments may be made only in inter-
14 est-bearing obligations of the United States. For
15 such purpose, such obligations may be acquired on
16 original issue at the issue price, or by purchase of
17 outstanding obligations at the market price.

18 “(2) SALE OF OBLIGATIONS.—The Secretary of
19 the Treasury may sell at market price any obligation
20 acquired under paragraph (1).

21 “(3) AVAILABILITY OF INCOME.—Any interest
22 derived from obligations held in each such account,
23 and proceeds from any sale or redemption of such
24 obligations, are hereby appropriated to such account.

1 “(d) MONETARY GIFTS TO TRUST FUND.—There are
2 appropriated to the Trust Fund such amounts as may be
3 unconditionally donated to the Federal Government as
4 gifts to the Trust Fund. Such amounts shall be allocated
5 and transferred to the accounts described in subsection
6 (a) in the same proportion as the amounts in each of the
7 accounts bears to the total amount in all the accounts of
8 the Trust Fund.

9 **“SEC. 2202. PAYMENTS TO MEDICAL SCHOOLS.**

10 “(a) FEDERAL PAYMENTS TO MEDICAL SCHOOLS
11 FOR CERTAIN COSTS.—

12 “(1) IN GENERAL.—In the case of a medical
13 school that in accordance with paragraph (2) sub-
14 mits to the Secretary an application for fiscal year
15 2000 or any subsequent fiscal year, the Secretary
16 shall make payments for such year to the medical
17 school for the purpose specified in paragraph (3).

18 The Secretary shall make such payments from the
19 Medical School Account in an amount determined in
20 accordance with subsection (b), and may administer
21 the payments as a contract, grant, or cooperative
22 agreement.

23 “(2) APPLICATION FOR PAYMENTS.—For pur-
24 poses of paragraph (1), an application for payments

1 under such paragraph for a fiscal year is in accord-
2 ance with this paragraph if—

3 “(A) the medical school involved submits
4 the application not later than the date specified
5 by the Secretary; and

6 “(B) the application is in such form, is
7 made in such manner, and contains such agree-
8 ments, assurances, and information as the Sec-
9 retary determines to be necessary to carry out
10 this section.

11 “(3) PURPOSE OF PAYMENTS.—The purpose of
12 payments under paragraph (1) is to assist medical
13 schools in maintaining and developing quality edu-
14 cational programs in an increasingly competitive
15 health care system.

16 “(b) AVAILABILITY OF TRUST FUND FOR PAYMENTS;
17 ANNUAL AMOUNT OF PAYMENTS.—

18 “(1) AVAILABILITY OF TRUST FUND FOR PAY-
19 MENTS.—The following amounts shall be available
20 for a fiscal year for making payments under sub-
21 section (a) from the amount allocated and trans-
22 ferred to the Medical School Account under sections
23 1886(l), 1936, 2201(c)(3), and 2201(d), and section
24 4503 of the Internal Revenue Code of 1986:

1 “(A) In the case of fiscal year 2000,
2 \$200,000,000.

3 “(B) In the case of fiscal year 2001,
4 \$300,000,000.

5 “(C) In the case of fiscal year 2002,
6 \$400,000,000.

7 “(D) In the case of fiscal year 2003,
8 \$500,000,000.

9 “(E) In the case of fiscal year 2004,
10 \$600,000,000.

11 “(F) In the case of each subsequent fiscal
12 year, the amount determined under this para-
13 graph for the previous fiscal year updated
14 through the midpoint of such previous fiscal
15 year by the estimated percentage change in the
16 general health care inflation factor (as defined
17 in subsection (d)) during the 12-month period
18 ending at that midpoint, with appropriate ad-
19 justments to reflect previous underestimations
20 or overestimations under this subparagraph in
21 the projected health care inflation factor.

22 “(2) AMOUNT OF PAYMENTS FOR MEDICAL
23 SCHOOLS.—

24 “(A) IN GENERAL.—Subject to the annual
25 amount available under paragraph (1) for a fis-

1 cal year, the amount of payments required
 2 under subsection (a) to be made to a medical
 3 school that submits to the Secretary an applica-
 4 tion for such year in accordance with subsection
 5 (a)(2) is an amount equal to an amount deter-
 6 mined by the Secretary in accordance with sub-
 7 paragraph (B).

8 “(B) DEVELOPMENT OF FORMULA.—The
 9 Secretary shall develop a formula for allocation
 10 of funds to medical schools under this section
 11 consistent with the purpose described in sub-
 12 section (a)(3).

13 “(c) MEDICAL SCHOOL DEFINED.—For purposes of
 14 this section, the term ‘medical school’ means a school of
 15 medicine (as defined in section 799 of the Public Health
 16 Service Act) or a school of osteopathic medicine (as de-
 17 fined in such section).

18 “(d) GENERAL HEALTH CARE INFLATION FAC-
 19 TOR.—The term ‘general health care inflation factor’
 20 means the Consumer Price Index for Medical Services as
 21 determined by the Bureau of Labor Statistics.

