

108TH CONGRESS  
1ST SESSION

# S. 100

To expand access to affordable health care and to strengthen the health care safety net and make health care services more available in rural and underserved areas.

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IN THE SENATE OF THE UNITED STATES

JANUARY 7, 2003

Ms. COLLINS (for herself and Ms. LANDRIEU) introduced the following bill;  
which was read twice and referred to the Committee on Finance

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## A BILL

To expand access to affordable health care and to strengthen  
the health care safety net and make health care services  
more available in rural and underserved areas.

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 “Access to Affordable Health Care Act”.

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

See. 1. Short title; table of contents.

TITLE I—EXPANSION OF ACCESS TO AFFORDABLE HEALTH  
CARE FOR SMALL BUSINESSES

## Subtitle A—Small Business Tax Credit

Sec. 101. Credit for employee health insurance expenses.

## Subtitle B—Grants to States for Small Business Purchasing Groups

Sec. 121. Grants for small employer purchasing groups.

Sec. 122. Qualified small employer purchasing groups.

## Subtitle C—Health Benefits Information for Small Employers

Sec. 131. Grant program to facilitate health benefits information for small employers.

## Subtitle D—Grant Program to Encourage State Innovation

Sec. 141. Grant program to encourage State innovation.

**TITLE II—EXPANSION OF ACCESS TO AFFORDABLE HEALTH CARE FOR INDIVIDUALS AND FAMILIES**

## Subtitle A—Internal Revenue Code Provisions

**CHAPTER 1—REFUNDABLE CREDIT FOR UNINSURED FAMILIES**

Sec. 201. Refundable health insurance costs credit.

Sec. 202. Advance payment of credit to issuers of qualified health insurance.

**CHAPTER 2—IMMEDIATE, FULL DEDUCTIBILITY OF HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS**

Sec. 205. Deduction for 100 percent of health insurance costs of self-employed individuals.

## Subtitle B—FamilyCare

Sec. 211. Renaming of title XXI program.

Sec. 212. FamilyCare coverage of parents under the medicaid program and title XXI.

Sec. 213. Optional coverage of children through age 20 under the medicaid program and title XXI.

Sec. 214. Increase in chip allotment for each of fiscal years 2003 through 2005.

Sec. 215. Additional chip revisions.

Sec. 216. Limitations on conflicts of interest.

Sec. 217. Technical and conforming amendments to authority to pay medicaid expansion costs from title XXI appropriation.

## Subtitle C—Simplified Enrollment

Sec. 221. Automatic enrollment of children born to title XXI parents.

Sec. 222. Application of simplified title XXI procedures under the medicaid program.

Sec. 223. Elimination of 100 hour rule and other AFDC-related eligibility restrictions.

**Subtitle D—State Option to Provide Coverage of Legal Immigrants Under Medicaid and SCHIP**

Sec. 231. Optional coverage of legal immigrants under the medicaid program and title XXI.

Subtitle E—State Option to Extend Medicaid Coverage to Certain Low-Income Individuals

Sec. 241. State option to extend medicaid coverage to certain low-income individuals.

Subtitle F—Improving Welfare-to-Work Transition Under Medicaid

Sec. 251. Improving welfare-to-work transition under medicaid.

Subtitle G—Demonstration Programs to Improve Medicaid and SCHIP Outreach to Homeless Individuals and Families

Sec. 261. Demonstration programs to improve medicaid and SCHIP outreach to homeless individuals and families.

Subtitle H—High Risk Pools

Sec. 271. Promotion of State high risk pools.

**TITLE III—STRENGTHENING THE HEALTH CARE SAFETY NET**

Sec. 301. Increase in funding for the consolidated health centers program.

**TITLE IV—EXPANSION OF ACCESS TO HEALTH CARE IN RURAL AND UNDERSERVED AREAS**

Subtitle A—National Health Service Corps

Sec. 401. Expansion of funding.

Sec. 402. Loan repayment and scholarship programs.

Subtitle B—Tax Exclusion for National Health Service Corps Loan Repayment Recipients

Sec. 411. Exclusion for loan payments under National Health Service Corps loan repayment program.

**TITLE V—EXPANDED ACCESS TO AFFORDABLE LONG-TERM CARE**

Sec. 501. Treatment of premiums on qualified long-term care insurance contracts.

Sec. 502. Credit for taxpayers with long-term care needs.

Sec. 503. Additional consumer protections for long-term care insurance.

**TITLE VI—PROMOTING HEALTHIER LIFESTYLES**

Sec. 601. Community partnerships to promote healthy lifestyles.

Sec. 602. Worksite wellness grant program.

Sec. 603. Comprehensive school health education.

**TITLE VII—MEDICARE FAIRNESS**

Subtitle A—Medicare Value and Quality Demonstration

Sec. 701. Findings.

See. 702. Demonstration project to encourage the provision of high-quality, cost-effective inpatient hospital services.

See. 703. Demonstration project to encourage the provision of high-quality, cost-effective physicians' services.

Subtitle B—Graduate Medical Education Demonstration

See. 711. Clinical rotation demonstration project.

1 **TITLE I—EXPANSION OF ACCESS**  
2 **TO AFFORDABLE HEALTH**  
3 **CARE FOR SMALL BUSI-**  
4 **NESSES**

5 **Subtitle A—Small Business Tax**  
6 **Credit**

7 **SEC. 101. CREDIT FOR EMPLOYEE HEALTH INSURANCE EX-**  
8 **PENSES.**

9 (a) IN GENERAL.—Subpart D of part IV of sub-  
10 chapter A of chapter 1 of the Internal Revenue Code of  
11 1986 (relating to business-related credits) is amended by  
12 adding at the end the following:

13 **“SEC. 45G. EMPLOYEE HEALTH INSURANCE EXPENSES.**

14 “(a) GENERAL RULE.—For purposes of section 38,  
15 in the case of an employer, the employee health insurance  
16 expenses credit determined under this section is an  
17 amount equal to the applicable percentage of the amount  
18 paid by the taxpayer during the taxable year for qualified  
19 employee health insurance expenses.

20 “(b) APPLICABLE PERCENTAGE.—For purposes of  
21 subsection (a), the applicable percentage is equal to—

1           “(1) 50 percent in the case of an employer with  
2        less than 10 employees, and

3           “(2) 30 percent in the case of an employer with  
4        more than 9 but less than 26 employees.

5        “(c) PER EMPLOYEE DOLLAR LIMITATION.—The  
6        amount of qualified employee health insurance expenses  
7        taken into account under subsection (a) with respect to  
8        any qualified employee for any taxable year shall not ex-  
9        ceed—

10           “(1) \$2,000 in the case of self-only coverage,  
11        and

12           “(2) \$4,000 in the case of family coverage (as  
13        so defined).

14        “(d) SPECIAL RULES AND DEFINITIONS.—For pur-  
15        poses of this section—

16           “(1) ELIGIBILITY FOR CREDIT.—No credit shall  
17        be allowed under subsection (a) with respect to any  
18        employer which, with respect to the number of em-  
19        ployees employed during any period, employs more  
20        than 20 percent of highly compensated employees  
21        (within the meaning of section 414(q)).

22           “(2) DETERMINATION OF EMPLOYMENT.—

23           “(A) IN GENERAL.—An employer shall be  
24        considered an employer described in paragraph  
25        (1) or (2) of subsection (b) if such employer

1 employed an average of the number of employ-  
2 ees described in such paragraph on business  
3 days during either of the 2 preceding calendar  
4 years. For purposes of the preceding sentence,  
5 a preceding calendar year may be taken into ac-  
6 count only if the employer was in existence  
7 throughout such year.

8       “(B) EMPLOYERS NOT IN EXISTENCE IN  
9 PRECEDING YEAR.—In the case of an employer  
10 which was not in existence throughout the 1st  
11 preceding calendar year, the determination  
12 under subparagraph (A) shall be based on the  
13 average number of employees that it is reason-  
14 ably expected such employer will employ on  
15 business days in the current calendar year.

16       “(3) QUALIFIED EMPLOYEE HEALTH INSUR-  
17 ANCE EXPENSES.—

18       “(A) IN GENERAL.—The term ‘qualified  
19 employee health insurance expenses’ means any  
20 amount paid by an employer for health insur-  
21 ance coverage to the extent such amount—

22           “(i) is attributable to coverage pro-  
23 vided to any employee while such employee  
24 is a qualified employee; and

1                             “(ii) is at least 50 percent of the pre-  
2                             mium for such coverage.

3                             “(B) EXCEPTION FOR AMOUNTS PAID  
4                             UNDER SALARY REDUCTION ARRANGEMENTS.—  
5                             No amount paid or incurred for health insur-  
6                             ance coverage pursuant to a salary reduction  
7                             arrangement shall be taken into account under  
8                             subparagraph (A).

9                             “(C) HEALTH INSURANCE COVERAGE.—  
10                             The term ‘health insurance coverage’ has the  
11                             meaning given such term by section 9832(b)(1).

12                             “(4) QUALIFIED EMPLOYEE.—

13                             “(A) IN GENERAL.—The term ‘qualified  
14                             employee’ means, with respect to any period, an  
15                             employee of an employer if the total amount of  
16                             wages paid or incurred by such employer to  
17                             such employee at an annual rate during the  
18                             taxable year is not less than \$5,000.

19                             “(B) TREATMENT OF CERTAIN EMPLOY-  
20                             EES.—For purposes of subparagraph (A), the  
21                             term ‘employee’—

22                             “(i) shall not include an employee  
23                             within the meaning of section 401(c)(1),  
24                             but

1                             “(ii) shall include a leased employee  
2                             within the meaning of section 414(n).

3                             “(C) WAGES.—The term ‘wages’ has the  
4                             meaning given such term by section 3121(a)  
5                             (determined without regard to any dollar limita-  
6                             tion contained in such section).

7                             “(e) CERTAIN RULES MADE APPLICABLE.—For pur-  
8                             poses of this section, rules similar to the rules of section  
9                             52 shall apply.

10                            “(f) DENIAL OF DOUBLE BENEFIT.—No deduction  
11                             or credit under any other provision of this chapter shall  
12                             be allowed with respect to qualified employee health insur-  
13                             ance expenses taken into account under subsection (a).”.

14                            (b) CREDIT TO BE PART OF GENERAL BUSINESS  
15                             CREDIT.—Section 38(b) of the Internal Revenue Code of  
16                             1986 (relating to current year business credit) is amended  
17                             by striking “plus” at the end of paragraph (14), by strik-  
18                             ing the period at the end of paragraph (15) and inserting  
19                             “, plus”, and by adding at the end the following:

20                             “(16) the employee health insurance expenses  
21                             credit determined under section 45G.”.

22                            (c) NO CARRYBACKS.—Subsection (d) of section 39  
23                             of the Internal Revenue Code of 1986 (relating to  
24                             carryback and carryforward of unused credits) is amended  
25                             by adding at the end the following:

1                 “(11) NO CARRYBACK OF SECTION 45G CREDIT  
2                 BEFORE EFFECTIVE DATE.—No portion of the un-  
3                 used business credit for any taxable year which is  
4                 attributable to the employee health insurance ex-  
5                 penses credit determined under section 45G may be  
6                 carried back to a taxable year ending before January  
7                 1, 2003.”.

8                 (d) CLERICAL AMENDMENT.—The table of sections  
9                 for subpart D of part IV of subchapter A of chapter 1  
10                 of the Internal Revenue Code of 1986 is amended by add-  
11                 ing at the end the following:

“Sec. 45G. Employee health insurance expenses.”.

