

108TH CONGRESS  
1ST SESSION

# H. R. 15

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

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 7, 2003

Mr. DINGELL 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

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## A BILL

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

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

### 3 **SECTION. 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “National Health Insurance Act”.

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

Sec. 2. Findings and declaration of purpose.

Sec. 3. Policies of Act.

TITLE I—BENEFITS AND ELIGIBILITY

- Sec. 101. Classes of personal health services.
- Sec. 102. Availability of benefits.
- Sec. 103. How benefits obtained; free choice by patient.
- Sec. 104. Eligibility for benefits.
- Sec. 105. Provision of benefits for noninsured needy and other individuals.

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

- Sec. 201. Physicians and dentists; specialists.
- Sec. 202. Nurses.
- Sec. 203. Hospitals.
- Sec. 204. Auxiliary services.
- Sec. 205. Agreements with individual practitioners, hospitals, and others.
- Sec. 206. Agreements with voluntary health insurance and other organizations.
- Sec. 207. Provisions common to all agreements.
- Sec. 208. Methods of payments for services.
- Sec. 209. Amount of payments for services.
- Sec. 210. Professional rights and responsibilities.

## TITLE III—LOCAL ADMINISTRATION

- Sec. 301. Decentralization of administration.
- Sec. 302. Local administrative committee or officer.
- Sec. 303. Local area committees.
- Sec. 304. Local professional committees.
- Sec. 305. Methods of administration.

## TITLE IV—STATE ADMINISTRATION

- Sec. 401. Declaration of policy.
- Sec. 402. State plan of operations.

## TITLE V—NATIONAL HEALTH INSURANCE BOARD; NATIONAL AD- VISORY MEDICAL POLICY COUNCIL; GENERAL ADMINISTRATIVE PROVISIONS

- Sec. 501. National Health Insurance Board.
- Sec. 502. Advisory Council.
- Sec. 503. Studies, recommendations, and reports.
- Sec. 504. Nondisclosure of information.
- Sec. 505. Prohibition against discrimination.

## TITLE VI—ELIGIBILITY DETERMINATIONS, COMPLAINTS, HEARINGS, AND JUDICIAL REVIEW

- Sec. 601. Determinations as to eligibility for benefits.
- Sec. 602. Complaints of eligible individuals and of persons furnishing benefits.

## TITLE VII—APPLICATION OF ACT TO INDIVIDUALS COVERED UNDER MEDICARE PROGRAM

- Sec. 701. Eligibility; benefits available.
- Sec. 702. Study and report.

## TITLE VIII—FISCAL PROVISIONS

- Sec. 801. Use of Trust Fund.

Sec. 802. Allotment of funds.

Sec. 803. Grants-in-aid for training and education.

#### TITLE IX—MISCELLANEOUS PROVISIONS

Sec. 901. Definitions.

Sec. 902. Effective date.

#### TITLE X—VALUE ADDED TAX AND NATIONAL HEALTH CARE TRUST FUND

Sec. 1001. Imposition of value added tax.

Sec. 1002. Revenue from value added tax to fund National Health Care Trust Fund.

#### TITLE XI—STUDY AND DEVELOPMENT OF COST CONTROL MECHANISMS

Sec. 1101. Development of cost control mechanisms.

### 1 **SEC. 2. FINDINGS AND DECLARATION OF PURPOSE.**

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

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

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

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

1 (A) the inability of the vast majority of our  
2 people to meet the shattering cost of serious or  
3 chronic illness;

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

6 (C) wholly inadequate provision for the  
7 health needs of our farm families and agricul-  
8 tural workers;

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

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

17 (b) PURPOSES.—The Congress declares the purposes  
18 of this Act to be to provide a sound economic foundation  
19 for our free system of medicine and to correct the mal-  
20 distribution of health personnel and facilities by estab-  
21 lishing a system of prepaid personal health insurance on  
22 the principle of social insurance.

23

1 **SEC. 3. POLICIES OF ACT.**

2 (a) IN GENERAL.—In establishing a system of na-  
3 tional health insurance, it is the policy of this Act that—

4 (1) those persons and their dependents who are  
5 insured under the provisions of the Act shall be as-  
6 sured full freedom to choose their physicians and to  
7 change their choice as they may desire;

8 (2) physicians and other professions furnishing  
9 services in accordance with the provisions of this Act  
10 shall be assured full freedom in the practice of their  
11 professions, including the right to accept or reject  
12 patients except as this right may be restricted by  
13 their own professional ethics or by the laws of the  
14 several States; and

15 (3) the administration of this Act shall be based  
16 upon the American principle of decentralization.

17 (b) ADMINISTRATIVE RESPONSIBILITIES.—In car-  
18 rying out these policies, it is the intention of Congress that  
19 the major administrative responsibilities be placed in the  
20 hands of local bodies representing both those who pay for  
21 and receive services and those who render services, and  
22 operating within the framework of plans made by the sev-  
23 eral States, and approved by the Federal agency; that the  
24 National Health Care Trust Fund created by this Act  
25 shall be allotted equitably among the several States and  
26 by the States to their local areas; that voluntary as well

1 as governmental organizations shall be recognized and uti-  
2 lized; and that all eligible individuals and their dependents  
3 as specified in this Act shall be entitled to its benefits  
4 without discrimination because of race, color, or creed.

## 5 **TITLE I—BENEFITS AND** 6 **ELIGIBILITY**

### 7 **SEC. 101. CLASSES OF PERSONAL HEALTH SERVICES.**

8 (a) PERSONAL HEALTH SERVICES.—

9 (1) IN GENERAL.—The personal health services  
10 to be made available as benefits to eligible individ-  
11 uals as provided in this title are the following:

12 (A) Medical services.

13 (B) Dental services.

14 (C) Podiatric services.

15 (D) Home-nursing services.

16 (E) Hospital services.

17 (F) Auxiliary services.

18 (2) PROVISION OF SERVICES.—Each class of  
19 services shall be provided by persons (including indi-  
20 viduals, partnerships, corporations, associations, con-  
21 sumer cooperatives, and other organizations) who  
22 are authorized by applicable State law, and who are  
23 qualified under title II, to do so.

24 (b) MEDICAL SERVICES.—Medical services consist  
25 of—

1           (1) general medical services such as can be ren-  
2           dered by a physician engaged in the general or fam-  
3           ily practice of medicine, including preventive, diag-  
4           nostic, and therapeutic care and periodic medical ex-  
5           aminations; and

6           (2) specialist services rendered by a physician  
7           who is a specialist in the class of services rendered,  
8           as defined in section 201.

9   Such medical services may be rendered at the office, home,  
10   hospital, or elsewhere, as necessary.

11       (c) DENTAL SERVICES.—Dental services consist of—

12           (1) general dental services rendered by a dentist  
13           engaged in the general practice of dentistry, includ-  
14           ing preventive, diagnostic, and therapeutic care, and  
15           periodic dental examinations; and

16           (2) specialist services rendered by a dentist who  
17           is a specialist in the class of services rendered, as  
18           defined in section 201.

19   Such dental services may be rendered at the office, home,  
20   hospital, or elsewhere, as necessary.

21       (d) PODIATRIC SERVICES.—Podiatric services consist  
22   of those professional services of a podiatrist who is legally  
23   authorized to perform such services in the State in which  
24   the podiatrist practices.

1       (e) HOME-NURSING SERVICES.—Home-nursing serv-  
2 ices consist of nursing care of the sick rendered in the  
3 home by a registered professional nurse or a qualified  
4 practical nurse.

5       (f) HOSPITAL SERVICES.—

6           (1) IN GENERAL.—Hospital services consist of  
7 hospitalization, including necessary nursing services,  
8 and such physician, laboratory, ambulance, and  
9 other services in connection with hospitalization as  
10 the National Health Insurance Board (in this Act  
11 referred to as the “Board”), after consultation with  
12 the National Advisory Medical Policy Council (in  
13 this Act referred to as the “Advisory Council”), by  
14 regulation designates as essential to good hospital  
15 care, for a maximum of 60 days in any benefit year.

16          (2) EXCLUSION.—Hospital services shall not in-  
17 clude hospitalization in a mental disease hospital or  
18 institution, or hospitalization for any day more than  
19 30 days following the diagnosis of a psychosis.

20          (3) INCREASE IN MAXIMUM NUMBER OF  
21 DAYS.—Whenever the Board, after consultation with  
22 the Advisory Council, finds that moneys in the Na-  
23 tional Health Care Trust Fund are adequate and  
24 that facilities are available, it may by regulation in-

1       crease the maximum days of hospitalization in any  
2       benefit year.

3       (g) AUXILIARY SERVICES.—Auxiliary services consist  
4 of such—

5           (1) chemical, bacteriological, pathological, diag-  
6       nostic X-ray and related laboratory services;

7           (2) X-ray, radium, and related therapy;

8           (3) physiotherapy;

9           (4) services of optometrists;

10          (5) prescribed drugs which are unusually expen-  
11       sive;

12          (6) special appliances; and

13          (7) eyeglasses;

14 as the Board, after consultation with the Advisory Coun-  
15 cil, by regulation designates as auxiliary services on the  
16 basis of its finding that their provision under this Act is  
17 practicable and is essential to good health care.

18 **SEC. 102. AVAILABILITY OF BENEFITS.**

19       (a) GENERAL AVAILABILITY.—

20           (1) IN GENERAL.—Medical services, hospital  
21       services, and, except as otherwise provided in sub-  
22       section (b), all other personal health services speci-  
23       fied in section 101 shall be made available (subject  
24       to section 701) as benefits to eligible individuals in  
25       all health-service areas within the United States as

1 rapidly and as completely as possible having regard  
2 for the availability of the professional and technical  
3 personnel and the hospital and other facilities need-  
4 ed to provide such services.

5 (2) SURVEYS OF RESOURCES AND NEEDS.—To  
6 this end the resources and needs of each State shall  
7 be surveyed and a program developed in each State  
8 to assure the maximum participation and use of  
9 health personnel and facilities in the provision of  
10 benefits, and to encourage improvement in the num-  
11 ber and distribution of such personnel and facilities  
12 throughout the State. Additional surveys shall be  
13 undertaken as required, and the program in the  
14 State from time to time modified on the basis there-  
15 of.

16 (b) LIMITATION ON AVAILABILITY.—If the Board,  
17 after consultation with the Advisory Council, finds that  
18 the personnel or facilities or funds that are or can be made  
19 available are inadequate to insure the provision of all serv-  
20 ices included as dental, home-nursing, or auxiliary services  
21 under section 101, it may by regulation limit for a speci-  
22 fied period the services which may be provided as benefits,  
23 or modify the extent to which, or the circumstances under  
24 which, they will be provided to eligible individuals. Any  
25 such restriction or limitation shall be reduced or with-

1 drawn as rapidly as may be practicable. In the case of  
2 dental services, priority in the reduction or withdrawal of  
3 any such restriction or limitation shall be given to chil-  
4 dren.

5 (c) RECOMMENDATIONS.—The Board shall have the  
6 duty of—

7 (1) studying and making recommendations as  
8 to needed services and facilities for the care of the  
9 chronic sick afflicted with physical ailments, and for  
10 the care of individuals afflicted with mental or nerv-  
11 ous diseases, and as to needed provisions for the  
12 prevention of chronic physical diseases and of mental  
13 or nervous diseases; and

14 (2) making reports from time to time, with rec-  
15 ommendations as to legislation, but the first such re-  
16 port shall be made not later than two years after  
17 benefits under this Act first become available.

18 **SEC. 103. HOW BENEFITS OBTAINED: FREE CHOICE BY PA-**  
19 **TIENT.**

20 (a) IN GENERAL.—Every individual eligible for per-  
21 sonal health services available under this Act may freely  
22 select the physician, dentist, podiatrist, nurse, medical  
23 group, hospital, or other person of the individual's choice  
24 to render such services, and may change such selection  
25 if the practitioner, medical group, hospital, or other person

1 has agreed under title II to furnish the class of services  
2 required and consents to furnish such services to the indi-  
3 vidual.

4 (b) PRACTITIONER SERVICES.—General medical,  
5 dental, and podiatric services may be obtained by request  
6 made by the individual directly to the practitioner of the  
7 individual's choice.

8 (c) SPECIALTY SERVICES.—Specialist, home-nursing,  
9 hospital, and auxiliary services shall be obtained from the  
10 specialist, nurse, hospital, or other person of the individ-  
11 ual's choice, whenever the practitioner from whom the in-  
12 dividual is receiving medical or dental services as benefits  
13 under this Act refers the individual for specialist, home-  
14 nursing, hospital, or auxiliary services upon determining  
15 that such services are required in the proper care of the  
16 individual's particular case; or whenever, upon request of  
17 the individual, an administrative medical officer, upon a  
18 like determination, refers the individual for such services.

