

107TH CONGRESS
2D SESSION

H. R. 3976

To amend title XVIII of the Social Security Act to provide for a direct Medicare supplemental insurance option.

IN THE HOUSE OF REPRESENTATIVES

MARCH 14, 2002

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

A BILL

To amend title XVIII of the Social Security Act to provide for a direct Medicare supplemental insurance option.

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 “Medicare Direct Sup-
5 plemental Insurance Option Act of 2002”.

1 **SEC. 2. MEDICARE DIRECT SUPPLEMENTAL INSURANCE**
2 **OPTION.**

3 (a) IN GENERAL.—Title XVIII of the Social Security
4 Act is amended by inserting after section 1882 the fol-
5 lowing new section:

6 “MEDICARE DIRECT SUPPLEMENTAL INSURANCE OPTION
7 “SEC. 1882A. (a) IN GENERAL.—The Secretary shall
8 provide for the offering under this section of a voluntary
9 program to supplement the benefits provided to individ-
10 uals under parts A and B of this title.

11 “(b) ELIGIBILITY; ENROLLMENT.—The Secretary
12 shall provide procedures for the enrollment under the pro-
13 gram under this section of individuals who are entitled to
14 benefits under part A and enrolled under part B, but who
15 are not enrolled in Medicare+Choice plan under part C
16 (or in a plan under section 1876). Such procedures shall
17 be consistent with the following:

18 “(1) There shall be an initial enrollment period
19 during the last calendar quarter of 2003 that per-
20 mits all individuals who are eligible to enroll at that
21 time under this subsection may enroll and obtain
22 benefits effective on January 1, 2004.

23 “(2) For individuals who are not eligible to en-
24 roll at such time but who become eligible subse-
25 quently, there shall be an individual enrollment pe-

1 riod which is the 6-month period described in section
2 1882(s)(2)(A).

3 “(3) The Secretary shall permit eligible individ-
4 uals to enroll at other times (and not less frequently
5 than annually) in a uniform manner, but such en-
6 rollment is subject to a late enrollment penalty
7 under subsection (d)(2)(B).

8 “(c) BENEFITS.—

9 “(1) IN GENERAL.—The benefits provided
10 under the program under this section shall consist of
11 payment of the cost of deductibles, copayments, and
12 other cost-sharing amounts (including amounts at-
13 tributable to and permitted as balance billing) other-
14 wise imposed or permitted under this title, subject to
15 an annual deductible of \$100.

16 “(2) ADMINISTRATION.—The Secretary shall
17 coordinate payment of benefits under this part with
18 those under parts A and B and may, for such pur-
19 pose, enter into appropriate arrangements with
20 qualified entities (which may include fiscal inter-
21 mediaries and carriers).

22 “(3) NO PRE-EXISTING CONDITION LIMITA-
23 TIONS.—The benefits under this section shall not be
24 subject to any pre-existing condition or similar un-
25 derwriting limitation.

1 “(d) PREMIUMS.—

2 “(1) ACTUARIAL COST.—The Secretary shall,
3 during September of each year beginning with 2003,
4 determine a monthly actuarial rate for all enrollees
5 under this section, which rate shall be applicable for
6 months in the succeeding calendar year. Such actu-
7 arial rate shall be the amount the Secretary esti-
8 mates to be necessary so that the aggregate amount
9 for such calendar year with respect to those enrollees
10 will equal the total amount which the Secretary esti-
11 mates will be payable under this section for benefits
12 accrued (including services performed and related
13 administrative costs incurred) in such calendar year
14 under the program under this section. In calculating
15 the monthly actuarial rate, the Secretary shall make
16 adjustments to take into account errors in esti-
17 mations under this paragraph for previous years and
18 shall include an appropriate amount for a contin-
19 gency margin.

20 “(2) PREMIUM.—

21 “(A) IN GENERAL.—The monthly premium
22 of each individual enrolled under this section
23 for a month in a year shall be the monthly ac-
24 tuarial rate determined under paragraph (1) for
25 months in such year. Such premium shall be

community-rated and shall not vary among enrollees based upon the age, place of residence, or any other factors, except as provided under subparagraph (B).

“(B) PENALTY FOR LATE ENROLLMENT.—

In the case of an individual who does not enroll under this section in a time period provided under paragraph (1) or (2) of subsection (b), the Secretary shall increase the monthly premium (in a manner similar to that applied under part B pursuant to section 1839(b)) of 10 percent for each full 12 months in which the individual could have been but was not so enrolled. In applying such an increase—

“(i) the aggregate percentage increase may not exceed 100 percent; and

“(ii) periods of time in which an individual is enrolled under an employee welfare benefit plan described in section 1882(s)(3)(B)(i), under a Medicare+Choice plan, with an organization described in section 1882(s)(3)(B)(iii), or under a PACE program under section 1894 shall not be taken into account.

1 “(3) COLLECTION.—The Secretary shall pro-
2 vide for the collection of premiums for enrollees
3 under this part in the same manner as premiums
4 under part B are collected under section 1840, ex-
5 cept that any reference in such section to the Fed-
6 eral Supplementary Medical Insurance Trust Fund
7 shall be deemed a reference to an account (to be
8 known as the ‘Direct Medicare Supplemental Insur-
9 ance Account’) to be established in the Treasury by
10 the Secretary to carry out the program under this
11 section. Amounts in such account may be invested
12 and draw interest in the same manner as such Trust
13 Fund under section 1840(c).

14 “(4) USE OF FUNDS.—Premium amounts de-
15 posited into the account established under paragraph
16 (3) shall be available without regard to appropria-
17 tions to the Secretary to make payment for benefits
18 and administrative costs incurred in carrying out
19 this section.

20 “(e) NONDUPLICATION OF COVERAGE.—For pur-
21 poses of applying section 1882(d)(3)(A), coverage under
22 this section shall be treated as coverage under a medicare
23 supplemental policy.”.

24 “(b) EFFECTIVE DATE.—The amendment made by
25 subsection (a) shall take effect on the date of the enact-

- 1 ment of this Act and shall apply to benefits for months
- 2 beginning with January 2004.