12                 (e) EFFECTIVE DATE.—The amendments made by  
13                 this section shall apply to amounts paid or incurred in tax-  
14                 able years beginning after December 31, 2002.

## 15                 **Subtitle B—Grants to States for 16                 Small Business Purchasing Groups**

### 17                 **SEC. 121. GRANTS FOR SMALL EMPLOYER PURCHASING 18                 GROUPS.**

19                 (a) IN GENERAL.—The Secretary of Labor (referred  
20                 to in this section as the “Secretary”) shall award grants  
21                 to States to assist such States in planning, developing, and  
22                 operating qualified small employer purchasing groups.

23                 (b) APPLICATION REQUIREMENTS.—To be eligible to  
24                 receive a grant under this section, a State shall prepare  
25                 and submit to the Secretary an application in such form,

1 at such time, and containing such information, certifi-  
2 cations, and assurances as the Secretary shall reasonably  
3 require.

4 (c) USE OF FUNDS.—Amounts awarded under this  
5 section may be used to finance the costs associated with  
6 planning, developing, and operating a qualified small em-  
7 ployer purchasing group that meets the requirements of  
8 section 122. Such costs may include the costs associated  
9 with—

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

13 (2) soliciting bids and negotiating with insurers  
14 to make available group health plans;

15 (3) preparing the documentation required to re-  
16 ceive certification by the Secretary as a qualified  
17 small employer purchasing group; and

18 (4) such other activities determined appropriate  
19 by the Secretary.

20 (d) AUTHORIZATION OF APPROPRIATIONS.—There  
21 are authorized to be appropriated to carry out this section,  
22 such sums as may be necessary for each of fiscal years  
23 2004 through 2008.

## 1 SEC. 122. QUALIFIED SMALL EMPLOYER PURCHASING

## 2 GROUPS.

## 3 (a) QUALIFIED SMALL EMPLOYER PURCHASING

## 4 GROUPS DESCRIBED.—

5 (1) IN GENERAL.—A qualified small employer  
6 purchasing group is an entity that—7 (A) is a nonprofit entity certified under  
8 State law;9 (B) has a membership consisting solely of  
10 small employers;11 (C) is administered solely under the au-  
12 thority and control of its member employers;13 (D) with respect to each State in which its  
14 members are located, consists of not fewer than  
15 the number of small employers established by  
16 the State as appropriate for such a group;17 (E) offers a program under which group  
18 health plans are offered to eligible employees  
19 and eligible individuals (including the depend-  
20 ents of such employees and individuals) through  
21 its member employers; and22 (F) an insurer, agent, broker, or any other  
23 individual or entity engaged in the sale of insur-  
24 ance—

25 (i) does not form or underwrite; and

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

15 (c) MEMBERSHIP.—

16 (1) IN GENERAL.—A qualified small employer  
17 purchasing group shall accept all small employers re-  
18 siding within the area served by the group as mem-  
19 bers if such employers request such membership.

20 (2) VOTING.—Members of a qualified small em-  
21 ployer purchasing group shall have voting rights  
22 consistent with the rules established by the State.

23 (d) DUTIES OF QUALIFIED SMALL EMPLOYER PUR-  
24 CHASING GROUPS.—Each qualified small employer pur-  
25 chasing group shall—

8 (4) provide enrollee information to the State.

9 (e) LIMITATION ON ACTIVITIES.—A qualified small  
10 employer purchasing group shall not—

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

15 (3) perform other activities identified by the  
16 State as being inconsistent with the performance of  
17 its duties.

18 (f) RULES OF CONSTRUCTION.—

24 (2) VOLUNTARY PARTICIPATION.—Nothing in  
25 this section shall be construed as requiring any indi-

1       vidual or small employer to purchase a group health  
2       plan exclusively through a qualified small employer  
3       purchasing group.

4       (g) DEFINITION.—In this subtitle, the term “small  
5       employer” means an employer that employs at least 1, but  
6       not more than 50 employees. Such term shall include sole  
7       proprietorships and self-employed individuals.

## 8       **Subtitle C—Health Benefits**

### 9       **Information for Small Employers**

#### 10      **SEC. 131. GRANT PROGRAM TO FACILITATE HEALTH BENE-**

#### 11                   **FITS INFORMATION FOR SMALL EMPLOYERS.**

12       (a) IN GENERAL.—The Small Business Administra-  
13       tion shall award grants to 1 or more States, local govern-  
14       ments, and non-profit organizations for the purposes of—

15               (1) demonstrating new and effective ways to  
16       provide information about the benefits of health in-  
17       surance to small employers, including tax benefits,  
18       increased productivity of employees, and decreased  
19       turnover of employees;

20               (2) making small employers aware of their cur-  
21       rent rights in the marketplace under Federal and  
22       State health insurance reform laws; and

23               (3) making small employers aware of the tax  
24       treatment of insurance premiums.

1       (b) AUTHORIZATION.—There is authorized to be ap-  
2 propriated to carry out this section, such sums as may  
3 be necessary for each of fiscal years 2004 through 2008.

4       **Subtitle D—Grant Program to**  
5       **Encourage State Innovation**

6       **SEC. 141. GRANT PROGRAM TO ENCOURAGE STATE INNO-**  
7       **VATION.**

8       (a) IN GENERAL.—The Secretary of Health and  
9 Human Services (in this section referred to as the “Sec-  
10 retary”) shall establish a program (in this section referred  
11 to as the “program”) to award demonstration grants  
12 under this section to States to allow States to demonstrate  
13 the effectiveness of innovative ways to increase access to  
14 health insurance through market reforms and other inno-  
15 vative means. Such innovative means may include any of  
16 the following:

17           (1) Alternative group purchasing or pooling ar-  
18 rangements, such as purchasing cooperatives for  
19 small businesses, reinsurance pools, or high risk  
20 pools.

21           (2) Individual or small group market reforms.

22           (3) Consumer education and outreach.

23           (4) Subsidies to individuals, employers, or both,  
24 in obtaining health insurance.

1       (b) SCOPE; DURATION.—The program shall be lim-  
2 ited to not more than 10 States and to a total period of  
3 5 years, beginning on the date the first demonstration  
4 grant is made.

5       (c) CONDITIONS FOR DEMONSTRATION GRANTS.—

6           (1) IN GENERAL.—The Secretary may not pro-  
7 vide for a demonstration grant to a State under the  
8 program unless the Secretary finds that under the  
9 proposed demonstration grant—

10           (A) the State will provide for demonstrated  
11 increase of access for some portion of the exist-  
12 ing uninsured population through a market in-  
13 novation (other than merely through a financial  
14 expansion of a program initiated before the  
15 date of enactment of this Act);

16           (B) the State will comply with applicable  
17 Federal laws;

18           (C) the State will not discriminate among  
19 participants on the basis of any health status-  
20 related factor (as defined in section 2791(d)(9)  
21 of the Public Health Service Act (42 U.S.C.  
22 300gg-91(d)(9)), except to the extent a State  
23 wishes to focus on populations that otherwise  
24 would not obtain health insurance because of  
25 such factors; and

11 (B) the application includes information  
12 regarding how the demonstration grant will ad-  
13 dress issues such as governance, targeted popu-  
14 lation, expected cost, and the continuation after  
15 the completion of the demonstration grant pe-  
16 riod; and

17 (C) the Secretary determines that the demon-  
18 stration grant will be used consistent with  
19 this section.

20 (3) FOCUS.—A demonstration grant proposal  
21 under this section need not cover all uninsured indi-  
22 viduals in a State or all health care benefits with re-  
23 spect to such individuals.

24 (d) EVALUATION.—The Secretary shall enter into a  
25 contract with an appropriate entity outside the Depart-

1 ment of Health and Human Services to conduct an overall  
2 evaluation of the program at the end of the program pe-  
3 riod. Such evaluation shall include an analysis of improve-  
4 ments in access, costs, quality of care, or choice of cov-  
5 erage, under different demonstration grants.

6 (e) OPTION TO PROVIDE FOR INITIAL PLANNING  
7 GRANTS.—Notwithstanding the previous provisions of this  
8 section, under the program the Secretary may provide for  
9 a portion of the amounts appropriated under subsection  
10 (f) (not to exceed \$5,000,000) to be made available to any  
11 State for initial planning grants to permit States to de-  
12 velop demonstration grant proposals under the previous  
13 provisions of this section.

14 (f) AUTHORIZATION OF APPROPRIATIONS.—There  
15 are authorized to be appropriated such sums as may be  
16 necessary to carry out this section. Amounts appropriated  
17 under this subsection shall remain available until ex-  
18 pended.

19 (g) STATE DEFINED.—In this section, the term  
20 “State” has the meaning given such term for purposes of  
21 title XIX of the Social Security Act (42 U.S.C. 1396 et  
22 seq.).

1   **TITLE II—EXPANSION OF AC-**  
2   **CESS TO AFFORDABLE**  
3   **HEALTH CARE FOR INDIVID-**  
4   **UALS AND FAMILIES**

5   **Subtitle A—Internal Revenue Code**  
6                   **Provisions**

7   **CHAPTER 1—REFUNDABLE CREDIT FOR**  
8                   **UNINSURED FAMILIES**

9   **SEC. 201. REFUNDABLE HEALTH INSURANCE COSTS CRED-**  
10                   **IT.**

11                   **(a) ALLOWANCE OF CREDIT.—**

12                   **(1) IN GENERAL.—**Subpart C of part IV of sub-  
13 chapter A of chapter 1 of the Internal Revenue Code  
14 of 1986 (relating to refundable personal credits) is  
15 amended by redesignating section 36 as section 37  
16 and inserting after section 35 the following:

17   **“SEC. 36. HEALTH INSURANCE COSTS FOR UNINSURED ELI-**  
18                   **GIBLE INDIVIDUALS.**

19                   **“(a) ALLOWANCE OF CREDIT.—**In the case of an un-  
20 insured eligible individual, there shall be allowed as a cred-  
21 it against the tax imposed by this subtitle for the taxable  
22 year an amount equal to the amount paid by the taxpayer  
23 during such taxable year for qualified health insurance for  
24 the taxpayer and the taxpayer’s spouse and dependents.

25                   **“(b) LIMITATIONS.—**

1           “(1) IN GENERAL.—The amount allowed as a  
2 credit under subsection (a) to the taxpayer for the  
3 taxable year shall not exceed the lesser of—

4           “(A) the sum of the monthly limitations  
5 for coverage months during such taxable year  
6 for the individuals referred to in subsection (a)  
7 for whom the taxpayer paid during the taxable  
8 year any amount for coverage under qualified  
9 health insurance, or

10           “(B) 90 percent of the amount paid by the  
11 taxpayer during such taxable year for qualified  
12 health insurance for such individuals.

13           “(2) MONTHLY LIMITATION.—

14           “(A) IN GENERAL.—The monthly limita-  
15 tion for an individual for each coverage month  
16 of such individual during the taxable year is the  
17 amount equal to  $\frac{1}{12}$  of—

18           “(i) \$1,000 if such individual is the  
19 taxpayer,

20           “(ii) \$1,000 if—

21                   “(I) such individual is the spouse  
22 of the taxpayer,

23                   “(II) the taxpayer and such  
24 spouse are married as of the first day  
25 of such month, and

1                             “(III) the taxpayer files a joint  
2                             return for the taxable year, and

3                             “(iii) \$500 if such individual is an in-  
4                             dividual for whom a deduction under sec-  
5                             tion 151(c) is allowable to the taxpayer for  
6                             such taxable year.