19 (d) WAIVER OF REFERRAL.—The Board, by regula-  
20 tion, shall dispense with the necessity of referral in cases  
21 of emergency, and may dispense with the necessity of re-  
22 ferral under specified circumstances or as respects speci-  
23 fied classes of services, or both, if it finds, after consulta-  
24 tion with the Advisory Council, that such action will be  
25 conducive to the provision of a more adequate amount and

1 quality of health care and will not unreasonably increase  
 2 the expenditures from the National Health Care Trust  
 3 Fund for such services.

4 **SEC. 104. ELIGIBILITY FOR BENEFITS.**

5 (a) IN GENERAL.—Subject to section 701, every indi-  
 6 vidual shall be eligible for benefits under this Act through-  
 7 out any benefit year if the individual—

8 (1) has received (or, in the case of income from  
 9 self-employment, has accrued)—

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

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

21 (2) is entitled, for the first month in the benefit  
 22 year, to a benefit under title II of the Social Secu-  
 23 rity Act or to an annuity under subchapter III (re-  
 24 lating to civil service retirement) of chapter 83 of  
 25 title 5, United States Code; or

1           (3) the individual is on the first day of the ben-  
2       efit year a dependent of an individual who is eligible  
3       under paragraph (1) or paragraph (2).

4       (b) ADDITIONAL ELIGIBILITY.—Subject to section  
5       701, every individual, not eligible therefor under sub-  
6       section (a), shall be eligible for benefits under this Act  
7       during the remainder of a benefit year, beginning with—

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

14          (2) the first day of the first month in such ben-  
15      efit year for which the individual is entitled to a ben-  
16      efit or annuity referred to in subsection (a)(2); or

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

21       (c) COVERAGE UNDER WORKERS' COMPENSATION.—

22          (1) NO COVERAGE.—No individual shall be  
23      deemed eligible for any personal health services as a  
24      benefit under this Act which are required by reason  
25      of any injury, disease, or disability on account of

1       which any medical, dental, home-nursing, hospital,  
2       or auxiliary service is being received, or upon appli-  
3       cation therefor would be received, under a work-  
4       men's compensation law of the United States or of  
5       any State, unless equitable reimbursements to the  
6       National Health Care Trust Fund for the provision  
7       of such services as benefits have been made or as-  
8       sured under section 105.

9               (2) SUBROGATION.—In any case in which an  
10       individual receives any personal health service as a  
11       benefit under this Act with respect to any such in-  
12       jury, disease, or disability, for which no reimburse-  
13       ment to the National Health Care Trust Fund has  
14       been made or assured, the United States shall to the  
15       extent permitted by State law be subrogated to all  
16       rights of such individual, or of the person who fur-  
17       nished such service, to be paid or reimbursed, pursu-  
18       ant to such workmen's compensation law, for the  
19       cost of furnishing such service.

20   **SEC. 105. PROVISION OF BENEFITS FOR NONINSURED**  
21               **NEEDY AND OTHER INDIVIDUALS.**

22       (a) IN GENERAL.—Subject to section 701, any or all  
23       benefits provided under this Act to individuals eligible for  
24       such benefits may be furnished to individuals (including  
25       the needy) not otherwise eligible therefor, for any period

1 for which equitable reimbursements to the National  
2 Health Care Trust Fund on behalf of such needy or other  
3 individuals have been made, or for which reasonable assur-  
4 ance of such reimbursements have been given, by public  
5 agencies of the United States, the several States, or any  
6 of them or of their political subdivisions, such reimburse-  
7 ments to be in accordance with agreements and working  
8 arrangements negotiated with such public agencies. Serv-  
9 ices furnished to such needy or other individuals as bene-  
10 fits shall be of the same quality, be furnished by the same  
11 methods, and be paid for through the same arrangements,  
12 as services furnished to individuals eligible for benefits  
13 under this Act.

14 (b) AVAILABILITY OF FEDERAL FUNDS.—Federal  
15 grants to States under title XIX, and part A of title IV,  
16 of the Social Security Act, and Federal grants to States  
17 for aid or assistance under other provisions of such Act,  
18 shall be available to the States for provision of personal-  
19 health services for noninsured needy individuals in accord-  
20 ance with the provisions of subsection (a).

1 **TITLE II—PARTICIPATION OF**  
2 **PHYSICIANS, DENTISTS,**  
3 **NURSES, HOSPITALS, AND**  
4 **OTHERS**

5 **SEC. 201. PHYSICIANS AND DENTISTS; SPECIALISTS.**

6 (a) QUALIFICATIONS.—Any individual who is a physi-  
7 cian, dentist, or podiatrist legally authorized in a State  
8 to render any services included as general medical, dental,  
9 or podiatric services shall be deemed qualified to render  
10 such services in that State as benefits under this Act.

11 (b) SPECIALISTS.—

12 (1) IN GENERAL.—Any such individual who is  
13 found to possess skill and experience of a degree and  
14 kind sufficient to meet standards established for a  
15 class of specialist services shall be deemed qualified  
16 to receive compensation for specialist services of  
17 such class as benefits under this Act.

18 (2) STANDARDS.—The Board, after consulta-  
19 tion with the Advisory Council, shall establish stand-  
20 ards as to the special skills and experience required  
21 to qualify an individual to render each such class of  
22 specialist services as benefits under this Act, and to  
23 receive compensation for such specialist services. In  
24 establishing such standards and in determining  
25 whether individuals qualify thereunder, standards

1       and certifications developed by professional agencies  
2       shall be utilized as far as is consistent with the pur-  
3       poses of this Act, and regard shall be had for the  
4       varying needs and the available resources in profes-  
5       sional personnel of the States and of local health-  
6       service areas.

7   **SEC. 202. NURSES.**

8       Any individual shall be deemed qualified to render  
9       home-nursing services in a State as benefits under this  
10      title if such individual is—

11           (1) a professional nurse registered in such  
12      State; or

13           (2) a practical nurse—

14                (A) who is qualified as such under State  
15                standards or requirements, or, in the absence of  
16                State standards or requirements, is found to be  
17                qualified under standards established by the  
18                Board after consultation with the Advisory  
19                Council and with nursing agencies; and

20                (B) who furnishes nursing care under the  
21                direction or supervision of the State health  
22                agency, the health agency of a political subdivi-  
23                sion of the State, or an organization supplying  
24                and supervising the services of registered pro-  
25                fessional nurses in the State.

1 **SEC. 203. HOSPITALS.**

2 Any hospital or other institution shall be deemed  
3 qualified to furnish all or particular classes of hospital  
4 services as benefits under this Act if—

5 (1) it is qualified to furnish such services under  
6 State standards or requirements for the maintenance  
7 and operation of hospitals which apply to the class  
8 or classes of services to be furnished; or

9 (2) in the absence of such State standards or  
10 requirements, it is found to afford professional serv-  
11 ices, personnel, and equipment adequate to promote  
12 the health and safety of individuals requiring the  
13 class or classes of hospital services to be furnished,  
14 according to standards which the Board shall estab-  
15 lish after consultation with the Advisory Council.

16 **SEC. 204. AUXILIARY SERVICES.**

17 Any person (as defined in section 901(1)) who—

18 (1) is qualified under State standards or re-  
19 quirements to furnish a class of services included as  
20 auxiliary services; or

21 (2) in the absence of State standards or re-  
22 quirements, is found to be qualified to furnish a  
23 class of such services under standards established  
24 for such class by the Board after consultation with  
25 the Advisory Council,

1 shall be deemed qualified to furnish such class of auxiliary  
 2 services in that State as benefits under this Act.

3 **SEC. 205. AGREEMENTS WITH INDIVIDUAL PRACTITIONERS,**  
 4 **HOSPITALS, AND OTHERS.**

5 Any individual (or, in the case of hospital or auxiliary  
 6 services, any person) qualified under this title to furnish  
 7 any class or classes of personal health services as benefits  
 8 may enter into an agreement with the State agency which  
 9 in accordance with title IV has assumed responsibility for  
 10 the administration in the State of benefits under this Act  
 11 (in this Act referred to as the “State agency”), to furnish  
 12 such class or classes of services as benefits to individuals  
 13 eligible therefor under this Act.

14 **SEC. 206. AGREEMENTS WITH VOLUNTARY HEALTH INSUR-**  
 15 **ANCE AND OTHER ORGANIZATIONS.**

16 (a) IN GENERAL.—In the provision of personal health  
 17 services, it shall be the policy to utilize individuals or orga-  
 18 nizations qualified under this title to render such services,  
 19 including—

- 20 (1) any organized group of individuals;
- 21 (2) any partnership, association, or consumer
- 22 cooperative;
- 23 (3) any hospital or any hospital and its staff;
- 24 or

1           (4) any organization operating a voluntary  
2       health-service insurance plan or other voluntary  
3       health-service plan.

4       (b) AUTHORIZATION.—The State agency is author-  
5       ized to enter into an agreement with any organization re-  
6       ferred to in subsection (a) for the provision of personal  
7       health services under this Act. Any such organization,  
8       whether or not it enters into an agreement with the State  
9       agency on its own behalf, shall be permitted to act as  
10      agent for individuals or other persons in negotiating or  
11      in carrying out agreements with the State agency for ren-  
12      dering personal health services under this Act.

13      (c) QUALIFICATION OF PROVIDERS.—Any agreement  
14      under this section shall provide that each class of personal  
15      health services will be furnished only by individuals (or,  
16      in the case of hospital or auxiliary benefits, by persons,  
17      as defined in section 901(1)) who are qualified under this  
18      title to render such class of services and each of whom  
19      has agreed or has authorized an agreement to be made  
20      on the individual's behalf with the State agency that the  
21      individual will furnish such services in accordance with  
22      this Act and with regulations prescribed thereunder. Each  
23      such individual or person shall be responsible, both to the  
24      State agency and (in accordance with applicable State  
25      law) to individuals eligible for personal health services as

1 benefits, for carrying out such agreement made by the in-  
2 dividual or person or on behalf of the individual or person.

3 **SEC. 207. PROVISIONS COMMON TO ALL AGREEMENTS.**

4 (a) IN GENERAL.—Each agreement made under this  
5 title shall—

6 (1) specify the class or classes of services to be  
7 furnished or provided pursuant to its terms;

8 (2) contain an undertaking to comply with this  
9 Act and with regulations prescribed thereunder;

10 (3) be made upon terms and conditions con-  
11 sistent with the efficient and economical administra-  
12 tion of this Act; and

13 (4) continue in force for such period and be ter-  
14 minable upon such notice as may be agreed upon.

15 (b) TERM.—No agreement under section 206, and no  
16 designation of an agent, shall for more than one year pre-  
17 clude any individual or person qualified to furnish per-  
18 sonal health services from exercising such rights as the  
19 individual or person would otherwise have under this  
20 title—

21 (1) to negotiate and enter into an agreement di-  
22 rectly with the State agency;

23 (2) to designate another agent for such negotia-  
24 tion; or

1           (3) to participate in another agreement under  
2           section 206.

3           (c) NON EXCLUSIVE AGREEMENTS.—No agreement  
4           made under this title shall confer upon any individual or  
5           other person, or any group or other organization, the right  
6           of furnishing or providing personal health services as bene-  
7           fits, to the exclusion in whole or in part of other individ-  
8           uals, persons, groups, or organizations qualified to furnish  
9           or provide such services.

10          (d) DISQUALIFICATION.—

11           (1) IN GENERAL.—If the State agency after in-  
12           vestigation finds that an individual or other person  
13           under agreement to furnish or provide personal  
14           health services as benefits is no longer qualified to  
15           furnish or provide such services, or has committed a  
16           substantial breach of the agreement, it shall notify  
17           such person of its findings, together with the rea-  
18           sons therefor, and in the absence of a request for a  
19           hearing by such person under title VI, or in the  
20           event of a final decision sustaining its findings after  
21           any hearing and further review provided under title  
22           VI, may terminate the agreement and withdraw the  
23           person's name from the list published pursuant to  
24           title III.

1           (2) LIMITATION ON SUBSEQUENT AGREE-  
2           MENTS.—After an agreement has been so termi-  
3           nated, no new agreement shall be entered into with  
4           such person under this Act unless and until such  
5           person gives reasonable assurances to the State  
6           agency of the person’s ability and willingness to dis-  
7           charge all obligations and responsibilities under a  
8           new agreement satisfactorily in accordance with its  
9           provisions.

10 **SEC. 208. METHODS OF PAYMENTS FOR SERVICES.**

11           (a) PROFESSIONAL SERVICES.—Agreements for the  
12           furnishing of medical, dental, or podiatric services (other  
13           than specialist services) as benefits under this Act shall  
14           provide for payment—

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

17                   (2) on a per capita basis, the amount being ac-  
18           cording to the number of individuals eligible for ben-  
19           efits who are on the practitioner’s list;

20                   (3) on a salary basis, whole time or part time;  
21           or

22                   (4) on such combinations or modifications of  
23           these bases, including separate provision for travel  
24           and related expenses, as may be approved by the  
25           State agency;

1 according in each health-service area as the majority of  
2 the medical practitioners or of the dental practitioners, re-  
3 spectively, under agreement to furnish such services shall  
4 elect. Provision shall be made for another method or meth-  
5 ods of payment (from among the methods listed in this  
6 subsection) to those medical practitioners or to those den-  
7 tal practitioners who do not elect the method of such ma-  
8 jority, when it is found that such alternative method of  
9 making payments contributes to carrying out the provi-  
10 sions of section 305 or otherwise promotes the efficient  
11 and economical provision of medical or dental services in  
12 the area.