22 **“SEC. 2203. PAYMENTS TO TEACHING HOSPITALS.**

23 “(a) FORMULA PAYMENTS TO ELIGIBLE ENTI-
 24 TIES.—

1 “(1) IN GENERAL.—In the case of any fiscal
2 year beginning after September 30, 1999, the Sec-
3 retary shall make payments to each eligible entity
4 that, in accordance with paragraph (2), submits to
5 the Secretary an application for such fiscal year.
6 Such payments shall be made from the Trust Fund,
7 and the total of the payments to the eligible entity
8 for the fiscal year shall equal the sum of the
9 amounts determined under subsections (b), (c), (d),
10 and (e) with respect to such entity.

11 “(2) APPLICATION.—For purposes of para-
12 graph (1), an application shall contain such informa-
13 tion as may be necessary for the Secretary to make
14 payments under such paragraph to an eligible entity
15 during a fiscal year. An application shall be treated
16 as submitted in accordance with this paragraph if it
17 is submitted not later than the date specified by the
18 Secretary, and is made in such form and manner as
19 the Secretary may require.

20 “(3) PERIODIC PAYMENTS.—Payments under
21 paragraph (1) to an eligible entity for a fiscal year
22 shall be made periodically, at such intervals and in
23 such amounts as the Secretary determines to be ap-
24 propriate (subject to applicable Federal law regard-
25 ing Federal payments).

1 “(4) ADMINISTRATOR OF PROGRAMS.—The Sec-
2 retary shall carry out responsibility under this title
3 by acting through the Administrator of the Health
4 Care Financing Administration.

5 “(5) ELIGIBLE ENTITY.—For purposes of this
6 title, the term ‘eligible entity’, with respect to any
7 fiscal year, means—

8 “(A) for payment under subsections (b)
9 and (c), an entity which would be eligible to re-
10 ceive payments for such fiscal year under—

11 “(i) section 1886(d)(5)(B), if such
12 payments had not been terminated for dis-
13 charges occurring after September 30,
14 1999;

15 “(ii) section 1886(h), if such pay-
16 ments had not been terminated for cost re-
17 porting periods beginning after September
18 30, 1999; or

19 “(iii) both sections; or

20 “(B) for payment under subsections (d)
21 and (e)—

22 “(i) an entity which meets the re-
23 quirement of subparagraph (A); or

1 “(ii) an entity which the Secretary de-
2 termines should be considered an eligible
3 entity.

4 “(b) DETERMINATION OF AMOUNT FROM MEDICARE
5 TEACHING HOSPITAL INDIRECT ACCOUNT.—

6 “(1) IN GENERAL.—The amount determined for
7 an eligible entity for a fiscal year under this sub-
8 section is the amount equal to the applicable per-
9 centage of the total amount allocated and trans-
10 ferred to the Medicare Teaching Hospital Indirect
11 Account under section 1886(l)(1), and subsections
12 (c)(3) and (d) of section 2201 for such fiscal year.

13 “(2) APPLICABLE PERCENTAGE.—For purposes
14 of paragraph (1), the applicable percentage for any
15 fiscal year is equal to the percentage of the total
16 payments which would have been made to the eligi-
17 ble entity in such fiscal year under section
18 1886(d)(5)(B) if such payments had not been termi-
19 nated for discharges occurring after September 30,
20 1999.

21 “(c) DETERMINATION OF AMOUNT FROM MEDICARE
22 TEACHING HOSPITAL DIRECT ACCOUNT.—

23 “(1) IN GENERAL.—The amount determined for
24 an eligible entity for a fiscal year under this sub-
25 section is the amount equal to the applicable per-

centage of the total amount allocated and transferred to the Medicare Teaching Hospital Direct Account under section 1886(l)(2), and subsections (c)(3) and (d) of section 2201 for such fiscal year.

“(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the applicable percentage for any fiscal year is equal to the percentage of the total payments which would have been made to the eligible entity in such fiscal year under section 1886(h) if such payments had not been terminated for cost reporting periods beginning after September 30, 1999.

“(d) DETERMINATION OF AMOUNT FROM NON-MEDICARE TEACHING HOSPITAL INDIRECT ACCOUNT.—

“(1) IN GENERAL.—The amount determined for an eligible entity for a fiscal year under this subsection is the amount equal to the applicable percentage of the total amount allocated and transferred to the Non-Medicare Teaching Hospital Indirect Account for such fiscal year under section 1936, subsections (c)(3) and (d) of section 2201, and section 4503 of the Internal Revenue Code of 1986.

“(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the applicable percentage for any fiscal year for an eligible entity is equal to the per-

1 centage of the total payments which, as determined
2 by the Secretary, would have been made in such fis-
3 cal year under section 1886(d)(5)(B) if—

4 “(A) such payments had not been termi-
5 nated for discharges occurring after September
6 30, 1999; and

7 “(B) non-medicare patients were taken
8 into account in lieu of medicare patients.