7                             “(B) LIMITATION TO 2 DEPENDENTS.—

8                             Not more than 2 individuals may be taken into  
9                             account by the taxpayer under subparagraph  
10                             (A)(iii).

11                             “(C) SPECIAL RULE FOR MARRIED INDI-  
12                             VIDUALS.—In the case of an individual—

13                             “(i) who is married (within the mean-  
14                             ing of section 7703) as of the close of the  
15                             taxable year but does not file a joint return  
16                             for such year, and

17                             “(ii) who does not live apart from  
18                             such individual’s spouse at all times during  
19                             the taxable year,

20                             the limitation imposed by subparagraph (B)  
21                             shall be divided equally between the individual  
22                             and the individual’s spouse unless they agree on  
23                             a different division.

24                             “(3) PHASEOUT OF CREDIT.—

1                   “(A) IN GENERAL.—The amount which  
2                   would (but for this paragraph) be taken into ac-  
3                   count under subsection (a) shall be reduced  
4                   (but not below zero) by the amount determined  
5                   under subparagraph (B).

6                   “(B) AMOUNT OF REDUCTION.—The  
7                   amount determined under this subparagraph is  
8                   the amount which bears the same ratio to the  
9                   amount which would be so taken into account  
10                  for the taxable year as—

11                  “(i) the excess of—

12                  “(I) the taxpayer’s modified ad-  
13                  justed gross income for the preceding  
14                  taxable year, over

15                  “(II) \$15,000 (\$25,000 in the  
16                  case of family coverage), bears to

17                  “(ii) \$15,000 (\$35,000 in the case of  
18                  family coverage).

19                  “(C) MODIFIED ADJUSTED GROSS IN-  
20                  COME.—The term ‘modified adjusted gross in-  
21                  come’ means adjusted gross income deter-  
22                  mined—

23                  “(i) without regard to this section and  
24                  sections 911, 931, and 933, and

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

5                             “(A) IN GENERAL.—The term ‘coverage  
6                             month’ means, with respect to an individual,  
7                             any month if—

1           health plan which is not a subsidized  
2           health plan (as so defined) and which con-  
3           stitutes qualified health insurance, em-  
4           ployee contributions to the plan shall be  
5           treated as amounts paid for qualified  
6           health insurance.

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

13           “(i) a benefit chosen under a cafeteria  
14          plan (as defined in section 125(d)), or  
15           “(ii) a benefit provided under a flexi-  
16          ble spending or similar arrangement.

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

21           “(i) is entitled to any benefits under  
22          title XVIII of the Social Security Act, or  
23           “(ii) is a participant in the program  
24          under title XIX or XXI of such Act.

1                   “(E) CERTAIN OTHER COVERAGE.—Such  
2                   term shall not include any month during a tax-  
3                   able year with respect to an individual if, at any  
4                   time during such year, any benefit is provided  
5                   to such individual under—

6                   “(i) chapter 89 of title 5, United  
7                   States Code,

8                   “(ii) chapter 55 of title 10, United  
9                   States Code,

10                   “(iii) chapter 17 of title 38, United  
11                   States Code, or

12                   “(iv) any medical care program under  
13                   the Indian Health Care Improvement Act.

14                   “(F) PRISONERS.—Such term shall not in-  
15                   clude any month with respect to an individual  
16                   if, as of the first day of such month, such indi-  
17                   vidual is imprisoned under Federal, State, or  
18                   local authority.

19                   “(G) INSUFFICIENT PRESENCE IN UNITED  
20                   STATES.—Such term shall not include any  
21                   month during a taxable year with respect to an  
22                   individual if such individual is present in the  
23                   United States on fewer than 183 days during  
24                   such year (determined in accordance with sec-  
25                   tion 7701(b)(7)).

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

8           “(c) QUALIFIED HEALTH INSURANCE.—For pur-  
9           poses of this section, the term ‘qualified health insurance’  
10          means health insurance coverage (as defined in section  
11          9832(b)(1)), including coverage under a COBRA continu-  
12          ation provision (as defined in section 9832(d)(1)).

13          “(d) ARCHER MSA CONTRIBUTIONS.—If a deduction  
14          would be allowed under section 220 to the taxpayer for  
15          a payment for the taxable year to the Archer MSA of an  
16          individual, subsection (a) shall not apply to the taxpayer  
17          for such taxable year.

18          “(e) SPECIAL RULES.—

19           “(1) COORDINATION WITH MEDICAL EXPENSE  
20           DEDUCTION.—The amount which would (but for this  
21           paragraph) be taken into account by the taxpayer  
22           under section 213 for the taxable year shall be re-  
23           duced by the credit (if any) allowed by this section  
24           to the taxpayer for such year.

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

7                 “(3) COORDINATION WITH ADVANCE PAY-  
8                 MENT.—Rules similar to the rules of section 32(g)  
9                 shall apply to any credit to which this section ap-  
10                 plies.

11                 “(f) EXPENSES MUST BE SUBSTANTIATED.—A pay-  
12                 ment for insurance to which subsection (a) applies may  
13                 be taken into account under this section only if the tax-  
14                 payer substantiates such payment in such form as the Sec-  
15                 retary may prescribe.

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

19                 (b) INFORMATION REPORTING.—

20                 (1) IN GENERAL.—Subpart B of part III of  
21                 subchapter A of chapter 61 of the Internal Revenue  
22                 Code of 1986 (relating to information concerning  
23                 transactions with other persons) is amended by in-  
24                 serting after section 6050T the following:

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

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

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

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

15               “(2) contains—

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

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

24                       “(C) the aggregate amount of payments  
25 described in subsection (a),

1                 “(D) the qualified health insurance credit  
2                 advance amount (as defined in section 7528(e))  
3                 received by such person with respect to the indi-  
4                 vidual described in subparagraph (A), and  
5                 “(E) such other information as the Sec-  
6                 retary may reasonably prescribe.

7         “(c) CREDITABLE HEALTH INSURANCE.—For pur-  
8     poses of this section, the term ‘creditable health insurance’  
9     means qualified health insurance (as defined in section  
10    36(c)).

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

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

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

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

1           “(4) the qualified health insurance credit ad-  
2       vance amount (as defined in section 7528(e)) re-  
3       ceived by such person with respect to the individual  
4       described in paragraph (2).

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

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

16           (2) ASSESSABLE PENALTIES.—

17           (A) Subparagraph (B) of section  
18       6724(d)(1) of such Code (relating to defini-  
19       tions) is amended by redesignating clauses (xii)  
20       through (xviii) as clauses (xiii) through (xix),  
21       respectively, and by inserting after clause (xi)  
22       the following:

23           “(xii) section 6050U (relating to re-  
24       turns relating to payments for qualified  
25       health insurance),”.

7                   “(CC) section 6050U(d) (relating to re-  
8                   turns relating to payments for qualified health  
9                   insurance).”.

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

15 (c) CRIMINAL PENALTY FOR FRAUD.—Subchapter B  
16 of chapter 75 of the Internal Revenue Code of 1986 (relat-  
17 ing to other offenses) is amended by adding at the end  
18 the following:

19 "SEC. 7276. PENALTIES FOR OFFENSES RELATING TO  
20 **HEALTH INSURANCE TAX CREDIT.**

21        “Any person who knowingly misuses Department of  
22 the Treasury names, symbols, titles, or initials to convey  
23 the false impression of association with, or approval or en-  
24 dorsement by, the Department of the Treasury of any in-

1 surance products or group health coverage in connection  
 2 with the credit for health insurance costs under section  
 3 36 shall on conviction thereof be fined not more than  
 4 \$10,000, or imprisoned not more than 1 year, or both.”.

5 (d) CONFORMING AMENDMENTS.—

6 (1) Section 162(l) of the Internal Revenue Code  
 7 of 1986 is amended by adding at the end the fol-  
 8 lowing:

9 “(6) ELECTION TO HAVE SUBSECTION  
 10 APPLY.—No deduction shall be allowed under para-  
 11 graph (1) for a taxable year unless the taxpayer  
 12 elects to have this subsection apply for such year.”.

13 (2) Paragraph (2) of section 1324(b) of title  
 14 31, United States Code, is amended by inserting be-  
 15 fore the period “, or from section 36 of such Code”.

16 (3) The table of sections for subpart C of part  
 17 IV of subchapter A of chapter 1 of the Internal Rev-  
 18 enue Code of 1986 is amended by striking the last  
 19 item and inserting the following:

“Sec. 36. Health insurance costs for uninsured eligible individ-  
 uals.

“Sec. 37. Overpayments of tax.”.

20 (4) The table of sections for subchapter B of  
 21 chapter 75 of such Code is amended by adding at  
 22 the end the following:

“Sec. 7276. Penalties for offenses relating to health insurance tax  
 credit.”.

## 1       (e) EFFECTIVE DATES.—

2               (1) IN GENERAL.—Except as provided in para-  
3               graph (2), the amendments made by this section  
4               shall apply to taxable years beginning after Decem-  
5               ber 31, 2003, without regard to whether final regu-  
6               lations to carry out such amendments have been pro-  
7               mulgated by such date.

8               (2) PENALTIES.—The amendments made by  
9               subsections (c) and (d)(4) shall take effect on the  
10               date of the enactment of this Act.

11       **SEC. 202. ADVANCE PAYMENT OF CREDIT TO ISSUERS OF**  
12               **QUALIFIED HEALTH INSURANCE.**

13       (a) IN GENERAL.—Chapter 77 of the Internal Rev-  
14 enue Code of 1986 (relating to miscellaneous provisions)  
15 is amended by adding at the end the following:

16       **“SEC. 7528. ADVANCE PAYMENT OF HEALTH INSURANCE**  
17               **CREDIT FOR PURCHASERS OF QUALIFIED**  
18               **HEALTH INSURANCE.**

19       “(a) GENERAL RULE.—Every plan sponsor of a  
20 group health plan providing, or qualified health insurance  
21 issuer of, qualified health insurance to an eligible indi-  
22 vidual shall—

23               “(1) make qualified premium payments with re-  
24 spect to such individual in an amount equal to the

1       qualified health insurance credit advance amount,  
2       and

3               “(2) treat such payments in the manner pro-  
4       vided in subsection (g).

5               “(b) ELIGIBLE INDIVIDUAL.—For purposes of this  
6       section, the term ‘eligible individual’ means any indi-  
7       vidual—

8               “(1) who purchases qualified health insurance  
9       (as defined in section 36(c)), and

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

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

13               “(1) QUALIFIED HEALTH INSURANCE  
14       ISSUER.—The term ‘qualified health insurance  
15       issuer’ means a health insurance issuer described in  
16       section 9832(b)(2) (determined without regard to  
17       the last sentence thereof) offering coverage in con-  
18       nection with a group health plan.

19               “(2) GROUP HEALTH PLAN.—The term ‘group  
20       health plan’ has the meaning given such term by  
21       section 5000(b)(1) (determined without regard to  
22       subsection (d) thereof).

23               “(3) QUALIFIED PREMIUM PAYMENTS.—The  
24       term ‘qualified premium payments’ means any  
25       amount paid or incurred, cost incurred, or health

1 coverage value provided, with respect to qualified  
2 health insurance for an eligible individual and the  
3 individual's spouse and dependents. For purposes of  
4 the preceding sentence, in the case of a group health  
5 plan, the health coverage value is equal to the appli-  
6 cable premium under the plan for the qualified  
7 health insurance coverage provided to an eligible in-  
8 dividual and the individual's spouse and dependents,  
9 as determined under section 4980B.