13 (b) SPECIALIST SERVICES.—Agreements for the fur-  
14 nishing of specialist services as benefits under this Act  
15 may provide for payments on the basis of fee for service,  
16 per case, per session, per capita, on salary (whole time  
17 or part time), or other basis, or combination thereof.

18 (c) TREATMENT OF GROUPS.—Any of the methods  
19 of making payments from among the methods listed in  
20 subsection (a) or subsection (b) may be used in making  
21 payments to groups or practitioners or organizations or  
22 other agencies which undertake to provide specialist serv-  
23 ices as well as general medical or general dental services.

24 (d) HOSPITAL SERVICES.—

1           (1) USE OF REASONABLE COSTS.—Agreements  
2       for the furnishing of hospital services as benefits  
3       under this Act shall provide for payment on the  
4       basis of the reasonable costs of hospitalization fur-  
5       nished as benefits.

6           (2) MAXIMUM RATES.—The Board, after con-  
7       sultation with the Advisory Council and with rep-  
8       resentatives of interested hospital organizations, may  
9       by regulation prescribe maximum rates for hos-  
10      pitalization furnished as benefits under this Act, and  
11      such maximum rates may be varied according to  
12      classes of localities or types of service.

13          (3) PAYMENT BASIS.—Payments to hospitals  
14      shall be based on the least expensive multiple-bed ac-  
15      commodations available in the hospital unless the  
16      patient's condition makes the use of private accom-  
17      modations essential for the patient's proper medical  
18      care.

19          (4) ADDITIONAL CHARGES.—An agreement  
20      made for furnishing such services shall not affect the  
21      right of the hospital or other person with whom the  
22      agreement is made to require payments from pa-  
23      tients with respect to the additional cost of more ex-  
24      pensive facilities occupied at the request of the pa-

1       tient, or with respect to services not included as ben-  
2       efits under this Act.

3       (e) HOME-NURSING SERVICES AND AUXILIARY  
4 SERVICES.—Agreements for the furnishing of home-nurs-  
5 ing services or auxiliary services as benefits under this Act  
6 shall provide for payment in accordance with such meth-  
7 ods as the State agency may approve from among those  
8 set forth in regulations prescribed pursuant to this Act.

9       (f) PRO-RATING CERTAIN PER CAPITA PAYMENTS.—  
10 In any health-service area where agreements for the fur-  
11 nishing of general medical or general dental services pro-  
12 vide for payment only on a per capita basis, the per capita  
13 payments with respect to those individuals residing in the  
14 area who have failed to select a practitioner or other per-  
15 son to furnish such services to them shall be made on a  
16 pro rata basis among the practitioners and other persons  
17 under agreement to furnish such services in the area.

18 **SEC. 209. AMOUNT OF PAYMENTS FOR SERVICES.**

19       (a) CONSIDERATION OF LOCAL CONDITIONS.—

20               (1) IN GENERAL.—Rates or amounts of pay-  
21 ment for particular services or classes of services  
22 furnished as benefits under this Act shall be adapted  
23 to take account of relevant regional, State, or local  
24 conditions and practices.

1           (2) PROFESSIONAL SERVICES.—In arriving at  
2       the payments to be made for services of general  
3       medical and dental practitioners, specialists, profes-  
4       sional and practical nurses, or other practitioners,  
5       regard shall be had for the annual income or its  
6       equivalent which the payments will provide, and con-  
7       sideration shall be given to degree of specialization,  
8       and to the skill, experience, and responsibility in-  
9       volved in rendering the services.

10          (3) ADEQUACY.—Such payments, together with  
11       the other terms and conditions of the agreements  
12       made under this title, shall be adequate to provide  
13       professional and financial incentives to practitioners  
14       to advance in their professions and to practice in lo-  
15       calities where their services are most needed, to en-  
16       courage high standards in the quality of services fur-  
17       nished, to give assistance in their use of opportuni-  
18       ties for postgraduate study, and to allow for ade-  
19       quate vacation.

20          (b) EQUIVALENCE IN CHOICE OF PAYMENT METH-  
21       ODS.—The rates and amounts of payments fixed under  
22       the different methods of payments specified in subsections  
23       (a), (b), (c), and (e) of section 208, and the methods of  
24       making payments, shall assure reasonably equivalent  
25       awards for practitioners selecting different methods of

1 payment, in consideration of the value of the services they  
2 render.

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

16 (d) TREATMENT OF GROUPS.—The making of an  
17 agreement under section 206 with a group or other organi-  
18 zation shall not operate to increase the payments to be  
19 made pursuant to any such agreement over the amounts  
20 which, in the absence of such group or organization would  
21 be payable for the same services pursuant to agreements  
22 made under section 205 directly with the person or per-  
23 sons who furnish the services.

1 **SEC. 210. PROFESSIONAL RIGHTS AND RESPONSIBILITIES.**

2 (a) **TERMINATION ARRANGEMENTS.**—Any person  
3 who enters into an agreement under this title may termi-  
4 nate such agreement after reasonable notice and after  
5 suitable arrangements are made to fulfill professional obli-  
6 gations to eligible individuals.

7 (b) **FREEDOM OF PRACTICE.**—Every physician, den-  
8 tist, or nurse agreeing to render services as benefits under  
9 this Act shall be free to practice such professional's profes-  
10 sion in the locality of the professional's own choosing, con-  
11 sistent with the requirements of the laws of the States.

12 (c) **FREEDOM IN ACCEPTANCE OF PATIENTS.**—Every  
13 physician, dentist, nurse, hospital, or other person enter-  
14 ing into an agreement under this title shall be free to the  
15 extent consistent with applicable State law and customary  
16 professional ethics to accept or reject as a patient any in-  
17 dividual requesting the professional's services.

18 (d) **FREEDOM FROM SUPERVISION OR CONTROL.**—  
19 No supervision or control over the details of administra-  
20 tion or operation, or over the selection, tenure, or com-  
21 pensation of personnel, shall be exercised under the au-  
22 thority of this Act over any hospital which has agreed to  
23 furnish personal health services as benefits.

## **TITLE III—LOCAL ADMINISTRATION**

### **SEC. 301. DECENTRALIZATION OF ADMINISTRATION.**

IN GENERAL.—In order that personal health-service benefits may be made available promptly and in a manner best adapted to local practices, conditions, and needs, responsibility for administration of the benefits provided under this Act in the several local health-service areas shall be decentralized as fully as practicable to local administrative committees or local administrative officers, acting with the advice and assistance, as provided in this title, of local professional committees and, in the case of local administrative officers, the advice and assistance of local area committees.

(b) DESIGNATION OF HEALTH-SERVICE AREAS.—The health-service areas of a State shall be those so designated in the State plan of operations.

### **SEC. 302. LOCAL ADMINISTRATIVE COMMITTEE OR OFFICER.**

(a) IN GENERAL.—The local administrative agency for each local health-service area may, as determined by the State, be either—

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

1           (2) a local administrative officer, who shall act  
2       with the advice and assistance of a local advisory  
3       committee established in accordance with section  
4       303.

5       (b) ARRANGEMENTS FOR SERVICES.—The local ad-  
6       ministrative committee or officer, with the advice and as-  
7       sistance of such local professional committees as may from  
8       time to time be established, shall arrange for the fur-  
9       nishing of personal health-service benefits to eligible indi-  
10      viduals in the area and to that end shall—

11           (1) publish, and make readily available to eligi-  
12      ble individuals in the area, lists of the names of all  
13      persons who have agreed to furnish personal health  
14      services in the area, together with the class or class-  
15      es of services which each has undertaken to furnish;

16           (2) disseminate pertinent information con-  
17      cerning the rights and privileges under this Act of  
18      eligible individuals and of persons qualified to fur-  
19      nish personal health services as benefits;

20           (3) maintain effective relationships with physi-  
21      cians, dentists, nurses, hospitals, and other persons  
22      who have entered into agreements to furnish per-  
23      sonal health services in the area, in order to facili-  
24      tate the furnishing of such services in accordance  
25      with such agreements, to assure full and prompt

1 payment to such persons for services so furnished,  
2 and to enlist their full cooperation in the administra-  
3 tion of benefits under this Act in the area;

4 (4) receive and, to the extent possible in the  
5 local area, adjust any complaints which may be  
6 made concerning the administration of benefits  
7 under this Act in the area;

8 (5) perform such other duties (including the  
9 making of payments to persons furnishing personal  
10 health services in the area) as may be assigned by  
11 the State agency; and

12 (6) take or initiate such other administrative  
13 action as the committee or officer finds will best  
14 carry out, within the area, the provisions of this Act,  
15 and best effectuate its purposes.

16 **SEC. 303. LOCAL AREA COMMITTEES.**

17 (a) ESTABLISHMENT.—

18 (1) IN GENERAL.—A local area committee shall  
19 be established in each health-service area.

20 (2) FUNCTIONS.—If designated by the State as  
21 a local administrative committee, the local area com-  
22 mittee shall perform the functions specified in sec-  
23 tion 302 and shall formulate policies for the admin-  
24 istration of benefits under this Act in the area. If  
25 designated as an advisory committee, it shall advise

1 and assist in the performance of such functions and  
2 the formulation of such policies. The committee,  
3 whether administrative or advisory, shall—

4 (A) participate in the solution of problems  
5 affecting the administration of such benefits;

6 (B) promote impartiality and freedom from  
7 political influence in such administration;

8 (C) perform related functions to the end  
9 that administration in the area may be respon-  
10 sive to the wishes and needs of persons fur-  
11 nishing and receiving benefits in the area, be  
12 adapted to local practices and resources; and

13 (D) provide adequate and high quality per-  
14 sonal health services to all eligible individuals.

15 (b) COMPOSITION.—Each local area committee shall  
16 consist of not less than 8 nor more than 16 members. The  
17 members shall be so selected that—

18 (1) a majority of the committee shall be rep-  
19 resentative of the interests of individuals in the area  
20 who are eligible for benefits; and

21 (2) the remaining members shall be chosen  
22 from the several professions, hospitals, and other or-  
23 ganizations in the area by whom such benefits will  
24 be provided.

25 (c) MEETINGS.—

1           (1) IN GENERAL.—The local area committee  
2 shall meet—

3           (A) as often as may be necessary, and  
4 whenever one-third or more of the members re-  
5 quest a meeting; and

6           (B) in the case of a local administrative  
7 committee, not less frequently than once each  
8 month, and, in the case of a local advisory com-  
9 mittee, not less frequently than once in each  
10 quarter of the year.

11          (2) ANNUAL PUBLIC MEETING.—At least one  
12 meeting of the committee each year shall be open to  
13 the public, notice of which shall be published and at  
14 which any person in the area may participate.

15          (3) ANNUAL STATEWIDE MEETINGS.—

16           (A) ADMINISTRATIVE OFFICERS.—At least  
17 once each year there shall be a statewide meet-  
18 ing of local administrative officers and rep-  
19 resentatives of local administrative committees.

20           (B) LOCAL ADVISORY COMMITTEES.—At  
21 least once in each year there shall be a state-  
22 wide meeting of representatives of all local advi-  
23 sory committees in the State, and any reports  
24 or recommendations made at such meeting shall

1           on the request of such meeting be transmitted  
2           through the State agency to the Board.

3 **SEC. 304. LOCAL PROFESSIONAL COMMITTEES.**

4       (a) ESTABLISHMENT.—Local committees representa-  
5 tive of the persons furnishing personal health services in  
6 the area shall be established in each health-service area.

7       (b) FUNCTIONS.—Each local professional committee  
8 shall assist the local administrative committee and its ex-  
9 ecutive officer, or the local administrative officer and the  
10 local advisory committee, as the case may be, in—

11           (1) the preservation of the customary freedom  
12       and responsibility (under applicable State law) of  
13       practitioners in the exercise of professional judgment  
14       as to the care of patients; and

15           (2) in the solution of technical problems con-  
16       cerning the participation of professional personnel,  
17       hospitals, and other qualified persons in the provi-  
18       sion of personal health services as benefits, and to  
19       advise the local administrative or executive officer  
20       and the local area committee regarding matters of  
21       professional practice or conduct arising in connec-  
22       tion with the performance of agreements for the pro-  
23       vision of such services.

24       (c) MEETINGS.—Such local committees shall meet on  
25 call of the local administrative committee or officer, as the

1 case may be, or upon their own motion. The members of  
2 any such local professional committee may be professional  
3 members of the local area committee or other professional  
4 persons or both.