9 “(e) DETERMINATION OF AMOUNT FROM NON-
10 MEDICARE TEACHING HOSPITAL DIRECT ACCOUNT.—

11 “(1) IN GENERAL.—The amount determined for
12 an eligible entity for a fiscal year under this sub-
13 section is the amount equal to the applicable per-
14 centage of the total amount allocated and trans-
15 ferred to the Non-Medicare Teaching Hospital Di-
16 rect Account for such fiscal year under section 1936,
17 subsections (c)(3) and (d) of section 2201, and sec-
18 tion 4503 of the Internal Revenue Code of 1986.

19 “(2) APPLICABLE PERCENTAGE.—For purposes
20 of paragraph (1), the applicable percentage for any
21 fiscal year for an eligible entity is equal to the per-
22 centage of the total payments which, as determined
23 by the Secretary, would have been made in such fis-
24 cal year under section 1886(h) if—

1 “(A) such payments had not been termi-
2 nated for cost reporting periods beginning after
3 September 30, 1999; and

4 “(B) non-medicare patients were taken
5 into account in lieu of medicare patients.”.

6 **SEC. 3. AMENDMENTS TO MEDICARE PROGRAM.**

7 Section 1886 of the Social Security Act (42 U.S.C.
8 1395ww) is amended—

9 (1) in subsection (d)(5)(B), in the matter pre-
10 ceding clause (i), by striking “The Secretary shall
11 provide” and inserting the following: “For dis-
12 charges occurring before October 1, 1999, the Sec-
13 retary shall provide”;

14 (2) in subsection (d)(11)(C), by inserting after
15 “paragraph (5)(B)” “(notwithstanding that pay-
16 ments under paragraph (5)(B) are terminated for
17 discharges occurring after September 30, 1999)”;

18 (3) in subsection (h)—

19 (A) in paragraph (1), in the first sentence,
20 by striking “the Secretary shall provide” and
21 inserting “the Secretary shall, subject to para-
22 graph (7), provide”; and

23 (B) by adding at the end the following:

24 “(7) LIMITATION.—

1 “(A) IN GENERAL.—The authority to
 2 make payments under this subsection (other
 3 than payments made under paragraphs (3)(D)
 4 and (6)) shall not apply with respect to—

5 “(i) cost reporting periods beginning
 6 after September 30, 1999; and

7 “(ii) any portion of a cost reporting
 8 period beginning on or before such date
 9 which occurs after such date.

10 “(B) RULE OF CONSTRUCTION.—This
 11 paragraph may not be construed as authorizing
 12 any payment under section 1861(v) with re-
 13 spect to graduate medical education.”; and
 14 (4) by adding at the end the following:

15 “(l) TRANSFERS TO MEDICAL EDUCATION TRUST
 16 FUND.—

17 “(1) INDIRECT COSTS OF MEDICAL EDU-
 18 CATION.—

19 “(A) TRANSFER.—

20 “(i) IN GENERAL.—From the Federal
 21 Hospital Insurance Trust Fund, the Sec-
 22 retary shall, for fiscal year 2000 and each
 23 subsequent fiscal year, transfer to the
 24 Medical Education Trust Fund an amount

1 equal to the amount estimated by the Sec-
2 retary under subparagraph (B).

3 “(ii) ALLOCATION.—Of the amount
4 transferred under clause (i)—

5 “(I) there shall be allocated and
6 transferred to the Medical School Ac-
7 count of such Trust Fund an amount
8 which bears the same ratio to the
9 total amount available under section
10 2202(b)(1) for the fiscal year (re-
11 duced by the balance in such account
12 at the end of the preceding fiscal
13 year) as the amount transferred under
14 clause (i) bears to the total amounts
15 transferred to such Trust Fund under
16 title XXII (excluding amounts trans-
17 ferred under subsections (c)(3) and
18 (d) of section 2201) for such fiscal
19 year; and

20 “(II) the remainder shall be allo-
21 cated and transferred to the Medicare
22 Teaching Hospital Indirect Account of
23 such Trust Fund.

24 “(B) DETERMINATION OF AMOUNTS.—The
25 Secretary shall make an estimate for each fiscal

1 year involved of the nationwide total of the
2 amounts that would have been paid under sub-
3 section (d)(5)(B) to hospitals during the fiscal
4 year if such payments had not been terminated
5 for discharges occurring after September 30,
6 1999.

7 “(2) DIRECT COSTS OF MEDICAL EDUCATION.—

8 “(A) TRANSFER.—

9 “(i) IN GENERAL.—From the Federal
10 Hospital Insurance Trust Fund and the
11 Federal Supplementary Medical Insurance
12 Trust Fund, the Secretary shall, for fiscal
13 year 2000 and each subsequent fiscal year,
14 transfer to the Medical Education Trust
15 Fund an amount equal to the amount esti-
16 mated by the Secretary under subpara-
17 graph (B).