10 “(d) QUALIFIED HEALTH INSURANCE CREDIT ELI-  
11 GIBILITY CERTIFICATE.—For purposes of this section, a  
12 qualified health insurance credit eligibility certificate is a  
13 statement furnished by an individual to a plan sponsor  
14 of a group health plan or qualified health insurance issuer  
15 which—

16 “(1) certifies that the individual will be eligible  
17 to receive the credit provided by section 36 for the  
18 taxable year,

19 “(2) estimates the amount of such credit for  
20 such taxable year, and

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

23 “(e) QUALIFIED HEALTH INSURANCE CREDIT AD-  
24 VANCE AMOUNT.—For purposes of this section, the term  
25 ‘qualified health insurance credit advance amount’ means,

1 with respect to any plan sponsor of a group health plan  
2 providing, or qualified health insurance issuer of, qualified  
3 health insurance, the amount of credit allowable under  
4 section 36 to the individual for the taxable year which is  
5 attributable to the insurance provided to the individual by  
6 such sponsor or issuer.

7       “(f) REQUIRED DOCUMENTATION FOR RECEIPT OF  
8 PAYMENTS OF ADVANCE AMOUNT.—No payment of a  
9 qualified health insurance credit advance amount with re-  
10 spect to any eligible individual may be made under sub-  
11 section (a) unless the plan sponsor of the group health  
12 plan or qualified health insurance issuer provides to the  
13 Secretary—

14       “(1) the qualified health insurance credit eligi-  
15 bility certificate of such individual, and  
16       “(2) the return relating to such individual  
17 under section 6050U.

18       “(g) QUALIFIED PREMIUM PAYMENTS TO BE  
19 TREATED AS PAYMENTS OF WITHHOLDING AMOUNTS  
20 AND CERTAIN EMPLOYER TAX.—

21       “(1) IN GENERAL.—For purposes of this title,  
22 qualified premium payments made or costs incurred  
23 by the sponsor of a group health plan, or any entity  
24 designated by the sponsor to make such payments or  
25 incur such costs—

1                   “(A) shall not be treated as compensation,

2                   and

3                   “(B) shall be treated, in such manner as  
4                   provided by the Secretary, as made out of—

5                   “(i) amounts required to be deposited  
6                   by the taxpayer as estimated income tax  
7                   under section 6654 or 6655,

8                   “(ii) amounts required to be deducted  
9                   and withheld under section 3401 (relating  
10                   to wage withholding),

11                   “(iii) amounts of the taxes imposed  
12                   under section 3111(a) or 50 percent of  
13                   taxes imposed under section 1401(a) (re-  
14                   lating to FICA employer taxes), or

15                   “(iv) amounts required to be deducted  
16                   under section 3102 with respect to taxes  
17                   imposed under section 3101(a) or 50 per-  
18                   cent of taxes imposed under section  
19                   1401(a) (relating to FICA employee  
20                   taxes),

21                   as if such sponsor, or such designated entity,  
22                   had paid to the Secretary an amount equal to  
23                   such payments.

24                   “(2) QUALIFIED PREMIUM PAYMENTS EXCEED  
25                   TAXES DUE.—In the case of any entity, if for any

1 time period the aggregate qualified premium pay-  
2 ments exceed the amounts described in paragraph  
3 (1)(B), the Secretary shall reduce amounts described  
4 in such paragraph for any succeeding time period as  
5 necessary to reflect such excess.

6 “(3) FAILURE TO MAKE QUALIFIED PREMIUM  
7 PAYMENTS.—For purposes of this title (including  
8 penalties), failure to make a qualified premium pay-  
9 ment with respect to an eligible individual at the  
10 time provided therefor shall be treated as the failure  
11 at such time to deduct and withhold under chapter  
12 24 of such Code in an amount equal to the amount  
13 of such qualified premium payments.

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

17 (b) CLERICAL AMENDMENT.—The table of sections  
18 for chapter 77 of the Internal Revenue Code of 1986 is  
19 amended by adding at the end the following:

“Sec. 7528. Advance payment of health insurance credit for pur-  
chasers of qualified health insurance.”.

20 (c) EFFECTIVE DATE.—The amendments made by  
21 this section shall take effect on January 1, 2005, without  
22 regard to whether final regulations to carry out such  
23 amendments have been promulgated by such date.

1 **CHAPTER 2—IMMEDIATE, FULL DEDUCT-**  
2 **IBILITY OF HEALTH INSURANCE**  
3 **COSTS OF SELF-EMPLOYED INDIVID-**  
4 **UALS**

5 **SEC. 205. DEDUCTION FOR 100 PERCENT OF HEALTH IN-**  
6 **SURANCE COSTS OF SELF-EMPLOYED INDIVI-**  
7 **VIDUALS.**

8 (a) **IN GENERAL.**—Paragraph (1) of section 162(l)  
9 of the Internal Revenue Code of 1986 is amended to read  
10 as follows:

11 “(1) **ALLOWANCE OF DEDUCTION.**—In the case  
12 of an individual who is an employee within the  
13 meaning of section 401(c)(1), there shall be allowed  
14 as a deduction under this section an amount equal  
15 to 100 percent of the amount paid during the tax-  
16 able year for insurance which constitutes medical  
17 care for the taxpayer and the taxpayer’s spouse and  
18 dependents.”.

19 (b) **CLARIFICATION OF LIMITATIONS ON OTHER COV-**  
20 **ERAGE.**—The first sentence of section 162(l)(2)(B) of the  
21 Internal Revenue Code of 1986 is amended to read as fol-  
22 lows: “Paragraph (1) shall not apply to any taxpayer for  
23 any calendar month for which the taxpayer participates  
24 in any subsidized health plan maintained by any employer

1 (other than an employer described in section 401(c)(4))  
2 of the taxpayer or the spouse of the taxpayer.”.

3 (c) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to taxable years beginning after  
5 December 31, 2002.

## 6 **Subtitle B—FamilyCare**

### 7 **SEC. 211. RENAMING OF TITLE XXI PROGRAM.**

8 (a) IN GENERAL.—The heading of title XXI of the  
9 Social Security Act (42 U.S.C. 1397aa et seq.) is amended  
10 to read as follows:

11 “TITLE XXI—FAMILYCARE PROGRAM”.

12 (b) PROGRAM REFERENCES.—Any reference in any  
13 provision of Federal law or regulation to “SCHIP” or  
14 “State children’s health insurance program” under title  
15 XXI of the Social Security Act shall be deemed a reference  
16 to the FamilyCare program under such title.

### 17 **SEC. 212. FAMILYCARE COVERAGE OF PARENTS UNDER** 18 **THE MEDICAID PROGRAM AND TITLE XXI.**

19 (a) INCENTIVES TO IMPLEMENT FAMILYCARE COV-  
20 ERAGE.—

21 (1) UNDER MEDICAID.—

22 (A) ESTABLISHMENT OF NEW OPTIONAL  
23 ELIGIBILITY CATEGORY.—Section  
24 1902(a)(10)(A)(ii) of the Social Security Act  
25 (42 U.S.C. 1396a(a)(10)(A)(ii)) is amended—

1 (i) by striking “or” at the end of sub-  
2 clause (XVII);

3 (ii) by adding “or” at the end of sub-  
4 clause (XVIII); and

5 (iii) by adding at the end the fol-  
6 lowing:

11 (B) PARENTS DESCRIBED.—Section 1902  
12 of the Social Security Act is further amended  
13 by inserting after subsection (j) the following:

14       “(k)(1)(A) Individuals described in this paragraph  
15 are individuals—

16                   “(i) who are the parents of an individual who  
17                   is under 19 years of age (or such higher age as the  
18                   State may have elected under section 1902(l)(1)(D))  
19                   and who is eligible for medical assistance under sub-  
20                   section (a)(10)(A);

21                   (ii) who are not otherwise eligible for medical  
22                   assistance under such subsection, under section  
23                   1931, or under a waiver approved under section  
24                   1115 or otherwise (except under subsection  
25                   (a)(10)(A)(ii)(XIX)); and

1           “(iii) whose family income exceeds the income  
2        level applicable under the State plan under part A  
3        of title IV as in effect as of July 16, 1996, but does  
4        not exceed the highest income level applicable to a  
5        child in the family under this title.

6           “(B) In establishing an income eligibility level for in-  
7        dividuals described in this paragraph, a State may vary  
8        such level consistent with the various income levels estab-  
9        lished under subsection (l)(2) based on the ages of chil-  
10        dren described in subsection (l)(1) in order to ensure, to  
11        the maximum extent possible, that such individuals shall  
12        be enrolled in the same program as their children.

13           “(C) An individual may not be treated as being de-  
14        scribed in this paragraph unless, at the time of the individ-  
15        ual’s enrollment under this title, the child referred to in  
16         subparagraph (A)(i) of the individual is also enrolled  
17        under this title.

18           “(D) In this subsection, the term ‘parent’ includes  
19        an individual treated as a caregiver for purposes of car-  
20        rying out section 1931.

21           “(2) In the case of a parent described in paragraph  
22        (1) who is also the parent of a child who is eligible for  
23        child health assistance under title XXI, the State may  
24        elect (on a uniform basis) to cover all such parents under  
25        section 2111 or under this title.”.

1 (C) ENHANCED MATCHING FUNDS AVAIL-  
2 ABLE IF CERTAIN CONDITIONS MET.—Section  
3 1905 of the Social Security Act (42 U.S.C.  
4 1396d) is amended—

5 (i) in the fourth sentence of sub-  
6 section (b), by striking “or subsection  
7 (u)(3)” and inserting “, (u)(3), or (u)(4)”;  
8 and

9 (ii) in subsection (u)—

10 (I) by redesignating paragraph  
11 (4) as paragraph (6), and  
12 (II) by inserting after paragraph

14       “(4) For purposes of subsection (b) and section  
15 2105(a)(1):

16                   “(A) FAMILYCARE PARENTS.—The expendi-  
17                   tures described in this subparagraph are the expend-  
18                   itures described in the following clauses (i) and (ii):

19                             “(i) PARENTS.—If the conditions described  
20                             in clause (iii) are met, expenditures for medical  
21                             assistance for parents described in section  
22                             1902(k)(1) and for parents who would be de-  
23                             scribed in such section but for the fact that  
24                             they are eligible for medical assistance under

1 section 1931 or under a waiver approved under  
2 section 1115.

1                     “(III) The State plans under this title  
2                     and title XXI do not provide coverage for  
3                     parents with higher family income without  
4                     covering parents with a lower family in-  
5                     come.

6                     “(IV) The State does not apply an in-  
7                     come level for parents that is lower than  
8                     the effective income level (expressed as a  
9                     percent of the poverty line) that has been  
10                    specified under the State plan under title  
11                    XIX (including under a waiver authorized  
12                    by the Secretary or under section  
13                    1902(r)(2)), as of January 1, 2003, to be  
14                    eligible for medical assistance as a parent  
15                    under this title.

16                    “(iv) DEFINITIONS.—For purposes of this  
17                    subsection:

18                    “(I) The term ‘parent’ has the mean-  
19                    ing given such term for purposes of section  
20                    1902(k)(1).

21                    “(II) The term ‘poverty line’ has the  
22                    meaning given such term in section  
23                    2110(c)(5).”.