5 **SEC. 305. METHODS OF ADMINISTRATION.**

6 (a) IN GENERAL.—In each health-service area the  
7 methods of administration shall be such as to—

8 (1) insure the prompt and efficient care of indi-  
9 viduals entitled to personal health services as bene-  
10 fits;

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

13 (3) promote coordination among and between  
14 general practitioners, specialists, those who furnish  
15 auxiliary services, nurses, and hospitals, in the fur-  
16 nishing of services under this Act, between them and  
17 public-health centers and agencies, and educational  
18 service, research, and other related agencies or insti-  
19 tutions, and between preventive, diagnostic, and cu-  
20 rative services, public and private;

21 (4) aid in the prevention of disease, disability,  
22 and premature death;

23 (5) encourage improvement in the number and  
24 distribution of professional personnel and facilities;  
25 and

1           (6) insure the provision of adequate service with  
2       the greatest economy consistent with high standards  
3       of quality.

4       (b) APPOINTMENT.—Local administrative officers  
5       shall be appointed by the State agency or the head thereof,  
6       in accordance with the merit system provided for in the  
7       State plan of operations. Local administrative committees  
8       shall be appointed by such agency or the head thereof,  
9       from individuals residing in the respective health-service  
10      areas, and the executive officers of such committees shall  
11      be appointed by the committees in accordance with the  
12      merit system. The local health-service areas shall be those  
13      so designated in such plan. Members of local advisory  
14      committees and of local professional committees shall be  
15      selected in accordance with methods set forth in such plan.

16      (c) COMPLIANCE WITH PROVISIONS.—In exercising  
17      their functions and discharging their responsibilities under  
18      this Act, local administrative officers and communities,  
19      local advisory committees, and local professional commit-  
20      tees shall observe the provisions of this Act, and of regula-  
21      tions prescribed thereunder, and of any regulations, stand-  
22      ards, and procedures prescribed by the State agency.

## **TITLE IV—STATE ADMINISTRATION**

### **SEC. 401. DECLARATION OF POLICY.**

It is the intent of Congress that the benefits provided under this Act be administered wherever possible by the several States, in accordance with plans of operations submitted and approved as provided in this title, and in each State insofar as feasible by the same State agency which administers, or supervises the administration of, the State's general public health and maternal and child health programs.

### **SEC. 402. STATE PLAN OF OPERATIONS.**

(a) IN GENERAL.—Any State desiring to assume responsibility for the administration in the State of the personal health-service benefits provided under this Act to all individuals in the State who are eligible for such benefits, may do so for the period beginning October 1, 2004 (when benefits first become available under this Act), or for the period beginning October 1 of any succeeding year, if it has undertaken, through its legislature, to administer such benefits in accordance with the provisions of this Act and with the provisions of regulations and standards prescribed thereunder, and, at least 12 months in advance, has submitted and had approved a State plan of operations which provides for the following:

1           (1) The plan must designate as the sole agency  
2           for the statewide administration of benefits under  
3           this Act a single State agency duly authorized under  
4           the law of the State to administer such benefits  
5           within the State in accordance with the provisions of  
6           this Act, the provisions of regulations and standards  
7           prescribed thereunder, and the provisions of the  
8           State plan.

9           (2) The plan must provide for the designation  
10          of a State advisory committee which shall include  
11          members who are familiar with the needs for per-  
12          sonal health services in urban and rural areas, and  
13          who are representative of the interests of individuals  
14          in the State who are eligible for benefits, such mem-  
15          bers to constitute a majority, and members chosen  
16          from the several professions, hospitals, and other or-  
17          ganizations in the State by whom such benefits will  
18          be provided, to advise the State agency in carrying  
19          out the administration of such benefits in the State.

20          (3) The plan must provide for the decentralized  
21          administration of this Act in the State in accordance  
22          with title III for the designation of local health-serv-  
23          ice areas, and for such methods of selecting the  
24          members of local advisory committees and of local  
25          professional committees as are calculated to insure

1 representation of the nature set forth in sections  
2 303 and 304, respectively.

3 (4) The plan must provide for such methods of  
4 administration, including methods relating to the es-  
5 tablishment and maintenance of personnel standards  
6 on a merit basis (except that the Board shall exer-  
7 cise no authority with respect to the selection, tenure  
8 of office, or compensation of any individual employed  
9 in accordance with such methods), as are found by  
10 the Board to be necessary for the proper and effi-  
11 cient administration of such benefits in the State.

12 (5) The plan must provide for the making of  
13 surveys of the resources and needs of the State, in  
14 accordance with section 102(a), and sets forth a pro-  
15 gram for the administration of such benefits in the  
16 State which gives reasonable assurance (A) that  
17 maximum use will be made of all available health  
18 personnel and facilities desiring to participate in the  
19 provision of benefits to eligible individuals, (B) that  
20 funds allotted to the State for the several classes of  
21 benefits will be allocated in such manner as to give  
22 reasonable assurance of the availability of services in  
23 all health-service areas in the State, and (C) that  
24 any maldistribution or other inadequacies in the  
25 health personnel or facilities available for such pur-

1       pose, or in the quality of the services rendered, will  
2       be progressively improved as rapidly as may be prac-  
3       ticable.

4               (6) The plan must provide that the State agen-  
5       cy will make such reports in such form and con-  
6       taining such information as the Board may from  
7       time to time reasonably require, and give the Board,  
8       upon demand, access to the records upon which such  
9       information is based.

10              (7) The plan must provide that all Federal  
11       funds paid to the State agency for purposes of car-  
12       rying out this Act in the State shall be properly  
13       safeguarded and expended solely for the purposes for  
14       which paid, and must provide for the repayment by  
15       the State to the United States of any such funds  
16       lost by the State agency or diverted from the pur-  
17       poses for which paid.

18              (8) The plan must provide for cooperation, in-  
19       cluding where necessary entering into working agree-  
20       ments (with any appropriate transfer of funds), with  
21       other public agencies of the State or of its political  
22       subdivisions concerned with programs related to the  
23       purposes of this Act, and with appropriate agencies  
24       of other States or of the United States admin-

1       istering this Act, or benefits under this Act, in other  
2       States.

3       (b) APPROVAL.—The Board shall approve any State  
4       plan and any modification thereof submitted by the State  
5       which it finds complies with the provisions of subsection  
6       (a). No change in a State plan shall be required within  
7       one year after initial approval thereof, or within one year  
8       after any change thereafter required therein, by reason of  
9       any change in the regulations or standards prescribed pur-  
10      suant to this Act, except with the consent of the State  
11      or in accordance with further action by Congress.

12      (c) NOTICE OF DISAPPROVAL.—In the event of its  
13      disapproval of any plan or any modification therein sub-  
14      mitted by a State pursuant to this title, the Board shall  
15      notify the State of such disapproval and shall, upon re-  
16      quest of the State, afford it reasonable notice and oppor-  
17      tunity for a hearing on such disapproval.

18      (d) FALLBACK ADMINISTRATION.—

19           (1) NOTICE TO GOVERNOR.—If a State has not  
20      prior to October 1, 2004, submitted and had ap-  
21      proved a plan of operations, the Board shall notify  
22      the Governor of the State that the Board will be re-  
23      quired to administer this Act in the State, com-  
24      mencing October 1, 2004.

1           (2) PUBLICATION OF NOTICE.—The Board shall  
2       provide for the publication of such notice in at least  
3       two newspapers of general circulation in the State.

4           (3) CONTINUED ADMINISTRATION.—If within  
5       60 days after such notification to the Governor the  
6       State has not submitted an approvable plan, the  
7       Board shall continue such administration until one  
8       year after the submission and approval of a plan of  
9       operations in accordance with this section.

10          (4) WAIVER.—The Board may waive the re-  
11       quirement that a State plan must be submitted and  
12       approved one year prior to commencement of State  
13       administration if it is satisfied in a particular case  
14       that the substitution of a shorter preparatory period  
15       will not prejudice the interests of eligible individuals  
16       in the State.

17       (e) NONCOMPLIANCE.—

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

22           (A) is not complying substantially with the  
23       provisions of such plan, or with the provisions  
24       of this Act or any regulations or standards pre-  
25       scribed thereunder, or

1 (B) has withdrawn its plan or failed to  
2 change it when and as required by a change in  
3 this Act or in regulations prescribed thereunder,  
4 the Board shall notify the Governor of the State of  
5 such findings, together with its reasons therefor and  
6 a statement concerning the effect of such findings  
7 under this Act, and shall provide for the publication  
8 of such notice in at least two newspapers of general  
9 circulation in the State.

10 (2) BOARD ASSUMPTION OF RESPONSIBILITY.—

11 If within 60 days following such a notice the State  
12 has not taken appropriate action to bring its plan or  
13 its administration thereof into conformity with this  
14 Act and regulations and standards thereunder, the  
15 Board shall immediately assume responsibility for  
16 the administration of this Act in the State and shall  
17 administer the same in such State for so long there-  
18 after as the State fails to give reasonable assurances  
19 of substantial compliance or fails to submit an ap-  
20 provable plan, as the case may be.

21 (f) BOARD AUTHORITY.—In any State in which the  
22 Board has assumed responsibility for the administration  
23 of benefits under this Act as provided in subsections (d)  
24 and (e), the Board shall have and discharge all authority  
25 and duties, in accordance with the provisions of this Act,

1 which it finds necessary for that purpose, and the term  
 2 “State agency” wherever used in title II or title III shall  
 3 be deemed to refer to the Board.

4 (g) ADDITIONAL STATE-FUNDED SERVICES.—Noth-  
 5 ing in this Act shall preclude any State or any political  
 6 subdivision thereof, whether or not the State has assumed  
 7 responsibility for the administration of benefits under this  
 8 Act, from furnishing, with funds available from sources  
 9 other than the National Health Care Trust Fund, any ad-  
 10 ditional health services to individuals who are eligible for  
 11 benefits under this Act or any or all health services to  
 12 individuals who are not so eligible.

13 **TITLE V—NATIONAL HEALTH IN-**  
 14 **SURANCE BOARD; NATIONAL**  
 15 **ADVISORY MEDICAL POLICY**  
 16 **COUNCIL; GENERAL ADMINIS-**  
 17 **TRATIVE PROVISIONS**

18 **SEC. 501. NATIONAL HEALTH INSURANCE BOARD.**

19 (a) ESTABLISHMENT.—

20 (1) IN GENERAL.—There is hereby established  
 21 in the Department of Health and Human Services a  
 22 National Health Insurance Board.

23 (2) COMPOSITION.—The Board shall be com-  
 24 posed of 5 members, three of whom shall be ap-  
 25 pointed by the President by and with the advice and

1 consent of the Senate, and the other two of whom  
2 shall be the Surgeon General of the Public Health  
3 Service and the Administrator of Social Security. At  
4 least one of the appointed members shall be a doctor  
5 of medicine licensed to practice medicine or surgery  
6 in one of the States.

7 (3) NO OTHER EMPLOYMENT.—During an ap-  
8 pointment member's term of membership on the  
9 Board, the member shall not shall engage in any  
10 other business, vocation, or employment.

11 (4) COMPENSATION.—Each appointed member  
12 shall receive a salary at an annual rate of basic pay,  
13 established by the President, which is not less than  
14 the annual rate of basic pay for positions at level V  
15 of the Executive Schedule and which is not greater  
16 than the annual rate of basic pay for positions at  
17 level IV of the Executive Schedule.

18 (5) TERM.—Each appointed member shall hold  
19 office for a term of six years, except that—

20 (A) any member appointed to fill a vacancy  
21 occurring prior to the expiration of the term for  
22 which the member's predecessor was appointed  
23 shall be appointed for the remainder of such  
24 term; and

1 (B) the terms of office of the members  
2 first taking office after the date of the enact-  
3 ment of this Act shall expire, as designated by  
4 the President at the time of appointment, one  
5 at the end of two years, one at the end of four  
6 years, and one at the end of six years, after the  
7 date of the enactment of this Act.

8 (6) DESIGNATION OF CHAIRMAN.—The Presi-  
9 dent shall designate one of the appointed members  
10 as the Chairman of the Board.

11 (b) FUNCTIONS.—

12 (1) SUPERVISION.—All functions of the Board  
13 shall be administered by the Board under the direc-  
14 tion and supervision of the Secretary of Health and  
15 Human Services. The board shall perform such  
16 functions as it finds necessary to carry out the pro-  
17 visions of this Act, and shall make all regulations  
18 and standards specifically authorized to be made in  
19 this Act and such other regulations not inconsistent  
20 with this Act as may be necessary.

21 (2) DELEGATION.—The Board may delegate to  
22 any of its members, officers, or employees, or with  
23 the approval of the Secretary to any other officer or  
24 employee of the Department of Health and Human  
25 Services, such of its powers or duties, except that of

1 making regulations, as it may consider necessary  
2 and proper to carry out the provisions of this Act.