18 “(ii) ALLOCATION.—Of the amount
19 transferred under clause (i)—

20 “(I) there shall be allocated and
21 transferred to the Medical School Ac-
22 count of such Trust Fund an amount
23 which bears the same ratio to the
24 total amount available under section
25 2202(b)(1) for the fiscal year (re-

1 duced by the balance in such account
2 at the end of the preceding fiscal
3 year) as the amount transferred under
4 clause (i) bears to the total amounts
5 transferred to such Trust Fund under
6 title XXII (excluding amounts trans-
7 ferred under subsections (c)(3) and
8 (d) of section 2201) for such fiscal
9 year; and

10 “(II) the remainder shall be allo-
11 cated and transferred to the Medicare
12 Teaching Hospital Direct Account of
13 such Trust Fund.

14 “(B) DETERMINATION OF AMOUNTS.—For
15 each hospital, the Secretary shall make an esti-
16 mate for the fiscal year involved of the amount
17 that would have been paid under subsection (h)
18 to the hospital during the fiscal year if such
19 payments had not been terminated for cost re-
20 porting periods beginning after September 30,
21 1999.

22 “(C) ALLOCATION BETWEEN FUNDS.—In
23 providing for a transfer under subparagraph
24 (A) for a fiscal year, the Secretary shall provide
25 for an allocation of the amounts involved be-

1 tween part A and part B (and the trust funds
 2 established under the respective parts) as rea-
 3 sonably reflects the proportion of direct grad-
 4 uate medical education costs of hospitals associ-
 5 ated with the provision of services under each
 6 respective part.”.

7 **SEC. 4. AMENDMENTS TO MEDICAID PROGRAM.**

8 (a) IN GENERAL.—Title XIX of the Social Security
 9 Act (42 U.S.C. 1396 et seq.) is amended by adding at
 10 the end the following:

11 “TRANSFER OF FUNDS TO ACCOUNTS

12 “SEC. 1936. (a) TRANSFER OF FUNDS.—

13 “(1) IN GENERAL.—For fiscal year 2000 and
 14 each subsequent fiscal year, the Secretary shall
 15 transfer to the Medical Education Trust Fund es-
 16 tablished under title XXII an amount equal to the
 17 amount determined under subsection (b).

18 “(2) ALLOCATION.—Of the amount transferred
 19 under paragraph (1)—

20 “(A) there shall be allocated and trans-
 21 ferred to the Medical School Account of such
 22 Trust Fund an amount which bears the same
 23 ratio to the total amount available under sec-
 24 tion 2202(b)(1) for the fiscal year (reduced by
 25 the balance in such account at the end of the
 26 preceding fiscal year) as the amount transferred

under paragraph (1) bears to the total amounts transferred to such Trust Fund (excluding amounts transferred under subsections (c)(3) and (d) of section 2201) for such fiscal year; and

“(B) the remainder shall be allocated and transferred to the Non-Medicare Teaching Hospital Indirect Account and the Non-Medicare Teaching Hospital Direct Account of such Trust Fund, in the same proportion as the amounts transferred to each account under section 1886(l) relate to the total amounts transferred under such section for such fiscal year.

“(b) AMOUNT DETERMINED.—

“(1) OUTLAYS FOR ACUTE MEDICAL SERVICES DURING PRECEDING FISCAL YEAR.—Beginning with fiscal year 2000, the Secretary shall determine 5 percent of the total amount of Federal outlays made under this title for acute medical services, as defined in paragraph (2), for the preceding fiscal year.

“(2) ACUTE MEDICAL SERVICES DEFINED.—

The term ‘acute medical services’ means items and services described in section 1905(a) other than the following:

1 “(A) Nursing facility services (as defined
2 in section 1905(f)).

3 “(B) Intermediate care facility for the
4 mentally retarded services (as defined in section
5 1905(d)).

6 “(C) Personal care services (as described
7 in section 1905(a)(24)).

8 “(D) Private duty nursing services (as re-
9 ferred to in section 1905(a)(8)).

10 “(E) Home or community-based services
11 furnished under a waiver granted under sub-
12 section (c), (d), or (e) of section 1915.

13 “(F) Home and community care furnished
14 to functionally disabled elderly individuals
15 under section 1929.

16 “(G) Community supported living arrange-
17 ments services under section 1930.

18 “(H) Case-management services (as de-
19 scribed in section 1915(g)(2)).

20 “(I) Home health care services (as referred
21 to in section 1905(a)(7)), clinic services, and re-
22 habilitation services that are furnished to an in-
23 dividual who has a condition or disability that
24 qualifies the individual to receive any of the
25 services described in a previous subparagraph.

1 “(J) Services furnished in an institution
 2 for mental diseases (as defined in section
 3 1905(i)).

4 “(c) ENTITLEMENT.—This section constitutes budget
 5 authority in advance of appropriations Acts and rep-
 6 resents the obligation of the Federal Government to pro-
 7 vide for the payment to the Non-Medicare Teaching Hos-
 8 pital Indirect Account, the Non-Medicare Teaching Hos-
 9 pital Direct Account, and the Medical School Account of
 10 amounts determined in accordance with subsections (a)
 11 and (b).”.

12 (b) EFFECTIVE DATE.—The amendment made by
 13 subsection (a) shall be effective on and after October 1,
 14 1999.