24                    (D) APPROPRIATION FROM TITLE XXI AL-  
25                    LOTMENT FOR CERTAIN MEDICAID EXPANSION

1 costs.—Subparagraph (B) of section  
2 2105(a)(1) of the Social Security Act, as  
3 amended by section 217(a), is amended to read  
4 as follows:

5                             “(B) FAMILYCARE PARENTS.—Expendi-  
6                             tures for medical assistance that is attributable  
7                             to expenditures described in section  
8                             1905(u)(4)(A).”.

9 (E) ONLY COUNTING ENHANCED PORTION  
10 FOR COVERAGE OF ADDITIONAL PREGNANT  
11 WOMEN.—Section 1905 of the Social Security  
12 Act (42 U.S.C. 1396d) is amended—

20       “(5) For purposes of the fourth sentence of sub-  
21 section (b) and section 2105(a), the following payments  
22 under this title do not count against a State’s allotment  
23 under section 2104:

1 1, 2003 INCOME LEVEL AND BELOW 185 PERCENT OF  
2 POVERTY.—The portion of the payments made for  
3 expenditures described in paragraph (4)(A)(ii) that  
4 represents the amount that would have been paid if  
5 the enhanced FMAP had not been substituted for  
6 the Federal medical assistance percentage.”.

7 (2) UNDER TITLE XXI.—

12 "SEC. 2111. OPTIONAL FAMILYCARE COVERAGE OF PAR-  
13 ENTS OF TARGETED LOW-INCOME CHILDREN.

14        "(a) OPTIONAL COVERAGE.—Notwithstanding any  
15 other provision of this title, a State child health plan may  
16 provide for coverage, through an amendment to its State  
17 child health plan under section 2102, of FamilyCare as-  
18 sistance for individuals who are targeted low-income par-  
19 ents in accordance with this section, but only if—

20               “(1) the State meets the conditions described in  
21               section 1905(u)(4)(A)(iii); and

22               “(2) the State elects to provide medical assist-  
23       ance under section 1902(a)(10)(A)(ii)(XIX), under  
24       section 1931, or under a waiver under section 1115  
25       to individuals described in section 1902(k)(1)(A)(i)

1 and elects an applicable income level for such indi-  
2 viduals that consistent with paragraphs (1)(B) and  
3 (2) of section 1902(k), ensures to the maximum ex-  
4 tent possible, that those individuals shall be enrolled  
5 in the same program as their children if their chil-  
6 dren are eligible for coverage under title XIX (in-  
7 cluding under a waiver authorized by the Secretary  
8 or under section 1902(r)(2)).”.

9 “(b) DEFINITIONS.—For purposes of this title:

10 “(1) FAMILYCARE ASSISTANCE.—The term  
11 ‘FamilyCare assistance’ has the meaning given the  
12 term child health assistance in section 2110(a) as if  
13 any reference to targeted low-income children were  
14 a reference to targeted low-income parents.

15 “(2) TARGETED LOW-INCOME PARENT.—The  
16 term ‘targeted low-income parent’ has the meaning  
17 given the term targeted low-income child in section  
18 2110(b) as if the reference to a child were deemed  
19 a reference to a parent (as defined in paragraph (3))  
20 of the child; except that in applying such section—

21 “(A) there shall be substituted for the in-  
22 come level described in paragraph (1)(B)(ii)(I)  
23 the applicable income level in effect for a tar-  
24 geted low-income child;

1                   “(B) in paragraph (3), January 1, 2003,  
2                   shall be substituted for July 1, 1997; and

3                   “(C) in paragraph (4), January 1, 2003,  
4                   shall be substituted for March 31, 1997.

5                   “(3) PARENT.—The term ‘parent’ includes an  
6                   individual treated as a caregiver for purposes of car-  
7                   rying out section 1931.

8                   “(4) OPTIONAL TREATMENT OF PREGNANT  
9                   WOMEN AS PARENTS.—A State child health plan  
10                  may treat a pregnant woman who is not otherwise  
11                  a parent as a targeted low-income parent for pur-  
12                  poses of this section but only if the State has estab-  
13                  lished an income level under section 1902(l)(2)(A)(i)  
14                  for pregnant women that is at least 185 percent of  
15                  the income official poverty line described in such sec-  
16                  tion.

17                  “(c) REFERENCES TO TERMS AND SPECIAL  
18                  RULES.—In the case of, and with respect to, a State pro-  
19                  viding for coverage of FamilyCare assistance to targeted  
20                  low-income parents under subsection (a), the following  
21                  special rules apply:

22                  “(1) Any reference in this title (other than sub-  
23                  section (b)) to a targeted low-income child is deemed  
24                  to include a reference to a targeted low-income par-  
25                  ent.

1           “(2) Any such reference to child health assistance with respect to such parents is deemed a reference to FamilyCare assistance.

4           “(3) In applying section 2103(e)(3)(B) in the case of a family provided coverage under this section, the limitation on total annual aggregate cost-sharing shall be applied to the entire family.

8           “(4) In applying section 2110(b)(4), any reference to ‘section 1902(l)(2) or 1905(n)(2) (as selected by a State)’ is deemed a reference to the income level applicable to parents under section 1931 or under a waiver approved under section 1115, or, in the case of a pregnant woman described in subsection (b)(4), the income level established under section 1902(l)(2)(A).

16           “(5) In applying section 2102(b)(3)(B), any reference to children is deemed a reference to parents.”.

19           (B) ADDITIONAL ALLOTMENT FOR STATES  
20           PROVIDING FAMILYCARE.—

21           (i) IN GENERAL.—Section 2104 of the Social Security Act (42 U.S.C. 1397dd) is amended by inserting after subsection (c) the following:

1       “(d) ADDITIONAL ALLOTMENTS FOR STATE PRO-  
2 VIDING FAMILYCARE.—

3           “(1) APPROPRIATION; TOTAL ALLOTMENT.—

4       For the purpose of providing additional allotments  
5       to States to provide FamilyCare coverage under sec-  
6       tion 2111, there is appropriated, out of any money  
7       in the Treasury not otherwise appropriated—

8           “(A) for fiscal year 2004, \$2,000,000,000;

9           “(B) for fiscal year 2005, \$3,000,000,000;

10           “(C) for fiscal year 2006, \$3,000,000,000;

11           “(D) for fiscal year 2007, \$6,000,000,000;

12           “(E) for fiscal year 2008, \$7,000,000,000;

13           “(F) for fiscal year 2009, \$8,000,000,000;

14           “(G) for fiscal year 2010, \$9,000,000,000;

15           “(H) for fiscal year 2011,

16       \$10,000,000,000; and

17           “(I) for fiscal year 2012 and each fiscal  
18       year thereafter, the amount of the allotment  
19       provided under this paragraph for the preceding  
20       fiscal year increased by the percentage increase  
21       (if any) in the medical care expenditure cat-  
22       egory of the Consumer Price Index for All  
23       Urban Consumers (United States city average).

24           “(2) STATE AND TERRITORIAL ALLOTMENTS.—

1                     “(A) IN GENERAL.—In addition to the al-  
2                     lotments provided under subsections (b) and  
3                     (c), subject to paragraphs (3) and (4), of the  
4                     amount available for the additional allotments  
5                     under paragraph (1) for a fiscal year, the Sec-  
6                     retary shall allot to each State with a State  
7                     child health plan approved under this title—

8                         “(i) in the case of such a State other  
9                     than a commonwealth or territory de-  
10                    scribed in clause (ii), the same proportion  
11                    as the proportion of the State’s allotment  
12                    under subsection (b) (determined without  
13                    regard to subsection (f)) to 98.95 percent  
14                    of the total amount of the allotments  
15                    under such section for such States eligible  
16                    for an allotment under this subparagraph  
17                    for such fiscal year; and

18                         “(ii) in the case of a commonwealth or  
19                     territory described in subsection (c)(3), the  
20                    same proportion as the proportion of the  
21                    commonwealth’s or territory’s allotment  
22                    under subsection (c) (determined without  
23                    regard to subsection (f)) to 1.05 percent of  
24                    the total amount of the allotments under  
25                    such section for commonwealths and terri-

11                   “(3) USE OF ADDITIONAL ALLOTMENT.—Additional  
12                   allotments provided under this subsection are  
13                   not available for amounts expended before October  
14                   1, 2002. Such amounts are available for amounts ex-  
15                   pended on or after such date for child health assist-  
16                   ance for targeted low-income children, as well as for  
17                   FamilyCare assistance.

18                   “(4)    REQUIRING   ELECTION   TO    PROVIDE  
19    FAMILYCARE   COVERAGE.—No   payments   may    be  
20    made to a State under this title from an allotment  
21    provided under this subsection unless the State has  
22    made an election to provide FamilyCare assist-  
23    ance.”.

## 1 (ii) CONFORMING AMENDMENTS.—

2 Section 2104 of the Social Security Act  
3 (42 U.S.C. 1397dd) is amended—4 (I) in subsection (a), by inserting  
5 “subject to subsection (d),” after  
6 “under this section,”;7 (II) in subsection (b)(1), by in-  
8 serting “and subsection (d)” after  
9 “Subject to paragraph (4); and10 (III) in subsection (c)(1), by in-  
11 serting “subject to subsection (d),”  
12 after “for a fiscal year.”.13 (C) NO COST-SHARING FOR PREGNANCY-  
14 RELATED BENEFITS.—Section 2103(e)(2) of  
15 the Social Security Act (42 U.S.C.  
16 1397cc(e)(2)) is amended—17 (i) in the heading, by inserting “AND  
18 PREGNANCY-RELATED SERVICES” after  
19 “PREVENTIVE SERVICES”; and20 (ii) by inserting before the period at  
21 the end the following: “and for pregnancy-  
22 related services”.23 (3) EFFECTIVE DATE.—The amendments made  
24 by this subsection apply to items and services fur-  
25 nished on or after October 1, 2003, whether or not

1 regulations implementing such amendments have  
2 been issued.

3 (b) RULES FOR IMPLEMENTATION BEGINNING WITH  
4 FISCAL YEAR 2006.—

5 (1) REQUIRED COVERAGE OF FAMILYCARE PAR-  
6 ENTS.—Section 1902(a)(10)(A)(i) of the Social Se-  
7 curity Act (42 U.S.C. 1396a(a)(10)(A)(i)) is amend-  
8 ed—

9 (A) by striking “or” at the end of sub-  
10 clause (VI);

11 (B) by striking the semicolon at the end of  
12 subclause (VII) and insert “, or”; and

13 (C) by adding at the end the following:

14 “(VIII) who are described in sub-  
15 section (k)(1) (or would be described  
16 if subparagraph (A)(ii) of such sub-  
17 section did not apply) and who are in  
18 families with incomes that do not ex-  
19 ceed 100 percent of the poverty line  
20 applicable to a family of the size in-  
21 volved;”.