3 (3) CONTRACT AUTHORITY.—The Board may  
4 also enter into agreements for the furnishing or pro-  
5 vision of personal health services under this Act  
6 without regard to the provisions of title 5, United  
7 States Code, pertaining to the appointment, status,  
8 or compensation of Federal employees, or pertaining  
9 to contracts for personal services, and without re-  
10 gard to section 3709 of the Revised Statutes (41  
11 U.S.C. 5), and any person rendering services pursu-  
12 ant to an agreement so made shall not by reason  
13 thereof be deemed to be an employee of the United  
14 States.

15 (c) USE OF EXECUTIVE AGENCIES.—In admin-  
16 istering the provisions of this Act, the Board is authorized  
17 to utilize the services and facilities of any executive depart-  
18 ment or other agency of the United States in accordance  
19 with an agreement with the head thereof. Payment for  
20 such services and facilities shall be made in advance or  
21 by way of reimbursement, as may be agreed upon with  
22 the head of the executive department or other agency fur-  
23 nishing them.

24 (d) PERSONNEL.—

1           (1) IN GENERAL.—Personnel of the Board shall  
2       be appointed by the Secretary upon recommendation  
3       of the Board.

4           (2) DETAILING OF EMPLOYEES TO BOARD.—  
5       The Secretary is authorized to detail to the Board,  
6       upon its request, any officer or employee of the De-  
7       partment of Health and Human Services, and in the  
8       Secretary's discretion to reimburse, from funds  
9       available for the administration of this Act, the ap-  
10      propriation from which the salary or, in the case of  
11      commissioned officers of the Public Health Service,  
12      the pay and allowances of such officer or employee  
13      are paid.

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

1 tration, for the salary (or for the pay and allowances) of  
2 any officer or employee so detailed.

3 **SEC. 502. ADVISORY COUNCIL.**

4 (a) ESTABLISHMENT.—

5 (1) IN GENERAL.—There is hereby established  
6 a National Advisory Medical Policy Council.

7 (2) COMPOSITION.—The Council shall consist of  
8 the Chairman of the Board, who shall serve as  
9 Chairman of the Advisory Council ex officio, and 16  
10 members appointed by the Secretary of Health and  
11 Human Services. At least 8 of the 16 appointed  
12 members shall be individuals who are familiar with  
13 the need for personal health services in urban or  
14 rural areas and who are representative of the inter-  
15 ests of individuals eligible for benefits under this  
16 Act, and at least 6 of the members shall be individ-  
17 uals who are outstanding in the medical or other  
18 professions concerned with the provision of services  
19 provided as benefits under this Act and who are rep-  
20 resentative of the individuals, organizations, and  
21 other persons by whom personal health services will  
22 be provided.

23 (3) TERM.—Each appointed member shall hold  
24 office for a term of 4 years, except that any member  
25 appointed to fill a vacancy occurring prior to the ex-

1       piration of the term for which the member's prede-  
2       cessor was appointed shall be appointed for the re-  
3       mainder of that term, and the terms of the members  
4       first taking office shall expire, as designated by the  
5       Secretary at the time of appointment, four at the  
6       end of the first year, four at the end of the second  
7       year, four at the end of the third year, and four at  
8       the end of the fourth year after the date of appoint-  
9       ment.

10           (4) TECHNICAL AND PROFESSIONAL ADVISORY  
11       COMMITTEES.—The Advisory Council is authorized  
12       to appoint such special advisory technical or profes-  
13       sional committees as may be useful in carrying out  
14       its functions, and the members of such committees  
15       may be members of the Advisory Council, or other  
16       persons, or both.

17           (5) COMPENSATION.—Appointed     Advisory  
18       Council members and members of technical or pro-  
19       fessional committees, while serving on business of  
20       the Council (inclusive of traveltime), shall receive  
21       compensation at rates fixed by the Secretary, but  
22       not exceeding \$200 per day, and shall be entitled to  
23       receive actual and necessary traveling expenses and  
24       per diem in lieu of subsistence while so serving away  
25       from their places of residence.

1           (6) SUPPORT SERVICES.—The Advisory Coun-  
2       cil, its appointed members, and its committees, shall  
3       be provided with such secretarial, clerical, or other  
4       assistance as may be provided by the Congress for  
5       carrying out their respective functions.

6           (7) MEETINGS.—The Advisory Council shall  
7       meet as frequently as the Board deems necessary,  
8       but not less than twice each year. Upon request by  
9       six or more members, it shall be the duty of the  
10      Chairman to call a meeting of the Council.

11       (b) FUNCTIONS.—The Advisory Council shall advise  
12      the Board with reference to matters of general policy and  
13      administration arising in connection with the making of  
14      regulations, the establishment of professional standards,  
15      and the performance of its other duties under this Act.

16       (c) INDEFINITE DURATION.—Section 14 of the Fed-  
17      eral Advisory Committee Act shall not apply to the Advi-  
18      sory Council.

19      **SEC. 503. STUDIES, RECOMMENDATIONS, AND REPORTS.**

20       (a) IN GENERAL.—The Board shall have the duty of  
21      studying and making recommendations as to the most ef-  
22      fective methods of providing health services, and as to leg-  
23      islation and matters of administrative policy concerning  
24      health and related subjects.

1       (b) ANNUAL REPORTS.—At the beginning of each  
2 regular session of Congress, it shall make a full report  
3 to Congress of the administration of this Act, including  
4 a report with regard to the adequacy of its financial provi-  
5 sions contained in this Act and of appropriations made  
6 pursuant thereto, the methods of allotment of funds  
7 among the States, and related matters. Such report shall  
8 include a record of consultations with the Advisory Coun-  
9 cil, recommendations of the Advisory Council, and com-  
10 ments thereon.

11 **SEC. 504. NONDISCLOSURE OF INFORMATION.**

12       (a) CONFIDENTIALITY.—Information concerning an  
13 individual, obtained from the individual or from any physi-  
14 cian, dentist, nurse, or hospital, or from any other person  
15 pursuant to or as a result of the administration of this  
16 Act, shall be held confidential (except for statistical pur-  
17 poses) and shall not be disclosed or be open to public in-  
18 spection in any manner revealing the identity of the indi-  
19 vidual or other person from whom the information was ob-  
20 tained or to whom the information pertains, except as may  
21 be necessary for the proper administration of this Act or  
22 of other laws, State or Federal.

23       (b) PENALTY.—Any person who shall violate any pro-  
24 vision of subsection (a) shall be deemed guilty of a mis-  
25 demeanor and, upon conviction thereof, shall be punished

1 by a fine not exceeding \$50,000 or by imprisonment not  
2 exceeding one year, or both.

3 **SEC. 505. PROHIBITION AGAINST DISCRIMINATION.**

4 In carrying out the provisions of this Act there shall  
5 be no discrimination on account of race, creed, or color.  
6 Personal health services shall be made available as bene-  
7 fits to all eligible individuals, and all persons qualified  
8 under title II to enter into agreements to furnish or pro-  
9 vide such services shall be permitted to do so.

10 **TITLE VI—ELIGIBILITY DETER-**  
11 **MINATIONS, COMPLAINTS,**  
12 **HEARINGS, AND JUDICIAL RE-**  
13 **VIEW**

14 **SEC. 601. DETERMINATIONS AS TO ELIGIBILITY FOR BENE-**  
15 **FITS.**

16 (a) IN GENERAL.—The Secretary of Health and  
17 Human Services through such units of the Department  
18 of Health and Human Services as the Secretary may de-  
19 termine, shall upon the Secretary's own initiative or upon  
20 application of any individual make determinations as to  
21 the eligibility of individuals for benefits under this Act.  
22 Whenever requested by any individual determined by the  
23 Secretary not to be eligible for benefits for any period,  
24 or by a dependent of any such individual, the Secretary  
25 shall give such individual or such dependent reasonable

1 notice and opportunity for a hearing with respect to such  
2 determination and on the basis of the evidence adduced  
3 at the hearing shall affirm, modify, or reverse the Sec-  
4 retary's determination.

5 (b) AUTHORITY.—

6 (1) IN GENERAL.—In carrying out the Sec-  
7 retary's responsibility under this section, the Sec-  
8 retary shall have all the powers and duties conferred  
9 upon the Secretary under sections 205 and 206 of  
10 the Social Security Act. Such powers and duties  
11 shall be subject to the same limitations and rights  
12 of judicial review as are contained in section 205 of  
13 such Act.

14 (2) CIVIL SERVICE ELIGIBILITY DETERMINA-  
15 TIONS.—Eligibility for benefits under this title based  
16 on entitlement to an annuity under subchapter III  
17 (relating to civil service retirement) of chapter 83 of  
18 title 5, United States Code, shall be determined on  
19 the basis of certification by the Office of Personnel  
20 Management.

21 (c) ROLE OF STATES.—Nothing in title IV shall be  
22 deemed to require or authorize any assumption by the  
23 State agency, designated in accordance with an approved  
24 State plan of operations approved under such title, of any  
25 of the Secretary's responsibilities under this section, but

1 the Secretary may utilize existing facilities and services  
2 of any such agency on the basis of mutual agreements with  
3 such agency.

4 **SEC. 602. COMPLAINTS OF ELIGIBLE INDIVIDUALS AND OF**  
5 **PERSONS FURNISHING BENEFITS.**

6 (a) IN GENERAL.—

7 (1) FILING.—Any eligible individual aggrieved  
8 by reason of the individual's failure to receive any  
9 personal health-service benefits to which the believes  
10 entitled, or dissatisfied with any service rendered the  
11 individual as a personal health-service benefit, and  
12 any person who has entered into an agreement to  
13 furnish services as personal health-service benefits  
14 and who is aggrieved by the failure or alleged failure  
15 of a local or other administrative officer or a local  
16 administrative committee to carry out the agreement  
17 in accordance with its terms, may make a complaint  
18 to the local administrative officer or local executive  
19 officer in the area in which the action or inaction  
20 complained of occurred, or to such other officer as  
21 may be provided in regulations.

22 (2) RESPONSE.—If the officer to whom such  
23 complaint is made finds, after investigation, that the  
24 complaint is well founded, the officer shall prompt-  
25 ly—

1           (A) take such steps as may be necessary  
2           and appropriate to correct the action or inac-  
3           tion complained of; and

4           (B) notify the individual or other person  
5           making the complaint of the officer's disposition  
6           thereof.

7           (3) HEARING.—Any such individual or other  
8           person dissatisfied with the action taken may in  
9           writing request a hearing thereon and shall be af-  
10          forded opportunity for the same pursuant to sub-  
11          section (b).

12          (b) HEARINGS.—

13           (1) IN GENERAL.—Provision shall be made for  
14           the establishment of necessary and sufficient impar-  
15           tial tribunals to afford hearings to individuals and  
16           other persons entitled thereto under subsection (a),  
17           or section 207(d), and for further review of the find-  
18           ings, conclusions, and recommendations of such tri-  
19           bunals, in accordance with regulations made by the  
20           Board, after consultation with the Advisory Council.

21           (2) SPECIFIC SUBJECTS.—With respect to any  
22           complaint involving—

23           (A) matters or questions of professional  
24           practice or conduct, the hearing body shall con-

1           tain competent and disinterested professional  
2           representation; and

3                   (B) only matters or questions of profes-  
4           sional practice or conduct, the hearing body  
5           shall consist exclusively of such professional  
6           persons.

7           (c) POWERS OF BOARD.—In administering this sec-  
8   tion in any State which has not assumed responsibility for  
9   the administration of benefits under this Act as provided  
10  in title IV, the Board (subject to the provisions of section  
11  501(b)) shall, insofar as they are applicable to its func-  
12  tions under this Act, have all the powers and duties con-  
13  ferred upon the Secretary by sections 205 and 206 of the  
14  Social Security Act. Such powers and duties shall be sub-  
15  ject to the limitations and rights of judicial review con-  
16  tained in section 205 of such Act.

17          (d) JUDICIAL REVIEW.—In any State which has as-  
18  sumed responsibility for the administration of benefits  
19  under this Act as provided in title IV the powers and du-  
20  ties of the State agency shall be subject to such rights  
21  of judicial review in the courts of the State as the law  
22  of the State may provide; subject, however, to review by  
23  the Supreme Court of the United States in such cases and  
24  in such manner as is provided in section 1257 of title 28  
25  of the United States Code.