15 **SEC. 5. ASSESSMENTS ON INSURED AND SELF-INSURED**
 16 **HEALTH PLANS.**

17 (a) GENERAL RULE.—Subtitle D of the Internal Rev-
 18 enue Code of 1986 (relating to miscellaneous excise taxes)
 19 is amended by adding after chapter 36 the following new
 20 chapter:

21 **“CHAPTER 37—HEALTH RELATED**
 22 **ASSESSMENTS**

 “SUBCHAPTER A. Insured and self-insured health plans.

1 **“Subchapter A—Insured and Self-Insured**
 2 **Health Plans**

“Sec. 4501. Health insurance and health-related administrative services.

“Sec. 4502. Self-insured health plans.

“Sec. 4503. Transfer to accounts.

“Sec. 4504. Definitions and special rules.

3 **“SEC. 4501. HEALTH INSURANCE AND HEALTH-RELATED**
 4 **ADMINISTRATIVE SERVICES.**

5 “(a) IMPOSITION OF TAX.—There is hereby
 6 imposed—

7 “(1) on each taxable health insurance policy, a
 8 tax equal to 1.5 percent of the premiums received
 9 under such policy, and

10 “(2) on each amount received for health-related
 11 administrative services, a tax equal to 1.5 percent of
 12 the amount so received.

13 “(b) LIABILITY FOR TAX.—

14 “(1) HEALTH INSURANCE.—The tax imposed
 15 by subsection (a)(1) shall be paid by the issuer of
 16 the policy.

17 “(2) HEALTH-RELATED ADMINISTRATIVE SERV-
 18 ICES.—The tax imposed by subsection (a)(2) shall
 19 be paid by the person providing the health-related
 20 administrative services.

21 “(c) TAXABLE HEALTH INSURANCE POLICY.—For
 22 purposes of this section—

1 “(1) IN GENERAL.—Except as otherwise pro-
2 vided in this section, the term ‘taxable health insur-
3 ance policy’ means any insurance policy providing
4 accident or health insurance with respect to individ-
5 uals residing in the United States.

6 “(2) EXEMPTION OF CERTAIN POLICIES.—The
7 term ‘taxable health insurance policy’ does not in-
8 clude any insurance policy if substantially all of the
9 coverage provided under such policy relates to—

10 “(A) liabilities incurred under workers’
11 compensation laws,

12 “(B) tort liabilities,

13 “(C) liabilities relating to ownership or use
14 of property,

15 “(D) credit insurance, or

16 “(E) such other similar liabilities as the
17 Secretary may specify by regulations.

18 “(3) SPECIAL RULE WHERE POLICY PROVIDES
19 OTHER COVERAGE.—In the case of any taxable
20 health insurance policy under which amounts are
21 payable other than for accident or health coverage,
22 in determining the amount of the tax imposed by
23 subsection (a)(1) on any premium paid under such
24 policy, there shall be excluded the amount of the

1 charge for the nonaccident or nonhealth coverage
2 if—

3 “(A) the charge for such nonaccident or
4 nonhealth coverage is either separately stated in
5 the policy, or furnished to the policyholder in a
6 separate statement, and

7 “(B) such charge is reasonable in relation
8 to the total charges under the policy.

9 In any other case, the entire amount of the premium
10 paid under such policy shall be subject to tax under
11 subsection (a)(1).

12 “(4) TREATMENT OF PREPAID HEALTH COV-
13 ERAGE ARRANGEMENTS.—

14 “(A) IN GENERAL.—In the case of any ar-
15 rangement described in subparagraph (B)—

16 “(i) such arrangement shall be treated
17 as a taxable health insurance policy,

18 “(ii) the payments or premiums re-
19 ferred to in subparagraph (B)(i) shall be
20 treated as premiums received for a taxable
21 health insurance policy, and

22 “(iii) the person referred to in sub-
23 paragraph (B)(i) shall be treated as the
24 issuer.

1 “(B) DESCRIPTION OF ARRANGEMENTS.—

2 An arrangement is described in this subpara-
3 graph if under such arrangement—

4 “(i) fixed payments or premiums are
5 received as consideration for any person’s
6 agreement to provide or arrange for the
7 provision of accident or health coverage to
8 residents of the United States, regardless
9 of how such coverage is provided or ar-
10 ranged to be provided, and

11 “(ii) substantially all of the risks of
12 the rates of utilization of services is as-
13 sumed by such person or the provider of
14 such services.

15 “(d) HEALTH-RELATED ADMINISTRATIVE SERV-
16 ICES.—For purposes of this section, the term ‘health-re-
17 lated administrative services’ means—

18 “(1) the processing of claims or performance of
19 other administrative services in connection with acci-
20 dent or health coverage under a taxable health in-
21 surance policy if the charge for such services is not
22 included in the premiums under such policy, and

23 “(2) processing claims, arranging for provision
24 of accident or health coverage, or performing other
25 administrative services in connection with an appli-

1 cable self-insured health plan (as defined in section
 2 4502(c)) established or maintained by a person
 3 other than the person performing the services.