22 (2) EXPANSION OF AVAILABILITY OF EN-  
23 HANCED MATCH UNDER MEDICAID FOR PRE-CHIP  
24 EXPANSIONS.—Paragraph (4) of section 1905(u) of

1 the Social Security Act (42 U.S.C. 1396d(u)), as in-  
2 serted by subsection (a)(1)(C), is amended—

3 (A) by amending clause (ii) of subparagraph (A) to read as follows:

5 “(ii) CERTAIN PREGNANT WOMEN.—Ex-  
6 penditures for medical assistance for pregnant  
7 women under section 1902(l)(1)(A) in a family  
8 the income of which exceeds the 133 percent of  
9 the income official poverty line.”; and

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

11 “(B) CHILDREN IN FAMILIES WITH INCOME  
12 ABOVE MEDICAID MANDATORY LEVEL NOT PRE-  
13 VIOUSLY DESCRIBED.—The expenditures described  
14 in this subparagraph are expenditures (other than  
15 expenditures described in paragraph (2) or (3)) for  
16 medical assistance made available to any child who  
17 is eligible for assistance under section  
18 1902(a)(10)(A) (other than under clause (i)) and  
19 the income of whose family exceeds the minimum in-  
20 come level required under subsection 1902(l)(2) (or,  
21 if higher, the minimum level required under section  
22 1931 for that State) for a child of the age involved  
23 (treating any child who is 19 or 20 years of age as  
24 being 18 years of age).”.

5 (A) IN GENERAL.—Section 1905(u)(5) of  
6 the Social Security Act (42 U.S.C.  
7 1396d(u)(5)), as added by subsection (a)(1)(E),  
8 is amended—

9 (i) by amending subparagraph (A) to  
10 read as follows:

11                             “(A) REGULAR FMAP FOR EXPENDITURES FOR  
12 PREGNANT WOMEN WITH INCOME ABOVE 133 PER-  
13 CENT OF POVERTY.—The portion of the payments  
14 made for expenditures described in paragraph  
15 (4)(A)(ii) that represents the amount that would  
16 have been paid if the enhanced FMAP had not been  
17 substituted for the Federal medical assistance per-  
18 centage.”; and

19 (ii) by adding at the end the fol-  
20 lowing:

21           “(B) FAMILYCARE PARENTS UNDER 100 PER-  
22           CENT OF POVERTY.—Payments for expenditures de-  
23           scribed in paragraph (4)(A)(i) in the case of parents  
24           whose income does not exceed 100 percent of the in-

1 come official poverty line applicable to a family of  
2 the size involved.

3           “(C) REGULAR FMAP FOR EXPENDITURES FOR  
4 CERTAIN CHILDREN IN FAMILIES WITH INCOME  
5 ABOVE MEDICAID MANDATORY LEVEL.—The portion  
6 of the payments made for expenditures described in  
7 paragraph (4)(B) that represents the amount that  
8 would have been paid if the enhanced FMAP had  
9 not been substituted for the Federal medical assist-  
10 ance percentage.”.

11           (B) CONFORMING AMENDMENTS.—Sub-  
12 paragraph (B) of section 2105(a)(1) of the So-  
13 cial Security Act, as amended by section 217(a)  
14 and subsection (a)(1)(D), is amended to read as  
15 follows:

16           “(B) CERTAIN FAMILYCARE PARENTS AND  
17 OTHERS.—Expenditures for medical assistance  
18 that is attributable to expenditures described in  
19 section 1905(u)(4), except as provided in sec-  
20 tion 1905(u)(5).”.

21           (4) EFFECTIVE DATE.—The amendments made  
22 by this subsection apply as of October 1, 2005, to  
23 fiscal years beginning on or after such date and to  
24 expenditures under the State plan on and after such

1 date, whether or not regulations implementing such  
2 amendments have been issued.

3 (c) MAKING TITLE XXI BASE ALLOTMENTS PERMA-  
4 NENT.—Section 2104(a) of the Social Security Act (42  
5 U.S.C. 1397dd(a)) is amended—

6 (1) by striking “and” at the end of paragraph  
7 (9);

8 (2) by striking the period at the end of para-  
9 graph (10) and inserting “; and”; and

10 (3) by adding at the end the following:

11 “(11) for fiscal year 2009 and each fiscal year  
12 thereafter, the amount of the allotment provided  
13 under this subsection for the preceding fiscal year  
14 increased by the percentage increase (if any) in the  
15 medical care expenditure category of the Consumer  
16 Price Index for All Urban Consumers (United States  
17 city average).”.

18 (d) OPTIONAL APPLICATION OF PRESUMPTIVE ELI-  
19 GIBILITY PROVISIONS TO PARENTS.—Section 1920A of  
20 the Social Security Act (42 U.S.C. 1396r-1a) is amended  
21 by adding at the end the following:

22 “(e) A State may elect to apply the previous provi-  
23 sions of this section to provide for a period of presumptive  
24 eligibility for medical assistance for a parent (as defined

1 for purposes of section 1902(k)(1) of a child with respect  
2 to whom such a period is provided under this section.”.

3 (e) CONFORMING AMENDMENTS.—

4 (1) ELIGIBILITY CATEGORIES.—Section  
5 1905(a) of the Social Security Act (42 U.S.C.  
6 1396d(a)) is amended, in the matter before para-  
7 graph (1)—

8 (A) by striking “or” at the end of clause  
9 (xii);

10 (B) by inserting “or” at the end of clause  
11 (xiii); and

12 (C) by inserting after clause (xiii) the fol-  
13 lowing:

14 “(xiv) who are parents described (or treated as  
15 if described) in section 1902(k)(1),”.

16 (2) INCOME LIMITATIONS.—Section 1903(f)(4)  
17 of the Social Security Act (42 U.S.C. 1396b(f)(4))  
18 is amended—

19 (A) effective October 1, 2005, by inserting  
20 “1902(a)(10)(A)(i)(VIII),” after  
21 “1902(a)(10)(A)(i)(VII),”; and

22 (B) by inserting  
23 “1902(a)(10)(A)(ii)(XIX),” after  
24 “1902(a)(10)(A)(ii)(XVIII),”.

5 (A) by striking “, and” at the end of  
6 clause (i) and inserting a semicolon;

7 (B) by striking the period at the end of  
8 clause (ii) and inserting “; and”; and

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

14 SEC. 213. OPTIONAL COVERAGE OF CHILDREN THROUGH  
15 AGE 20 UNDER THE MEDICAID PROGRAM AND  
16 TITLE XXI.

17 (a) MEDICAID.—

23 (2) CONFORMING AMENDMENTS.—

24 (A) Section 1902(e)(3)(A) of the Social Se-  
25 curity Act (42 U.S.C. 1396a(e)(3)(A)) is

4 (B) Section 1902(e)(12) of the Social Se-  
5 curity Act (42 U.S.C. 1396a(e)(12)) is amend-  
6 ed by inserting “or such higher age as the State  
7 has elected under subsection (l)(1)(D)” after  
8 “19 years of age”.

9 (C) Section 1920A(b)(1) of the Social Se-  
10 curity Act (42 U.S.C. 1396r-1a(b)(1)) is  
11 amended by inserting “or such higher age as  
12 the State has elected under section  
13 1902(l)(1)(D)” after “19 years of age”.

14 (D) Section 1928(h)(1) of the Social Secu-  
15 rity Act (42 U.S.C. 1396s(h)(1)) is amended by  
16 inserting “or 1 year less than the age the State  
17 has elected under section 1902(l)(1)(D)” before  
18 the period at the end.

19 (E) Section 1932(a)(2)(A) of the Social  
20 Security Act (42 U.S.C. 1396u-2(a)(2)(A)) is  
21 amended by inserting “(or such higher age as  
22 the State has elected under section  
23 1902(l)(1)(D))” after “19 years of age”.

24 (b) TITLE XXI.—Section 2110(c)(1) of the Social  
25 Security Act (42 U.S.C. 1397jj(c)(1)) is amended by in-

1 serting “(or such higher age as the State has elected under  
2 section 1902(l)(1)(D))”.

3 (c) EFFECTIVE DATE.—The amendments made by  
4 this section take effect on October 1, 2003, and apply to  
5 medical assistance and child health assistance provided on  
6 or after such date, whether or not regulations imple-  
7 menting such amendments have been issued.

8 **SEC. 214. INCREASE IN CHIP ALLOTMENT FOR EACH OF**  
9 **FISCAL YEARS 2002 THROUGH 2004.**

10 Paragraphs (5), (6), and (7) of section 2104(a) of  
11 the Social Security Act (42 U.S.C. 1397dd(a)) are amend-  
12 ed by striking “\$3,150,000,000” each place it appears and  
13 inserting “\$4,150,000,000”.

14 **SEC. 215. ADDITIONAL CHIP REVISIONS.**

15 (a) LIMITING COST-SHARING TO 2.5 PERCENT FOR  
16 FAMILIES WITH INCOME BELOW 150 PERCENT OF POV-  
17 ERTY.—Section 2103(e)(3)(A) of the Social Security Act  
18 (42 U.S.C. 1397cc(e)(3)(A)) is amended—

19 (1) by striking “and” at the end of clause (i);  
20 (2) by striking the period at the end of clause  
21 (ii) and inserting “; and”; and

22 (3) by adding at the end the following new  
23 clause:

24 “(iii) total annual aggregate cost-  
25 sharing described in clauses (i) and (ii)

1 with respect to all such targeted low-in-  
2 come children in a family under this title  
3 that exceeds 2.5 percent of such family's  
4 income for the year involved.”.

5 (b) REPORTING OF ENROLLMENT DATA.—

17 (c) EMPLOYER COVERAGE WAIVER CHANGES.—Section 2105(c)(3) of such Act (42 U.S.C. 1397ee(c)(3)) is  
18 amended  
19

20 (1) by redesignating subparagraphs (A) and  
21 (B) as clauses (i) and (ii) and indenting appro-  
22 priately:

23 (2) by designating the matter beginning with  
24 “Payment may be made” as a subparagraph (A)

1 with the heading “IN GENERAL” and indenting ap-  
2 propriately;

3 (3) in subparagraph (A) (as so designated)—

4 (A) in the matter preceding clause (i) (as  
5 redesignated by paragraph (1)), by striking  
6 “targeted low-income children” and inserting “a  
7 targeted low-income child, a targeted low-in-  
8 come parent, or a pregnant woman who is  
9 treated as a targeted low-income parent under  
10 section 2111(b)(4)”;

11 (B) in clause (i) (as so redesignated), by  
12 striking “children” and inserting “child, tar-  
13 geted low-income parent, or pregnant woman  
14 treated as such a parent”; and

15 (C) in clause (ii) (as so redesignated), by  
16 striking “children” and inserting “child, parent,  
17 or pregnant women”; and

18 (4) by adding at the end the following new sub-  
19 paragraphs:

20 “(B) APPLICATION OF REQUIREMENTS.—

21 In carrying out subparagraph (A)—

22 “(i) the Secretary shall not require a  
23 minimum employer contribution level that  
24 is separate from the requirement of cost-  
25 effectiveness under subparagraph (A)(i),

1                   but a State shall identify a reasonable min-  
2                   imum employer contribution level that is  
3                   based on data demonstrating that such a  
4                   level is representative to the employer-  
5                   sponsored insurance market in the State  
6                   and shall monitor employer contribution  
7                   levels over time to determine whether sub-  
8                   stitution is occurring and report the find-  
9                   ings in annual reports under section  
10                   2108(a);

11                   “(ii) the State shall establish a wait-  
12                   ing period of at least 6 months without  
13                   group health coverage, but may establish  
14                   reasonable exceptions to such period and  
15                   shall not apply such a waiting period to a  
16                   child who is provided coverage under a  
17                   group health plan under section 1906;

18                   “(iii) subject to clause (iv), the State  
19                   shall provide satisfactory assurances that  
20                   the minimum benefits and cost-sharing  
21                   protections established under this title are  
22                   provided, either through the coverage  
23                   under subparagraph (A) or as a supple-  
24                   ment to such coverage; and

1                     “(iv) coverage under such subparagraph shall not be considered to violate  
2                     clause (iii) because it does not comply with  
3                     requirements relating to reviews of health  
4                     service decisions if the enrollee involved is  
5                     provided the option of being provided benefits  
6                     directly under this title.