1 **TITLE VII—APPLICATION OF ACT**  
2 **TO INDIVIDUALS COVERED**  
3 **UNDER MEDICARE PROGRAM**

4 **SEC. 701. ELIGIBILITY; BENEFITS AVAILABLE.**

5 (a) LIMITATION TO SUPPLEMENTARY BENEFITS.—

6 (1) IN GENERAL.—In the case of any individual  
7 who is entitled to hospital insurance benefits under  
8 part A of title XVIII of the Social Security Act, or  
9 to supplementary medical insurance benefits under  
10 the insurance program established by part B of such  
11 title, during any benefit year or part thereof in  
12 which the individual is otherwise eligible for benefits  
13 under this Act in accordance with section 104 or  
14 would otherwise be furnished such benefits in ac-  
15 cordance with section 105, the personal health serv-  
16 ices (specified in section 101) which may be made  
17 available to the individual as benefits under this Act  
18 shall be limited to those services (otherwise available  
19 to the individual in accordance with section 102) for  
20 which the individual is ineligible under part A or B  
21 of such title XVIII.

22 (2) TREATMENT.—For purposes of paragraph  
23 (1), an individual shall be considered ineligible under  
24 part A or B of such title XVIII if no payment is or  
25 can be made to the individual or on the individual's

1       behalf thereunder with respect to the item or service  
2       involved, whether because the individual is not enti-  
3       tled to benefits under whichever such part is applica-  
4       ble, because no payment is provided under either  
5       such part for the item or service involved, or because  
6       the individual has exhausted entitlement to have  
7       payment made thereunder for items or services of  
8       the type involved. An individual shall also be consid-  
9       ered ineligible under part A or B of such title XVIII  
10      with respect to any item or service (for which the in-  
11      dividual is otherwise entitled to have payment made  
12      thereunder) to the extent that payment is not made  
13      with respect to such item or service because of the  
14      application of the deductible and coinsurance provi-  
15      sions of sections 1813 and 1833 of the Social Secu-  
16      rity Act.

17      (b) REGULATIONS.—The Board, after consultation  
18      with the Advisory Council, shall prescribe such regulations  
19      as may be necessary or appropriate to insure, in the case  
20      of individuals whose benefits under this Act are limited  
21      under subsection (a), that the combination of benefits  
22      under this Act and title XVIII of the Social Security Act  
23      will effectively carry out (without duplication of benefits)  
24      the purpose of this Act.

1       (c) NO IMPACT ON DEPENDENTS.—The limitation  
2 under subsection (a) of an individual's benefits under this  
3 Act shall not be construed as affecting the eligibility of  
4 the individual's dependents for such benefits in accordance  
5 with subsection (a)(3) or (b)(3) of section 104.

6 **SEC. 702. STUDY AND REPORT.**

7       (a) STUDY.—As soon as practicable after the date of  
8 the enactment of this Act, the Secretary of Health and  
9 Human Services shall undertake and carry out a full and  
10 complete study of the interrelationship of the program of  
11 national health insurance under this Act and the program  
12 of health insurance under title XVIII of the Social Secu-  
13 rity Act, in order to determine the way in which the latter  
14 program may be most effectively and equitably transferred  
15 to and incorporated in the program under this Act.

16       (b) CONSIDERATIONS.—In conducting such study,  
17 the Secretary shall give particular attention to the transi-  
18 tional problems which would result from such a transfer,  
19 and shall consider in detail (with respect to each such pro-  
20 gram)—

- 21               (1) the benefits provided;
- 22               (2) the standards of eligibility therefor;
- 23               (3) the standards and qualifications for partici-  
24               pation by providers of services of various types;
- 25               (4) the methods of administration;

1 (5) the costs and methods of financing; and

2 (6) any other matters which might assist in  
 3 making such determination and in insuring that all  
 4 desirable features of the program under title XVIII  
 5 of the Social Security Act will to the maximum ex-  
 6 tent feasible be preserved with respect to the individ-  
 7 uals covered by that program (and, in appropriate  
 8 cases, included in the program under this Act for all  
 9 individuals who are eligible thereunder, without re-  
 10 gard to any transfer).

11 (c) REPORT.—The Secretary shall submit to the  
 12 President and the Congress, no later than one year after  
 13 the date of the enactment of this Act, a complete report  
 14 of the study conducted under this section together with  
 15 the Secretary's findings as to the most effective and equi-  
 16 table way in which the transfer under consideration could  
 17 be effected and detailed recommendations for legislative,  
 18 administrative, and other actions to accomplish it.

## 19 **TITLE VIII—FISCAL PROVISIONS**

### 20 **SEC. 801. USE OF TRUST FUND.**

21 (a) AVAILABILITY OF FUNDS.—Funds in the Na-  
 22 tional Health Care Trust Fund shall be available for all  
 23 expenditures necessary or appropriate to carry out this  
 24 Act; except that (subject to the provisions of section  
 25 802(g)) only so much of such funds shall be available for

1 salaries or other administrative expenses of any depart-  
2 ment or agency of the United States as may be authorized  
3 in annual or other appropriation Acts.

4 (b) DEPOSIT OF REIMBURSEMENTS.—Sums received  
5 as reimbursements to the National Health Care Trust  
6 Fund pursuant to section 104(c) or section 105, or by vir-  
7 tue of subrogation pursuant to section 104(c), shall be de-  
8 posited in the National Health Care Trust Fund and shall  
9 be available in accordance with the provisions of sub-  
10 section (a).

11 **SEC. 802. ALLOTMENT OF FUNDS.**

12 (a) FOR CLASSES OF SERVICES.—

13 (1) IN GENERAL.—The Board, after consulta-  
14 tion with the Advisory Council, shall determine, as  
15 far in advance of the beginning of each fiscal year  
16 as is possible, the sums which shall be available from  
17 the Trust Fund for provision during the fiscal year  
18 of all classes, and of each of the five classes, of per-  
19 sonal health-service benefits specified in section  
20 101(a).

21 (2) CONSIDERATIONS.—Such sums shall be de-  
22 termined, after taking into consideration the esti-  
23 mated amount which will be in the Trust Fund at  
24 the beginning of the fiscal year and the anticipated

1 income of the National Health Care Trust Fund  
2 thereafter, with a view—

3 (A) to maintaining as nearly as practicable  
4 a uniform rate of expenditure for personal  
5 health-service benefits in successive fiscal years,  
6 except for appropriated allowance on account of  
7 anticipated increase in the personnel and facili-  
8 ties available to furnish personal health-service  
9 benefits and on account of reduction or with-  
10 drawal of restrictions or limitations pursuant to  
11 section 102(b); and

12 (B) to establishing and maintaining a re-  
13 serve in the Trust Fund adequate to meet  
14 emergency demands in accordance with sub-  
15 section (d) and adequate to maintain the rate  
16 of expenditure or to permit its gradual reduc-  
17 tion if the income of the Trust Fund should fall  
18 below the income which had been anticipated.

19 (b) INITIAL STATE ALLOTMENTS.—

20 (1) IN GENERAL.—In accordance with regula-  
21 tions prescribed after consultation with the State  
22 agencies, the Board, prior to the beginning of each  
23 fiscal year shall allot to the several States, for the  
24 fiscal years 2004, 2005, and 2006, 90 percent, and

1 for each fiscal year thereafter 95 percent of each  
2 sum determined pursuant to subsection (a).

3 (2) BASIS OF ALLOTMENTS.—Such regulations  
4 shall provide for allotments on the basis of—

5 (A) the population in the several States eli-  
6 gible for benefits under this Act;

7 (B) professional and other personnel, hos-  
8 pitals, and other facilities, and supplies and  
9 commodities, to be available in the several  
10 States in the provision of such benefits; and

11 (C) the cost of reasonable and equitable  
12 compensation to such personnel and facilities  
13 and for such supplies and commodities.

14 (3) OPERATION OF ALLOTMENTS.—Such allot-  
15 ments shall operate, to the maximum extent pos-  
16 sible, both to assure provision to eligible individuals  
17 of adequate personal health-service benefits in all  
18 States and all local health-service areas, and also to  
19 increase the adequacy of services where personnel  
20 and facilities are below the national average.

21 (c) ALLOTMENT OF REMAINDER TO STATES.—

22 (1) IN GENERAL.—From time to time during  
23 each fiscal year, the Board shall allot to the several  
24 States the remaining 10 percent or the remaining 5

1       percent, as the case may be, of each sum determined  
2       pursuant to subsection (a).

3           (2) CONSIDERATIONS.—In making allotments  
4       under this subsection, the Board shall take into con-  
5       sideration the factors specified in subsection (b), but  
6       shall, in addition, give special consideration to the  
7       extent of which allotments under subsection (b) have  
8       proved to be insufficient to permit provision of rea-  
9       sonably adequate benefits under this Act.

10       (d) EMERGENCY ALLOTMENTS.—In addition to the  
11       sums determined pursuant to subsection (a) to be avail-  
12       able for the provision of personal health-service benefits,  
13       the Board, after consultation with the Advisory Council,  
14       is authorized to make emergency allotments from the Na-  
15       tional Health Care Trust Fund if it finds that a disaster,  
16       epidemic, or other cause has substantially increased the  
17       volume of personal health-service benefits required in any  
18       part of the United States over the volume anticipated  
19       when the determinations pursuant to subsection (a) were  
20       made. Allotments pursuant to this subsection shall be  
21       made to such State or States, for such class or classes  
22       of personal health-service benefits, and in such amounts,  
23       as the Board may find necessary to meet the emergency.

24       (e) PAYMENT FROM ALLOTMENTS.—The Board shall  
25       from time to time determine the amounts to be paid to

1 each State from its allotments under this section, and  
2 shall certify to the Secretary of the Treasury the amounts  
3 so determined. The Secretary shall thereupon, and prior  
4 to audit or settlement by the General Accounting Office,  
5 pay to the State the amounts so certified.

6 (f) USE OF FUNDS.—

7 (1) IN GENERAL.—Funds paid to a State for  
8 any class of personal health-service benefits shall be  
9 used exclusively for the provision of benefits of that  
10 class, except that the administrative costs of the  
11 State in administering personal health-service bene-  
12 fits under this Act may be met from the allotments  
13 to the State.

14 (2) LIMITATION ON ADMINISTRATIVE COSTS.—

15 Such administrative costs, which in any fiscal year  
16 shall not exceed 5 percent of the aggregate allot-  
17 ments to the State for such fiscal year, shall be ap-  
18 portioned as between the several allotments in ac-  
19 cordance with the costs of administering the respec-  
20 tive classes of benefits. Such apportionment may be  
21 made in such manner, and by such sampling, statis-  
22 tical, or other methods, as may be agreed upon be-  
23 tween the Board and the State agency.

24 (g) BOARD ASSUMPTION OF RESPONSIBILITY.—In  
25 any case in which the Board has assumed responsibility

1 for the administration in a State of benefits under this  
2 Act in accordance with section 402 (d) or (e), all allot-  
3 ments or balances of allotments to such State shall be  
4 available for expenditure by the Board for the provision  
5 of personal health-service benefits in that State, and (until  
6 the Congress shall make funds available therefor pursuant  
7 to section 801(a)) for the costs of administration of such  
8 benefits in such State. Expenditures authorized pursuant  
9 to section 801(a) for such costs of administration shall  
10 be charged against allotments to such State.

11 **SEC. 803. GRANTS-IN-AID FOR TRAINING AND EDUCATION.**

12 (a) **AUTHORITY.**—For the purpose of increasing the  
13 availability of training and education for professional and  
14 technical personnel engaged or undertaking to engage in  
15 the provision or administration of personal health services  
16 as benefits under this Act, and to carry out the policies  
17 of section 209(a), the Board is authorized to make  
18 grants—

19 (1) to public or nonprofit institutions or agen-  
20 cies engaging in undergraduate or postgraduate pro-  
21 fessional, technical, or administration education or  
22 training, for the cost (in whole or in part) of courses  
23 or projects which the Board finds, after consultation  
24 with the Advisory Council and appropriate Federal  
25 departments and agencies, (A) cannot be carried out

1 without financial assistance under this section, and  
2 (B) show promise of making valuable contributions  
3 to the education, training, or retraining of profes-  
4 sional or technical personnel engaged or undertaking  
5 to engage in the provision or administration of bene-  
6 fits, or

7 (2) to individuals who are professional or tech-  
8 nical persons engaged or who undertake to engage  
9 in the provision of personal health-service benefits,  
10 or who are engaged or undertake to engage in the  
11 administration of such benefits, for maintenance (in  
12 whole or in part) while in attendance at courses or  
13 projects assisted under paragraph (1) or approved  
14 by the Board for similar training or education, and  
15 for costs of necessary travel.

16 (b) PAYMENT UNDER GRANTS.—Such grants, in  
17 such amounts and for payment at such times as are ap-  
18 proved by the Board, shall be certified for payment to the  
19 Secretary of the Treasury, who shall pay them from the  
20 National Health Care Trust Fund to the designated indi-  
21 viduals, institutions, or agencies.

22 (c) AVAILABILITY OF FUNDS.—For the purposes of  
23 this section there shall be available for the fiscal year 2004  
24 the sum of \$5,000,000, for the fiscal year 2004 the sum  
25 of \$5,000,000, and for each fiscal year thereafter an

1 amount not to exceed one-half of 1 percent of the amount  
2 expended for benefits under this Act in the last preceding  
3 calendar year.