4 For purposes of paragraph (1), rules similar to the rules
 5 of subsection (c)(3) shall apply.

6 **“SEC. 4502. SELF-INSURED HEALTH PLANS.**

7 “(a) IMPOSITION OF TAX.—In the case of any appli-
 8 cable self-insured health plan, there is hereby imposed a
 9 tax for each month equal to 1.5 percent of the sum of—

10 “(1) the accident or health coverage expendi-
 11 tures for such month under such plan, and

12 “(2) the administrative expenditures for such
 13 month under such plan to the extent such expendi-
 14 tures are not subject to tax under section 4501.

15 In determining the amount of expenditures under para-
 16 graph (2), rules similar to the rules of subsection (d)(3)
 17 apply.

18 “(b) LIABILITY FOR TAX.—

19 “(1) IN GENERAL.—The tax imposed by sub-
 20 section (a) shall be paid by the plan sponsor.

21 “(2) PLAN SPONSOR.—For purposes of para-
 22 graph (1), the term ‘plan sponsor’ means—

23 “(A) the employer in the case of a plan es-
 24 tablished or maintained by a single employer,

1 “(B) the employee organization in the case
 2 of a plan established or maintained by an em-
 3 ployee organization, or

4 “(C) in the case of—

5 “(i) a plan established or maintained
 6 by 2 or more employers or jointly by 1 or
 7 more employers and 1 or more employee
 8 organizations,

9 “(ii) a voluntary employees’ bene-
 10 ficiary association under section 501(c)(9),
 11 or

12 “(iii) any other association plan,
 13 the association, committee, joint board of trust-
 14 ees, or other similar group of representatives of
 15 the parties who establish or maintain the plan.

16 “(c) APPLICABLE SELF-INSURED HEALTH PLAN.—
 17 For purposes of this section, the term ‘applicable self-in-
 18 sured health plan’ means any plan for providing accident
 19 or health coverage if any portion of such coverage is pro-
 20 vided other than through an insurance policy.

21 “(d) ACCIDENT OR HEALTH COVERAGE EXPENDI-
 22 TURES.—For purposes of this section—

23 “(1) IN GENERAL.—The accident or health cov-
 24 erage expenditures of any applicable self-insured
 25 health plan for any month are the aggregate expend-

1 itures paid in such month for accident or health cov-
2 erage provided under such plan to the extent such
3 expenditures are not subject to tax under section
4 4501.

5 “(2) TREATMENT OF REIMBURSEMENTS.—In
6 determining accident or health coverage expenditures
7 during any month of any applicable self-insured
8 health plan, reimbursements (by insurance or other-
9 wise) received during such month shall be taken into
10 account as a reduction in accident or health coverage
11 expenditures.

12 “(3) CERTAIN EXPENDITURES DISREGARDED.—
13 Paragraph (1) shall not apply to any expenditure for
14 the acquisition or improvement of land or for the ac-
15 quisition or improvement of any property to be used
16 in connection with the provision of accident or
17 health coverage which is subject to the allowance
18 under section 167, except that, for purposes of para-
19 graph (1), allowances under section 167 shall be
20 considered as expenditures.

21 **“SEC. 4503. TRANSFER TO ACCOUNTS.**

22 “For fiscal year 2000 and each subsequent fiscal
23 year, there are hereby appropriated and transferred to the
24 Medical Education Trust Fund under title XXII of the

1 Social Security Act amounts equivalent to taxes received
2 in the Treasury under sections 4501 and 4502, of which—

3 “(1) there shall be allocated and transferred to
4 the Medical School Account of such Trust Fund an
5 amount which bears the same ratio to the total
6 amount available under section 2202(b)(1) of such
7 Act for the fiscal year (reduced by the balance in
8 such account at the end of the preceding fiscal year)
9 as the amount transferred to such Trust Fund
10 under this section bears to the total amounts trans-
11 ferred to such Trust Fund (excluding amounts
12 transferred under subsections (c)(3) and (d) of sec-
13 tion 2201 of such Act) for such fiscal year; and

14 “(2) the remainder shall be allocated and trans-
15 ferred to the Non-Medicare Teaching Hospital Indi-
16 rect Account and the Non-Medicare Teaching Hos-
17 pital Direct Account of such Trust Fund, in the
18 same proportion as the amounts transferred to such
19 account under section 1886(l) of such Act relate to
20 the total amounts transferred under such section for
21 such fiscal year.

22 Such amounts shall be transferred in the same manner
23 as under section 9601.

1 **“SEC. 4504. DEFINITIONS AND SPECIAL RULES.**

2 “(a) DEFINITIONS.—For purposes of this
3 subchapter—

4 “(1) ACCIDENT OR HEALTH COVERAGE.—The
5 term ‘accident or health coverage’ means any cov-
6 erage which, if provided by an insurance policy,
7 would cause such policy to be a taxable health insur-
8 ance policy (as defined in section 4501(c)).