7  
8                     “(C) ACCESS TO EXTERNAL REVIEW PROC-  
9                     ESS.—In carrying out subparagraph (A), if a  
10                    State provides coverage under a group health  
11                    plan that does not meet the following external  
12                    review requirements, the State must give appli-  
13                    cants and enrollees (at initial enrollment and at  
14                    each redetermination of eligibility) the option to  
15                    obtain health benefits coverage other than  
16                    through that group health plan:

17                     “(i) The enrollee has an opportunity  
18                     for external review of a—  
19                         “(I) delay, denial, reduction, sus-  
20                         pension, or termination of health serv-  
21                         ices, in whole or in part, including a  
22                         determination about the type or level  
23                         of services; and

1                         “(II) failure to approve, furnish,  
2                         or provide payment for health services  
3                         in a timely manner.

4                         “(ii) The external review is conducted  
5                         by the State or a impartial contractor  
6                         other than the contractor responsible for  
7                         the matter subject to external review.

8                         “(iii) The external review decision is  
9                         made on a timely basis in accordance with  
10                         the medical needs of the patient. If the  
11                         medical needs of the patient do not dictate  
12                         a shorter time frame, the review must be  
13                         completed—

14                         “(I) within 90 calendar days of  
15                         the date of the request for internal or  
16                         external review; or

17                         “(II) within 72 hours if the en-  
18                         rollee’s physician or plan determines  
19                         that the deadline under subclause (I)  
20                         could seriously jeopardize the enroll-  
21                         ee’s life or health or ability to attain,  
22                         maintain, or regain maximum func-  
23                         tion (except that a State may extend  
24                         the 72-hour deadline by up to 14 days  
25                         if the enrollee requests an extension).

1                     “(iv) The external review decision  
2                     shall be in writing.

3                     “(v) Applicants and enrollees have an  
4                     opportunity—

5                         “(I) to represent themselves or  
6                     have representatives of their choosing  
7                     in the review process;

8                         “(II) timely review their files and  
9                     other applicable information relevant  
10                     to the review of the decision; and

11                         “(III) fully participate in the re-  
12                     view process, whether the review is  
13                     conducted in person or in writing, in-  
14                     cluding by presenting supplemental  
15                     information during the review proc-  
16                     ess.”.

17             (d) SENSE OF THE SENATE REGARDING AUTHORITY  
18             TO USE SCHIP FUNDS TO PURCHASE FAMILY COV-  
19             ERAGE.—It is the sense of the Senate that section  
20             2105(c)(3) of the Social Security Act (42 U.S.C.  
21             1397ee(c)(3)) permits States to use funds provided under  
22             the State children’s health insurance program established  
23             under title XXI of that Act (42 U.S.C. 1397aa et seq.)  
24             to help low-income working families and pregnant women

1 eligible for assistance under that program pay their share  
2 of employer-sponsored health insurance coverage.

3 (e) EFFECTIVE DATE.—The amendments made by  
4 this section apply as of October 1, 2003, whether or not  
5 regulations implementing such amendments have been  
6 issued.

7 **SEC. 216. LIMITATIONS ON CONFLICTS OF INTEREST.**

8 (a) LIMITATION ON CONFLICTS OF INTEREST IN  
9 MARKETING ACTIVITIES.—

10 (1) TITLE XXI.—Section 2105(c) of the Social  
11 Security Act (42 U.S.C. 300aa-5(c)) is amended by  
12 adding at the end the following:

13 “(8) LIMITATION ON EXPENDITURES FOR MAR-  
14 KETING ACTIVITIES.—Amounts expended by a State  
15 for the use of an administrative vendor in marketing  
16 health benefits coverage to low-income children  
17 under this title shall not be considered, for purposes  
18 of subsection (a)(2)(D), to be reasonable costs to ad-  
19 minister the plan unless the following conditions are  
20 met with respect to the vendor:

21 “(A) The vendor is independent of any en-  
22 tity offering the coverage in the same area of  
23 the State in which the vendor is conducting  
24 marketing activities.

1                     “(B) No person who is an owner, em-  
2                     ployee, consultant, or has a contract with the  
3                     vendor either has any direct or indirect finan-  
4                     cial interest with such an entity or has been ex-  
5                     cluded from participation in the program under  
6                     this title or title XVIII or XIX or debarred by  
7                     any Federal agency, or subject to a civil money  
8                     penalty under this Act.”.

9                     (b) PROHIBITION OF AFFILIATION WITH DEBARRED  
10                    INDIVIDUALS.—

11                    (1) MEDICAID.—Section 1903(i) of the Social  
12                    Security Act (42 U.S.C. 1396b(i)) is amended—

13                    (A) by striking the period at the end of  
14                    paragraph (20) and inserting “; or”; and

15                    (B) by inserting after paragraph (20) the  
16                    following:

17                    “(21) with respect to any amounts expended for  
18                    an entity that receives payments under the plan un-  
19                    less—

20                    “(A) no person with an ownership or con-  
21                    trol interest (as defined in section 1124(a)(3))  
22                    in the entity is a person that is debarred, sus-  
23                    pended, or otherwise excluded from partici-  
24                    pating in procurement or non-procurement ac-

3                             “(B) such entity has not entered into an  
4                             employment, consulting, or other agreement for  
5                             the provision of items or services that are mate-  
6                             rial to such entity’s obligations under the plan  
7                             with a person described in subparagraph (A).”.

11 (A) in subparagraph (B), by striking “and  
12 (17)” and inserting “(17), and (21)”;

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

17 (c) EFFECTIVE DATE.—The amendments made by  
18 this section shall apply to expenditures made on or after  
19 October 1, 2003, whether or not regulations implementing  
20 such amendments have been issued.

21 SEC. 217. TECHNICAL AND CONFORMING AMENDMENTS TO  
22 AUTHORITY TO PAY MEDICAID EXPANSION  
23 COSTS FROM TITLE XXI APPROPRIATION.

24 (a) AUTHORITY TO PAY MEDICAID EXPANSION  
25 COSTS FROM TITLE XXI APPROPRIATION.—Section

1 2105(a) of the Social Security Act (42 U.S.C. 1397ee(a))

2 is amended to read as follows:

3       “(a) ALLOWABLE EXPENDITURES.—

4           “(1) IN GENERAL.—Subject to the succeeding  
5 provisions of this section, the Secretary shall pay to  
6 each State with a plan approved under this title,  
7 from its allotment under section 2104, an amount  
8 for each quarter equal to the enhanced FMAP of the  
9 following expenditures in the quarter:

10           “(A) CHILD HEALTH ASSISTANCE UNDER  
11 MEDICAID.—Expenditures for child health as-  
12 sistance under the plan for targeted low-income  
13 children in the form of providing medical assist-  
14 ance for expenditures described in the fourth  
15 sentence of section 1905(b).

16           “(B) RESERVED.—[reserved].

17           “(C) CHILD HEALTH ASSISTANCE UNDER  
18 THIS TITLE.—Expenditures for child health as-  
19 sistance under the plan for targeted low-income  
20 children in the form of providing health benefits  
21 coverage that meets the requirements of section  
22 2103.

23           “(D) ASSISTANCE AND ADMINISTRATIVE  
24 EXPENDITURES SUBJECT TO LIMIT.—Expendi-

1                   tures only to the extent permitted consistent  
2                   with subsection (c)—

15       “(2) ORDER OF PAYMENTS.—Payments under a  
16       subparagraph of paragraph (1) from a State’s allot-  
17       ment for expenditures described in each such sub-  
18       paragraph shall be made on a quarterly basis in the  
19       order of such subparagraph in such paragraph.

20       “(3) NO DUPLICATIVE PAYMENT.—In the case  
21       of expenditures for which payment is made under  
22       paragraph (1), no payment shall be made under title  
23       XIX.”.

24 (b) CONFORMING AMENDMENTS.—

5 (2) SECTION 2105(c).—Section 2105(c)(2)(A) of  
6 the Social Security Act (42 U.S.C. 1397ee(c)(2)(A))  
7 is amended by striking “subparagraphs (A), (C),  
8 and (D) of”.

9 (c) EFFECTIVE DATE.—The amendments made by  
10 this section shall be effective as if included in the enact-  
11 ment of the Balanced Budget Act of 1997 (Public Law  
12 105-33; 111 Stat. 251), whether or not regulations imple-  
13 menting such amendments have been issued.

## 14 Subtitle C—Simplified Enrollment

15 SEC. 221. AUTOMATIC ENROLLMENT OF CHILDREN BORN  
16 TO TITLE XXI PARENTS.

17 Section 2102(b)(1) of the Social Security Act (42  
18 U.S.C. 1397bb(b)(1)) is amended by adding at the end  
19 the following:

20                             “(C) AUTOMATIC ELIGIBILITY OF CHIL-  
21                             DREN BORN TO A PARENT BEING PROVIDED  
22                             FAMILYCARE.—Such eligibility standards shall  
23                             provide for automatic coverage of a child born  
24                             to an individual who is provided assistance  
25                             under this title in the same manner as medical

1           assistance would be provided under section  
2           1902(e)(4) to a child described in such sec-  
3           tion.”.

4 **SEC. 222. APPLICATION OF SIMPLIFIED TITLE XXI PROCE-  
5           DURES UNDER THE MEDICAID PROGRAM.**

6           (a) APPLICATION UNDER MEDICAID.—

7           (1) IN GENERAL.—Section 1902(l) of the Social  
8           Security Act (42 U.S.C. 1396a(l)) is amended—  
9                   (A) in paragraph (3), by inserting “subject  
10                  to paragraph (5)”, after “Notwithstanding sub-  
11                  section (a)(17),”; and

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

13                “(5) With respect to determining the eligibility of in-  
14                dividuals under 19 years of age (or such higher age as  
15                the State has elected under paragraph (1)(D)) for medical  
16                assistance under subsection (a)(10)(A) and, separately,  
17                with respect to determining the eligibility of individuals  
18                for medical assistance under subsection  
19                (a)(10)(A)(i)(VIII) or (a)(10)(A)(ii)(XIX), notwith-  
20                standing any other provision of this title, if the State has  
21                established a State child health plan under title XXI—

22                “(A) the State may not apply a resource stand-  
23                ard;

24                “(B) the State shall use the same simplified eli-  
25                gibility form (including, if applicable, permitting ap-

1 plication other than in person) as the State uses  
2 under such State child health plan with respect to  
3 such individuals;

4 “(C) the State shall provide for initial eligibility  
5 determinations and redeterminations of eligibility  
6 using verification policies, forms, and frequency that  
7 are no less restrictive than the policies, forms, and  
8 frequency the State uses for such purposes under  
9 such State child health plan with respect to such in-  
10 dividuals; and

11 “(D) the State shall not require a face-to-face  
12 interview for purposes of initial eligibility determina-  
13 tions and redeterminations unless the State requires  
14 such an interview for such purposes under such child  
15 health plan with respect to such individuals.”.

16 (2) EFFECTIVE DATE.—The amendments made  
17 by paragraph (1) apply to determinations of eligi-  
18 bility made on or after the date that is 1 year after  
19 the date of enactment of this Act, whether or not  
20 regulations implementing such amendments have  
21 been issued.