## 4 **TITLE IX—MISCELLANEOUS** 5 **PROVISIONS**

### 6 **SEC. 901. DEFINITIONS.**

7 As used in this Act:

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

16 (A) all remuneration for employment, in-  
17 cluding the cash value of all remuneration paid  
18 in any medium other than cash; except that  
19 such term does not include—

20 (i) the amount of any payment made  
21 to, or on behalf of, an employee under a  
22 plan or system established by an employer  
23 which makes provision for the employer’s  
24 employees generally or for a class or class-  
25 es of the employer’s employees (including

1 any amount paid by an employer for insur-  
2 ance or annuities, or into a fund to provide  
3 for any such payment), on account of re-  
4 tirement, or sickness or accident disability,  
5 or medical and hospitalization expenses in  
6 connection with sickness or accident dis-  
7 ability, or death; provided, in the case of a  
8 death benefit, that the employee (I) has  
9 not the option to receive, instead of provi-  
10 sion for such death benefit, any part of  
11 such payment or, if such death benefit is  
12 insured, any part of the premiums (or con-  
13 tributions to premiums) paid by the em-  
14 ployee's employer, and (II) has not the  
15 right, under the provisions of the plan or  
16 system or policy of insurance providing for  
17 such death benefit, to assign such benefit,  
18 or to receive a cash consideration in lieu of  
19 such benefit either upon the employee's  
20 withdrawal from the plan or system pro-  
21 viding for such benefit or upon termination  
22 of such plan or system or policy of insur-  
23 ance or of the employee's employment with  
24 such employer;

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

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

9                   (B) all net income from farm, business,  
10                  professional, or other self-employment.

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

23                   (A) service on active duty in the Armed  
24                   Forces of the United States;

1           (B) service performed in the employ of a  
2           State or any political subdivision thereof, or any  
3           instrumentality of any one or more of the fore-  
4           going which is wholly owned by one or more  
5           States or political subdivisions;

6           (C) casual labor not in the course of the  
7           employer's trade or business;

8           (D) service performed by an employee on  
9           or in connection with a vessel not an American  
10          vessel, or an aircraft not an American aircraft,  
11          if the employee is employed on and in connec-  
12          tion with such vessel or aircraft when outside  
13          the United States;

14          (E) service performed by a duly ordained  
15          or duly commissioned or licensed minister of  
16          any church in the regular exercise of the min-  
17          ister's ministry and service performed by a reg-  
18          ular member of a religious order in the exercise  
19          of duties required by such order;

20          (F) service performed by an individual as  
21          an employee or employee representative as de-  
22          fined in section 1 of the Railroad Retirement  
23          Act of 1937 or section 1 of the Railroad Retire-  
24          ment Act of 1974;

1           (G) service performance in any calendar  
2           quarter in the employ of any organization ex-  
3           empt from income tax under section 501 of the  
4           Internal Revenue Code of 1986 if—

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

7                   (ii) such service is in connection with  
8                   the collection of dues or premiums for a  
9                   fraternal beneficiary society, order, or as-  
10                  sociation, and is performed away from the  
11                  home office or is ritualistic service in con-  
12                  nection with any such society, order, or as-  
13                  sociation; or

14                  (iii) such service is performed by a  
15                  student who is enrolled and is regularly at-  
16                  tending classes at a school, college, or uni-  
17                  versity;

18           (H) service performed in the employ of a  
19           foreign government (including service as a con-  
20           sular or other officer or employee or a nondiplo-  
21           matic representative);

22           (I) service performed in the employ of an  
23           instrumentality wholly owned by a foreign gov-  
24           ernment, if—

1 (i) the service is of a character similar  
2 to that performed in foreign countries by  
3 employees of the United States Govern-  
4 ment or of an instrumentality thereof; and

5 (ii) the Secretary of State shall certify  
6 to the Secretary of Health and Human  
7 Services that the foreign government, with  
8 respect to whose instrumentality and em-  
9 ployees thereof exemption is claimed,  
10 grants an equivalent exemption with re-  
11 spect to similar service performed in the  
12 foreign country by employees of the United  
13 States Government and of instrumental-  
14 ities thereof; and

15 (J) service performed in the employ of an  
16 international organization entitled to enjoy  
17 privileges, exemptions, and immunities as an  
18 international organization under the Inter-  
19 national Organizations Immunities Act.

20 (3) In any case in which an individual has re-  
21 ceived wages equal to the applicable contribution and  
22 benefit base (as determined under section 230 of the  
23 Social Security Act), in a calendar year, not less  
24 than \$500 of such wages shall be deemed, for the  
25 purpose of section 104(a), to have been received by

1 the individual in the quarter during which the first  
2 of such wages were in fact received by the individual  
3 and in each quarter of such calendar year thereafter.

4 (4) BENEFIT YEAR.—The term “benefit year”  
5 means a period commencing on July 1 of any year  
6 and ending on June 30 of the succeeding year.

7 (5) QUARTER.—The term “quarter” and the  
8 term “calendar quarter” mean a period of three cal-  
9 endar months ending on March 31, June 30, Sep-  
10 tember 30, or December 31.

11 (6) EMPLOYEE.—The term “employee” includes  
12 (in addition to any individual who is a servant under  
13 the law of master and servant) any individual who  
14 performs service, of whatever nature, for a person,  
15 unless the service is performed by the individual in  
16 pursuit of the individual’s own independently estab-  
17 lished business. The term “employee” also includes  
18 an officer of a corporation.

19 (7) AMERICAN VESSEL.—The term “American  
20 vessel” means any vessel documented or numbered  
21 under the laws of the United States; and includes  
22 any vessel which is neither documented nor num-  
23 bered under the laws of any foreign country, if its  
24 crew is employed solely by one or more citizens or  
25 residents of the United States or corporations orga-

1 nized under the laws of the United States or of any  
2 State.

3 (8) AMERICAN AIRCRAFT.—The term “Amer-  
4 ican aircraft” means an aircraft registered under the  
5 laws of the United States.

6 (9) STATE.—The term “State” includes the  
7 District of Columbia.

8 (10) UNITED STATES.—The term “United  
9 States”, when used in a geographic sense, means the  
10 several States, as defined in paragraph (9).

11 (11) DEPENDENT.—The term “dependent”  
12 means—

13 (A) an unmarried child (including a step-  
14 child, adopted, or foster child) of an individual,  
15 who is under the age of 18, or who is under a  
16 total disability which has continued for a period  
17 of not less than six consecutive calendar months  
18 and is living with such individual or receiving  
19 regular support from the individual;

20 (B) a wife of an individual living with such  
21 individual or receiving regular support from the  
22 individual;

23 (C) a husband who is under a total dis-  
24 ability which has continued for a period of not  
25 less than six consecutive calendar months, and

1 is living with or receiving regular and substan-  
 2 tial support from such individual; and

3 (D) a parent who is living with or receiving  
 4 regular and substantial support from such indi-  
 5 vidual.

6 (12) PERSON.—The term “person” means an  
 7 individual, a trust or estate, a partnership, a cor-  
 8 poration, an association, a consumer cooperative, or  
 9 other organization.

10 **SEC. 902. EFFECTIVE DATE.**

11 The effective date of this Act shall be the date of its  
 12 enactment, but personal health services shall first become  
 13 available as benefits in accordance with this Act on Octo-  
 14 ber 1, 2004.

15 **TITLE X—VALUE ADDED TAX**  
 16 **AND NATIONAL HEALTH**  
 17 **CARE TRUST FUND**

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

19 (a) IN GENERAL.—Subtitle D of the Internal Rev-  
 20 enue Code of 1986 (relating to miscellaneous excise taxes)  
 21 is amended by inserting before chapter 31 the following  
 22 new chapter:

23 **“CHAPTER 30—VALUE ADDED TAX**

“SUBCHAPTER A. Imposition of tax.

“SUBCHAPTER B. Taxable transaction.

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

“SUBCHAPTER D. Administration.

“SUBCHAPTER E. Definitions and special rules; treatment of certain transactions.

1           **“Subchapter A—Imposition of Tax**

          “Sec. 3901. Imposition of tax.

2           **“SEC. 3901. IMPOSITION OF TAX.**

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

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

8           **“Subchapter B—Taxable Transaction**

          “Sec. 3903. Taxable transaction.

          “Sec. 3904. Commercial-type transaction.

          “Sec. 3905. Taxable person.

          “Sec. 3906. Transactions in the United States.

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

9           **“SEC. 3903. TAXABLE TRANSACTION.**

10          “For purposes of this chapter, the term ‘taxable  
11 transaction’ means—

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

13           “(2) the performance of services in the United  
14 States, and

15           “(3) the importing of property into the United  
16 States,

17 by a taxable person in a commercial-type transaction.

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

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

5 “(1) a corporation, or

6 “(2) any person (other than a corporation) in  
7 connection with a business.

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

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

12 “(A) any sale or leasing of real property,  
13 and

14 “(B) any importing of property,  
15 whether or not such transaction is described in sub-  
16 section (a).

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

23 **“SEC. 3905. TAXABLE PERSON.**

24 “(a) GENERAL RULE.—Except as otherwise provided  
25 in this chapter, for purposes of this chapter, the term ‘tax-

1 able person’ means a person who engages in a business  
2 or in a commercial-type transaction.

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

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

8 “(a) SALES OF PROPERTY.—For purposes of this  
9 chapter—

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

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

16 “(b) PERFORMANCE OF SERVICE.—For purposes of  
17 this chapter—

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

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

1           “(A) inside the United States, if 50 per-  
 2           cent or more of such service is performed inside  
 3           the United States, and

4           “(B) outside the United States, if less than  
 5           50 percent of such service is performed inside  
 6           the United States.

7   **“SEC. 3907. RULES RELATING TO OTHER TERMS USED IN**  
 8           **SECTION 3903.**

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

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

13           “(2) an exchange of services for property or  
 14          services shall be treated as the performance of serv-  
 15          ices.

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

22           “(c) PERFORMANCE OF SERVICES.—For purposes of  
 23          this chapter—

24           “(1) CERTAIN ACTIVITIES TREATED AS PER-  
 25          FORMANCE OF SERVICES.—Activities treated as in-

cluded in the performance of services shall include  
(but shall not be limited to)—

“(A) permitting the use of property,

“(B) the granting of a right to the performance of services or to reimbursement (including the granting of warranties, insurance, and similar items), and

“(C) the making of a covenant not to compete (or similar agreement to refrain from doing something).

“(2) EMPLOYERS AND EMPLOYEES.—

“(A) SERVICES FOR EMPLOYER.—An employee’s services for the employee’s employer shall not be treated as the performance of services.

“(B) SERVICES FOR EMPLOYEE.—An employer’s services for the employer’s employee shall not be treated as the performance of services unless such services are of a type which constitute gross income to the employee for purposes of chapter 1.

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

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

“Sec. 3911. Taxable amount.

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

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

“Sec. 3914. Governmental entities.

“Sec. 3915. Exempt organizations.

“Sec. 3916. Credit against tax.

3 **“SEC. 3911. TAXABLE AMOUNT.**

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

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

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

16       “(b) EXCHANGES.—For purposes of this chapter, the  
 17 taxable amount in any exchange of property or services  
 18 shall be the fair market value of the property or services  
 19 transferred by the person liable for the tax (determined  
 20 as if such person had sold the property or services to the  
 21 other party to the exchange).

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

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

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

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

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

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

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

20 **“SEC. 3912. ZERO RATING FOR FOOD, HOUSING, AND MED-**  
21 **ICAL CARE.**

22       “(a) ZERO RATING FOR FOOD, HOUSING, AND MED-  
23 ICAL CARE.—The rate of the tax imposed by section 3901  
24 shall be zero with respect to the following:

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

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

7           “(3) MEDICAL CARE.—Medical care.

8           “(b) DEFINITIONS.—For purposes of subsection  
9           (a)—

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

13           “(2) MEDICAL CARE.—The term ‘medical care’  
14           means the performance of any service, and the retail  
15           sale of any property, payment for which by the pur-  
16           chaser would constitute medical care within the  
17           meaning of section 213.

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

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

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

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

4 “(1) EXPORTS.—Exports of property.

5 “(2) INTEREST.—Interest.

6 **“SEC. 3914. GOVERNMENTAL ENTITIES.**

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

11 “(1) SALES TO GOVERNMENTAL ENTITIES.—

12 Any sale of property or services to a governmental  
13 entity.

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

17 “(b) SALES, ETC., BY GOVERNMENTAL ENTITIES  
18 TAXABLE ONLY WHERE SEPARATE CHARGE IS MADE.—

19 For purposes of this chapter, the sale of property and the  
20 performance of services by a governmental entity shall be  
21 a taxable transaction if (and only if) a separate charge  
22 of fee is made therefor.