9 “(2) INSURANCE POLICY.—The term ‘insurance
10 policy’ means any policy or other instrument where-
11 by a contract of insurance is issued, renewed, or ex-
12 tended.

13 “(3) PREMIUM.—The term ‘premium’ means
14 the gross amount of premiums and other consider-
15 ation (including advance premiums, deposits, fees,
16 and assessments) arising from policies issued by a
17 person acting as the primary insurer, adjusted for
18 any return or additional premiums paid as a result
19 of endorsements, cancellations, audits, or retrospec-
20 tive rating. Amounts returned where the amount is
21 not fixed in the contract but depends on the experi-
22 ence of the insurer or the discretion of management
23 shall not be included in return premiums.

24 “(4) UNITED STATES.—The term ‘United
25 States’ includes any possession of the United States.

26 “(b) TREATMENT OF GOVERNMENTAL ENTITIES.—

1 “(1) IN GENERAL.—For purposes of this
2 subchapter—

3 “(A) the term ‘person’ includes any gov-
4 ernmental entity, and

5 “(B) notwithstanding any other law or rule
6 of law, governmental entities shall not be ex-
7 empt from the taxes imposed by this subchapter
8 except as provided in paragraph (2).

9 “(2) EXEMPT GOVERNMENTAL PROGRAMS.—

10 “(A) IN GENERAL.—In the case of an ex-
11 empt governmental program—

12 “(i) no tax shall be imposed under
13 section 4501 on any premium received pur-
14 suant to such program or on any amount
15 received for health-related administrative
16 services pursuant to such program, and

17 “(ii) no tax shall be imposed under
18 section 4502 on any expenditures pursuant
19 to such program.

20 “(B) EXEMPT GOVERNMENTAL PRO-
21 GRAM.—For purposes of this paragraph, the
22 term ‘exempt governmental program’ means—

23 “(i) the insurance programs estab-
24 lished by parts A and B of title XVIII of
25 the Social Security Act,

1 “(ii) the medical assistance program
2 established by title XIX of the Social Secu-
3 rity Act,

4 “(iii) any program established by Fed-
5 eral law for providing medical care (other
6 than through insurance policies) to individ-
7 uals (or the spouses and dependents there-
8 of) by reason of such individuals being—

9 “(I) members of the Armed
10 Forces of the United States, or

11 “(II) veterans, and

12 “(iv) any program established by Fed-
13 eral law for providing medical care (other
14 than through insurance policies) to mem-
15 bers of Indian tribes (as defined in section
16 4(d) of the Indian Health Care Improve-
17 ment Act).

18 “(c) NO COVER OVER TO POSSESSIONS.—Notwith-
19 standing any other provision of law, no amount collected
20 under this subchapter shall be covered over to any posses-
21 sion of the United States.”.

22 (b) CLERICAL AMENDMENT.—The table of chapters
23 for subtitle D of the Internal Revenue Code of 1986 is
24 amended by inserting after the item relating to chapter
25 36 the following new item:

“CHAPTER 37. Health related assessments.”

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply with respect to premiums received,
3 and expenses incurred, with respect to coverage for peri-
4 ods after September 30, 1999.

5 **SEC. 6. MEDICAL EDUCATION ADVISORY COMMISSION.**

6 (a) ESTABLISHMENT.—There is hereby established
7 an advisory commission to be known as the Medical Edu-
8 cation Advisory Commission (in this section referred to as
9 the “Advisory Commission”).

10 (b) DUTIES.—

11 (1) IN GENERAL.—The Advisory Commission
12 shall—

13 (A) conduct a thorough study of all mat-
14 ters relating to—

15 (i) the operation of the Medical Edu-
16 cation Trust Fund established under sec-
17 tion 2201 of the Social Security Act (as
18 added by section 2);

19 (ii) alternative and additional sources
20 of graduate medical education funding;

21 (iii) alternative methodologies for
22 compensating teaching hospitals for grad-
23 uate medical education;

1 (iv) policies designed to maintain su-
2 perior research and educational capacities
3 in an increasing competitive health system;

4 (v) the role of medical schools in grad-
5 uate medical education;

6 (vi) policies designed to expand eligi-
7 bility for graduate medical education pay-
8 ments to children's hospitals that operate
9 graduate medical education programs; and

10 (vii) policies designed to expand eligi-
11 bility for graduate medical education pay-
12 ments to institutions other than teaching
13 hospitals;

14 (B) develop recommendations, including
15 the use of demonstration projects, on the mat-
16 ters studied under subparagraph (A) in con-
17 sultation with the Secretary of Health and
18 Human Services and the entities described in
19 paragraph (2);

20 (C) not later than January 2001, submit
21 an interim report to the Committee on Finance
22 of the Senate, the Committee on Ways and
23 Means of the House of Representatives, and the
24 Secretary of Health and Human Services; and

1 (D) not later than January 2003, submit
2 a final report to the Committee on Finance of
3 the Senate, the Committee on Ways and Means
4 of the House of Representatives, and the Sec-
5 retary of Health and Human Services.