23 “(c) GOVERNMENTAL ENTITY DEFINED.—For pur-  
24 poses of this chapter, the term ‘governmental entity’  
25 means the United States, any State or political subdivision  
26 thereof, the District of Columbia, a Commonwealth or pos-

1 session of the United States, or any agency or instrumen-  
 2 tality of any of the foregoing.

3 **“SEC. 3915. EXEMPT ORGANIZATIONS.**

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

6               “(1) ZERO RATING.—The rate of the tax im-  
 7 posed by section 3901 shall be zero with respect to  
 8 any taxable transaction engaged in by a section  
 9 501(c)(3) organization other than as part of an un-  
 10 related business.

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

15       “(b) TAXABLE TRANSACTIONS IN CASE OF OTHER  
 16 EXEMPT ORGANIZATIONS.—For purposes of this chapter,  
 17 the sale of property and the performance of services by  
 18 any exempt organization other than a section 501(c)(3)  
 19 organization shall be a taxable transaction if (and only  
 20 if) a charge or fee is made for such services.

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

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

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

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

6           “(a) GENERAL RULE.—There shall be allowed as a  
 7           credit against the tax imposed by section 3901 the aggre-  
 8           gate amount of tax imposed by section 3901 which has  
 9           been paid by sellers to the taxpayer of property and serv-  
 10          ices which the taxpayer uses in the business to which the  
 11          transaction relates.

12          “(b) EXEMPT TRANSACTIONS, ETC.—If—

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

15                  “(2) property or services are used partly for  
 16                  taxable transactions and partly for other trans-  
 17                  actions,

18          the credit shall be allowable only with respect to the prop-  
 19          erty and services used for taxable transactions in the busi-  
 20          ness. No credit shall be allowable for any transaction oc-  
 21          curring when the taxpayer was a nontaxable person.

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

23                  “(1) IN GENERAL.—If for any taxable period  
 24                  the aggregate amount of the credits allowable by  
 25                  subsection (a) exceeds the aggregate amount of the

1 tax imposed by section 3901 for such period, such  
 2 excess shall be treated as an overpayment of the tax  
 3 imposed by section 3901.

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

7 “(A) the due date for the return for such  
 8 period, or

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

## 10 **“Subchapter D—Administration**

“Sec. 3921. Seller liable for tax.

“Sec. 3922. Tax invoices.

“Sec. 3923. De minimis exemption.

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

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

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

“Sec. 3927. Regulations.

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

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

### 14 **“SEC. 3922. TAX INVOICES.**

15 “(a) SELLER MUST GIVE PURCHASER TAX IN-  
 16 VOICE.—Any taxable person engaging in a taxable trans-  
 17 action shall give the purchaser a tax invoice with respect  
 18 to such transaction if the seller has reason to believe that  
 19 the purchaser is a taxable person.

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

4               “(1) the name and identification number of the  
5       seller,

6               “(2) the name of the purchaser,

7               “(3) the amount of the tax imposed by section  
8       3901, and

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

11      “(c) NO CREDIT WITHOUT INVOICE.—

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

15              “(A) has received from the seller and has  
16      in the purchaser’s possession a tax invoice  
17      which meets the requirements of subsection (b),  
18      and

19              “(B) is named as the purchaser in such in-  
20      voice.

21              “(2) EMPLOYEES OR OTHER AGENTS NAMED IN  
22      INVOICES.—To the extent provided in regulations,  
23      the naming of an employee or other agent of the  
24      purchaser shall be treated as the naming of the pur-  
25      chaser.

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

4                   “(A) where the purchaser without fault on  
5           the purchaser’s part fails to receive or fails to  
6           have in the purchaser’s possession a tax invoice,

7                   “(B) to a taxable transaction (or category  
8           of transactions) where—

9                           “(i) the amount involved is de mini-  
10                          mis, or

11                           “(ii) the information required by sub-  
12                          section (b) can be reliably established by  
13                          sampling or by another method and can be  
14                          adequately documented.

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

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

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

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

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

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

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

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

5 “(2) to any importing of property.

6 “(c) TERMINATION OF ELECTION.—Any election

7 under subsection (a) for a calendar year shall terminate

8 if the aggregate taxable transactions—

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

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

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

15 Such termination shall take effect on the first day of the  
16 second month following the close of the first period in  
17 which the requirements of paragraph (1), (2), or (3) are  
18 met.

19 “(d) TAXABLE AMOUNT TREATED AS ZERO FOR

20 ZERO-RATED TRANSACTIONS.—For purposes of this sec-

21 tion, the taxable amount of any zero-rated transaction

22 shall be treated as zero.

23 “(e) CONDITION OF ELECTION.—In the case of a per-

24 son who is a taxable person for any period, an election

25 under subsection (a) may be made for succeeding periods

1 only with the consent of the Secretary. Such consent shall  
 2 be conditioned on placing such person, for all succeeding  
 3 periods, in the same position with respect to the tax im-  
 4 posed by section 3901 (and the credit allowed by section  
 5 3916) he would have been in if all property and services  
 6 he holds at the time he becomes a nontaxable person had  
 7 been acquired as a nontaxable person.

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

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

15 “(a) FILING RETURN.—Before the first day of the  
 16 second calendar month beginning after the close of each  
 17 taxable period, each taxable person shall file a return of  
 18 the tax imposed by section 3901 on taxable transactions  
 19 having a tax point within such taxable period.

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

22 “(1) IN GENERAL.—Except as provided in para-  
 23 graph (2), a credit allowable by section 3916 with  
 24 respect to a transaction may be allowed only for the

1 first taxable period by the close of which the tax-  
 2 payer—

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

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

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

12 “(c) TAXABLE PERIOD.—For purposes of this chap-  
 13 ter—

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

16 “(2) EXCEPTION.—

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

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

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

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

5                   “(A) the time (or times) when any income  
6                   from the sale should be treated by the seller as  
7                   received or accrued (or any loss should be taken  
8                   into account by the seller) for purposes of chap-  
9                   ter 1, or

10                   “(B) the time (or times) when the seller  
11                   receives payment for the sale.

12           “(2) IMPORTS.—In the case of the importing of  
13           property, the tax point is when the property is en-  
14           tered, or withdrawn from warehouse, for consump-  
15           tion in the United States.

16           “(e) MONTHLY DEPOSITS REQUIRED.—To the extent  
17           provided in regulations, monthly deposits may be required  
18           of the estimated liability for any taxable period for the  
19           tax imposed by section 3901.

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

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

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

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

6       “(b) DE MINIMIS EXEMPTION.—For purposes of sec-  
7       tion 3923, all businesses which are under common control  
8       (within the meaning of section 52(b)) shall be treated as  
9       1 business.

10   **“SEC. 3926. SECRETARY TO BE NOTIFIED OF CERTAIN**  
11                           **EVENTS.**

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

20   **“SEC. 3927. REGULATIONS.**

21       “The Secretary shall prescribe such regulations as  
22       may be necessary to carry out the purposes of this chap-  
23       ter.

1       **“Subchapter E—Definitions and Special**  
 2       **Rules; Treatment of Certain Transactions**

“Sec. 3931. Definitions.

“Sec. 3932. Special rules.

“Sec. 3933. Personal use by owner of business property or services.

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

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

“Sec. 3936. Special rule for insurance contracts.

3       **“SEC. 3931. DEFINITIONS.**

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

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

8               “(1) a trade, and

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

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

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

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

19          “(f) UNITED STATES.—For purposes of this chapter,  
 20 the term ‘United States’, when used in a geographical

1 sense, includes a Commonwealth and any possession of the  
2 United States.

3 **“SEC. 3932. SPECIAL RULES.**

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

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

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

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

17 “(A) gross income shall be reduced by the  
18 amount of the tax imposed by section 3901,  
19 and

20 “(B) taxable income shall be determined  
21 without regard to any deduction allowed for  
22 such tax.

23 “(b) SPECIAL RULE SALE OF PROPERTY INCLUDES  
24 INCIDENTAL PERFORMANCE OF SERVICES.—For pur-  
25 poses of this chapter, if in connection with the sale of any

1 property there is an incidental performance of services,  
2 such performance of services shall be treated as part of  
3 the sale of such property.

4 “(c) SPECIAL RULE WHERE PERFORMANCE OF  
5 SERVICES INCLUDES INCIDENTAL TRANSFER OF PROP-  
6 erty.—For purposes of this chapter, if in connection with  
7 the performance of any services there is an incidental  
8 transfer of property, such transfer shall be treated as part  
9 of the performance of such services.

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

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

16 “(2) the revenue raised by taxing the trans-  
17 action is not sufficient to justify the administrative  
18 and other costs involved in the payment and collec-  
19 tion of the tax.

20 “(e) IMPORTING TREATED AS SALE AND PUR-  
21 chase.—For purposes of this chapter, the importing of  
22 any property into the United States shall be treated as  
23 both a sale and purchase of such property by the person  
24 importing such property.

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

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

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

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

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

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

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

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

22               “(1) BUSINESS PROPERTY OR SERVICES.—The  
 23 term ‘business property or services’ means any prop-  
 24 erty or services if a sale of such property, or the per-

1       formance of such services, by the taxpayer would be  
2       a taxable transaction.

3               “(2) OWNER.—The term ‘owner’ means—

4                       “(A) in the case of a sole proprietorship,  
5               the proprietor,

6                       “(B) in the case of any other business en-  
7               terprise, any holder of a beneficial interest in  
8               the corporation, partnership, or other entity,  
9               and

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

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

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

17               “(1) such gift shall be treated as a taxable  
18       transaction, and

19               “(2) the taxable amount shall be the amount  
20       determined under section 3933(b).

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

1 **“SEC. 3935. SPECIAL RULES FOR DISPOSITIONS OF NON-**  
 2 **BUSINESS REAL PROPERTY.**

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

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

9 “(2) the adjusted cost to the taxpayer of such  
 10 real property.

11 “(b) ADJUSTED COST.—For purposes of subsection  
 12 (a)—

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

20 “(2) TRANSITIONAL RULE.—The adjusted cost  
 21 of any property shall include only amounts incurred  
 22 during periods after December 31, 2003.

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

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

2 “In the case of any contract of insurance, for pur-  
3 poses of this chapter, the taxable amount is the excess  
4 of—

5 “(1) the portion of the premium attributable to  
6 insurance coverage, over

7 “(2) the actuarial cost to the insurer of pro-  
8 viding such insurance coverage.”

9 (b) CLERICAL AMENDMENT.—The table of chapters  
10 for subtitle D of the Internal Revenue Code of 1986 is  
11 amended by inserting before the item relating to chapter  
12 31 the following:

“CHAPTER 30. Value added tax.”

13 (c) EFFECTIVE DATE.—The amendments made by  
14 this section shall apply to transactions occurring after De-  
15 cember 31, 2003.

16 **SEC. 1002. REVENUE FROM VALUE ADDED TAX TO FUND**  
17 **NATIONAL HEALTH CARE TRUST FUND.**

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

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

23 “(a) CREATION OF TRUST FUND.—There is estab-  
24 lished in the Treasury of the United States a trust fund  
25 to be known as the ‘National Health Care Trust Fund’,

1 consisting of such amounts as may be appropriated or  
 2 credited to the Trust Fund as provided in this section or  
 3 section 9602(b).

4 “(b) TRANSFERS TO TRUST FUND.—There are here-  
 5 by appropriated to the National Health Care Trust Fund  
 6 amounts equivalent to amounts received in the Treasury  
 7 from the tax imposed under section 3901 (relating to the  
 8 value added tax).

9 “(c) EXPENDITURES FROM TRUST FUND.—Amounts  
 10 in the National Health Care Trust Fund shall be available  
 11 only for purposes of making expenditures to carry out the  
 12 program of health benefits under the National Health In-  
 13 surance Act.”

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

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

17 (c) EFFECTIVE DATE.—The amendments made by  
 18 this section shall take effect on January 1, 2003.

19 **TITLE XI—STUDY AND DEVELOP-**  
 20 **MENT OF COST CONTROL**  
 21 **MECHANISMS**

22 **SEC. 1101. DEVELOPMENT OF COST CONTROL MECHA-**  
 23 **NISMS.**

24 (a) STUDY.—The Secretary of Health and Human  
 25 Services shall conduct a study analyzing various methods

1 to control the costs of providing personal health benefits  
2 under this Act, and shall include in such study an analysis  
3 of the effects on such costs of medical malpractice claims  
4 and the purchase of medical malpractice liability insurance  
5 by providers of the benefits.

6 (b) REPORTS TO CONGRESS.—Not later than October  
7 1, 2005, the Secretary shall submit a report to Congress  
8 describing the study conducted under subsection (a), and  
9 shall include in the report recommendations on methods  
10 to control costs under this Act, including recommenda-  
11 tions on the development of a system under which medical  
12 malpractice claims brought against providers of benefits  
13 under this Act may be resolved in an equitable and cost-  
14 effective manner. Not later than April 1, 2006, the Sec-  
15 retary shall promulgate regulations to implement the rec-  
16 ommendations made in the report.