6 (2) ENTITIES DESCRIBED.—The entities de-
7 scribed in this paragraph are—

8 (A) other advisory groups, including the
9 Council on Graduate Medical Education and
10 the Medicare Payment Advisory Commission;

11 (B) interested parties, including the Asso-
12 ciation of American Medical Colleges, the Asso-
13 ciation of Academic Health Centers, and the
14 American Medical Association;

15 (C) health care insurers, including man-
16 aged care entities; and

17 (D) other entities as determined by the
18 Secretary of Health and Human Services.

19 (c) NUMBER AND APPOINTMENT.—The membership
20 of the Advisory Commission shall include 9 individuals
21 who are appointed to the Advisory Commission from
22 among individuals who are not officers or employees of
23 the United States. Such individuals shall be appointed by
24 the Secretary of Health and Human Services, and shall
25 include individuals from each of the following categories:

1 (1) Physicians who are faculty members of
2 medical schools.

3 (2) Officers or employees of teaching hospitals.

4 (3) Officers or employees of health plans.

5 (4) Deans of medical schools.

6 (5) Such other individuals as the Secretary de-
7 termines to be appropriate.

8 (d) TERMS.—

9 (1) IN GENERAL.—Except as provided in para-
10 graph (2), members of the Advisory Commission
11 shall serve for the lesser of the life of the Advisory
12 Commission, or 4 years.

13 (2) SERVICE BEYOND TERM.—A member of the
14 Advisory Commission may continue to serve after
15 the expiration of the term of the member until a
16 successor is appointed.

17 (e) VACANCIES.—If a member of the Advisory Com-
18 mission does not serve the full term applicable under sub-
19 section (d), the individual appointed to fill the resulting
20 vacancy shall be appointed for the remainder of the term
21 of the predecessor of the individual.

22 (f) CHAIR.—The Secretary of Health and Human
23 Services shall designate an individual to serve as the Chair
24 of the Advisory Commission.

1 (g) MEETINGS.—The Advisory Commission shall
2 meet not less than once during each 4-month period and
3 shall otherwise meet at the call of the Secretary of Health
4 and Human Services or the Chair.

5 (h) COMPENSATION AND REIMBURSEMENT OF EX-
6 PENSES.—Members of the Advisory Commission shall re-
7 ceive compensation for each day (including travel time) en-
8 gaged in carrying out the duties of the Advisory Commis-
9 sion. Such compensation may not be in an amount in ex-
10 cess of the maximum rate of basic pay payable for level
11 IV of the Executive Schedule under section 5315 of title
12 5, United States Code.

13 (i) STAFF.—

14 (1) STAFF DIRECTOR.—The Advisory Commis-
15 sion shall, without regard to the provisions of title
16 5, United States Code, relating to competitive serv-
17 ice, appoint a Staff Director who shall be paid at a
18 rate equivalent to a rate established for the Senior
19 Executive Service under 5382 of title 5, United
20 States Code.

21 (2) ADDITIONAL STAFF.—The Secretary of
22 Health and Human Services shall provide to the Ad-
23 visory Commission such additional staff, informa-
24 tion, and other assistance as may be necessary to
25 carry out the duties of the Advisory Commission.

1 (j) TERMINATION OF THE ADVISORY COMMISSION.—

2 The Advisory Commission shall terminate 90 days after
3 the date on which the Advisory Commission submits its
4 final report under subsection (b)(1)(D).

5 (k) AUTHORIZATION OF APPROPRIATIONS.—There

6 are authorized to be appropriated such sums as may be
7 necessary to carry out the purposes of this section.

8 **SEC. 7. DEMONSTRATION PROJECTS.**

9 (a) ESTABLISHMENT.—The Secretary of Health and
10 Human Services (in this section referred to as the “Sec-
11 retary”) shall establish, by regulation, guidelines for the
12 establishment and operation of demonstration projects
13 which the Medical Education Advisory Commission rec-
14 ommends under section 6(b)(1)(B).

15 (b) FUNDING.—

16 (1) IN GENERAL.—For any fiscal year after
17 1999, amounts in the Medical Education Trust
18 Fund under title XXII of the Social Security Act
19 shall be available for use by the Secretary in the es-
20 tablishment and operation of demonstration projects
21 described in subsection (a).

22 (2) FUNDS AVAILABLE.—

23 (A) LIMITATION.—Not more than $\frac{1}{10}$ of 1
24 percent of the funds in such Trust Fund shall
25 be available for the purposes of paragraph (1).

1 (B) ALLOCATION.—Amounts under para-
2 graph (1) shall be paid from the accounts es-
3 tablished under paragraphs (2) through (5) of
4 section 2201(a) of the Social Security Act, in
5 the same proportion as the amounts transferred
6 to such accounts bears to the total of amounts
7 transferred to all 4 such accounts for such fis-
8 cal year.

9 (c) LIMITATION.—Nothing in this section shall be
10 construed to authorize any change in the payment method-
11 ology for teaching hospitals and medical schools estab-
12 lished by the amendments made by this Act.

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