22 (b) PRESUMPTIVE ELIGIBILITY.—

23 (1) IN GENERAL.—Section 1920A(b)(3)(A)(i) of  
24 the Social Security Act (42 U.S.C. 1396r-  
25 1a(b)(3)(A)(i)) is amended by inserting “a child care

1 resource and referral agency,” after “a State or trib-  
2 al child support enforcement agency.”.

3 (2) APPLICATION TO PRESUMPTIVE ELIGIBILITY  
4 FOR PREGNANT WOMEN UNDER MEDICAID.—Section  
5 1920(b) of the Social Security Act (42 U.S.C.  
6 1396r-1(b)) is amended by adding at the end after  
7 and below paragraph (2) the following flush sen-  
8 tence:

9 “The term ‘qualified provider’ includes a qualified entity  
10 as defined in section 1920A(b)(3).”.

11 (3) APPLICATION UNDER TITLE XXI.—

12 (A) IN GENERAL.—Section 2107(e)(1)(D)  
13 of the Social Security Act (42 U.S.C.  
14 1397gg(e)(1)) is amended to read as follows:

15 “(D) Sections 1920 and 1920A (relating to  
16 presumptive eligibility).”.

17 (B) CONFORMING ELIMINATION OF RE-  
18 SOURCE TEST.—Section 2102(b)(1)(A) of such  
19 Act (42 U.S.C. 1397bb(b)(1)(A)) is amended—

20 (i) by striking “ and resources (in-  
21 cluding any standards relating to  
22 spenddowns and disposition of resources);”;  
23 and

24 (ii) by adding at the end the fol-  
25 lowing: “Effective 1 year after the date of

1                   enactment of the Access to Affordable  
2                   Health Care Act, such standards may not  
3                   include the application of a resource stand-  
4                   ard or test.”.

5                   (c) AUTOMATIC REASSESSMENT OF ELIGIBILITY FOR  
6                   TITLE XXI AND MEDICAID BENEFITS FOR CHILDREN  
7                   LOSING MEDICAID OR TITLE XXI ELIGIBILITY.—

8                   (1) LOSS OF MEDICAID ELIGIBILITY.—Section  
9                   1902(a) of the Social Security Act (42 U.S.C.  
10                   1396a(a)) is amended—

11                   (A) by striking the period at the end of  
12                   paragraph (65) and inserting “; and”, and

13                   (B) by inserting after paragraph (65) the  
14                   following:

15                   “(66) provide, in the case of a State with a  
16                   State child health plan under title XXI, that before  
17                   medical assistance to a child (or a parent of a child)  
18                   is discontinued under this title, a determination of  
19                   whether the child (or parent) is eligible for benefits  
20                   under title XXI shall be made and, if determined to  
21                   be so eligible, the child (or parent) shall be auto-  
22                   matically enrolled in the program under such title  
23                   without the need for a new application.”.

4 (A) in paragraph (3), by redesignating  
5 subparagraphs (D) and (E) as subparagraphs  
6 (E) and (F), respectively, and by inserting after  
7 subparagraph (C) the following:

8                     “(D) that before health assistance to a  
9                     child (or a parent of a child) is discontinued  
10                    under this title, a determination of whether the  
11                    child (or parent) is eligible for benefits under  
12                    title **XIX** is made and, if determined to be so  
13                    eligible, the child (or parent) is automatically  
14                    enrolled in the program under such title with-  
15                    out the need for a new application;”;

16 (B) by redesignating paragraph (4) as  
17 paragraph (5); and

18 (C) by inserting after paragraph (3) the  
19 following new paragraph:

20                   “(4) COORDINATION WITH MEDICAID.—The  
21                   State shall coordinate the screening and enrollment  
22                   of individuals under this title and under title XIX  
23                   consistent with the following:

24                   “(A) Information that is collected under  
25                   this title or under title XIX which is needed to

1           make an eligibility determination under the  
2           other title shall be transmitted to the appro-  
3           priate administering entity under such other  
4           title in a timely manner so that coverage is not  
5           delayed and families do not have to submit the  
6           same information twice. Families shall be pro-  
7           vided the information they need to complete the  
8           application process for coverage under both ti-  
9           tles and be given appropriate notice of any de-  
10           terminations made on their applications for  
11           such coverage.

12           “(B) If a State does not use a joint appli-  
13           cation under this title and such title, the State  
14           shall—

15                “(i) promptly inform a child’s parent  
16                or caretaker in writing and, if appropriate,  
17                orally, that a child has been found likely to  
18                be eligible under title XIX;

19                “(ii) provide the family with an appli-  
20                cation for medical assistance under such  
21                title and offer information about what (if  
22                any) further information, documentation,  
23                or other steps are needed to complete such  
24                application process;

1                     “(iii) offer assistance in completing  
2                     such application process; and

3                     “(iv) promptly transmit the separate  
4                     application under this title or the informa-  
5                     tion obtained through such application,  
6                     and all other relevant information and doc-  
7                     umentation, including the results of the  
8                     screening process, to the State agency  
9                     under title XIX for a final determination  
10                    on eligibility under such title.

11                    “(C) Applicants are notified in writing  
12                    of—

13                    “(i) benefits (including restrictions on  
14                    cost-sharing) under title XIX; and

15                    “(ii) eligibility rules that prohibit chil-  
16                    dren who have been screened eligible for  
17                    medical assistance under such title from  
18                    being enrolled under this title, other than  
19                    provisional temporary enrollment while a  
20                    final eligibility determination is being made  
21                    under such title.

22                    “(D) If the agency administering this title  
23                    is different from the agency administering a  
24                    State plan under title XIX, such agencies shall

1           coordinate the screening and enrollment of ap-  
2           plicants for such coverage under both titles.

3           “(E) The coordination procedures estab-  
4           lished between the program under this title and  
5           under title XIX shall apply not only to the ini-  
6           tial eligibility determination of a family but also  
7           to any renewals or redeterminations of such eli-  
8           gibility.”.

9           (3) EFFECTIVE DATE.—The amendments made  
10          by paragraphs (1) and (2) apply to individuals who  
11          lose eligibility under the medicaid program under  
12          title XIX, or under a State child health insurance  
13          plan under title XXI, respectively, of the Social Se-  
14          curity Act on or after October 1, 2003 (or, if later,  
15          60 days after the date of enactment of this Act),  
16          whether or not regulations implementing such  
17          amendments have been issued.

18           (d) PROVISION OF MEDICAID AND CHIP APPLICA-  
19          TIONS AND INFORMATION UNDER THE SCHOOL LUNCH  
20          PROGRAM.—Section 9(b)(2)(B) of the Richard B. Russell  
21          National School Lunch Act (42 U.S.C. 1758(b)(2)(B)) is  
22          amended—

23           (1) by striking “(B) Applications” and inserting  
24           “(B)(i) Applications”; and

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

1       “(ii)(I) Applications for free and reduced price  
2 lunches that are distributed pursuant to clause (i) to par-  
3 ents or guardians of children in attendance at schools par-  
4 ticipating in the school lunch program under this Act shall  
5 also contain information on the availability of medical as-  
6 sistance under title XIX of the Social Security Act (42  
7 U.S.C. 1396 et seq.) and of child health and FamilyCare  
8 assistance under title XXI of such Act, including informa-  
9 tion on how to obtain an application for assistance under  
10 such programs.

11       “(II) Information on the programs referred to in sub-  
12 clause (I) shall be provided on a form separate from the  
13 application form for free and reduced price lunches under  
14 clause (i).”.

15       (e) 12-MONTHS CONTINUOUS ELIGIBILITY.—

16           (1) MEDICAID.—Section 1902(e)(12) of the So-  
17 cial Security Act (42 U.S.C. 1396a(e)(12)) is  
18 amended—

19           (A) by striking “At the option of the State,  
20 the plan may” and inserting “The plan shall”;

21           (B) by striking “an age specified by the  
22 State (not to exceed 19 years of age)” and in-  
23 serting “19 years of age (or such higher age as  
24 the State has elected under subsection  
25 (l)(1)(D)) or, at the option of the State, who is

1                   eligible for medical assistance as the parent of  
2                   such a child”; and

3                   (C) in subparagraph (A), by striking “a  
4                   period (not to exceed 12 months)” and insert-  
5                   ing “the 12-month period beginning on the  
6                   date”.

7                   (2) TITLE XXI.—Section 2102(b)(2) of such  
8                   Act (42 U.S.C. 1397bb(b)(2)) is amended by adding  
9                   at the end the following: “Such methods shall pro-  
10                   vide 12-months continuous eligibility for children  
11                   under this title in the same manner that section  
12                   1902(e)(12) provides 12-months continuous eligi-  
13                   bility for children described in such section under  
14                   title XIX. If a State has elected to apply section  
15                   1902(e)(12) to parents, such methods may provide  
16                   12-months continuous eligibility for parents under  
17                   this title in the same manner that such section pro-  
18                   vides 12-months continuous eligibility for parents  
19                   described in such section under title XIX.”.

20                   (3) EFFECTIVE DATE.—

21                   (A) IN GENERAL.—The amendments made  
22                   by this subsection take effect on October 1,  
23                   2003 (or, if later, 60 days after the date of en-  
24                   actment of this Act), whether or not regulations

1                   implementing such amendments have been  
2                   issued.

3 **SEC. 223. ELIMINATION OF 100 HOUR RULE AND OTHER**  
4 **AFDC-RELATED ELIGIBILITY RESTRICTIONS.**

5                   (a) IN GENERAL.—Section 1931(b)(1)(A)(ii) of the  
6 Social Security Act (42 U.S.C. 1396u-1(b)(1)(A)(ii)) is  
7 amended by inserting “other than the requirement that  
8 the child be deprived of parental support or care by reason  
9 of the death, continued absence from the home, incapacity,  
10 or unemployment of a parent,” after “section 407(a),”.

11                  (b) CONFORMING AMENDMENT.—Section 1905(a) of  
12 the Social Security Act (42 U.S.C. 1396d(a)) is amended,  
13 in the matter before paragraph (1), in clause (ii), by strik-  
14 ing “if such child is (or would, if needy, be) a dependent  
15 child under part A of title IV”.

16                  (c) EFFECTIVE DATE.—The amendments made by  
17 this section apply to eligibility determinations made on or  
18 after October 1, 2003, whether or not regulations imple-  
19 menting such amendments have been issued.

1 **Subtitle D—State Option to Pro-**  
2 **vide Coverage of Legal Immi-**  
3 **grants Under Medicaid and**  
4 **SCHIP**

5 **SEC. 231. OPTIONAL COVERAGE OF LEGAL IMMIGRANTS**  
6 **UNDER THE MEDICAID PROGRAM AND TITLE**  
7 **XXI.**

8 (a) MEDICAID PROGRAM.—Section 1903(v) of the  
9 Social Security Act (42 U.S.C. 1396b(v)) is amended—  
10 (1) in paragraph (1), by striking “paragraph  
11 (2)” and inserting “paragraphs (2) and (4)”; and  
12 (2) by adding at the end the following:  
13 “(4)(A) A State may elect (in a plan amendment  
14 under this title) to provide medical assistance under this  
15 title, notwithstanding sections 401(a), 402(b), 403, and  
16 421 of the Personal Responsibility and Work Opportunity  
17 Reconciliation Act of 1996, for aliens who are lawfully re-  
18 siding in the United States (including battered aliens de-  
19 scribed in section 431(c) of such Act) and who are other-  
20 wise eligible for such assistance, within any of the fol-  
21 lowing eligibility categories:

22 “(i) PREGNANT WOMEN.—Women during preg-  
23 nancy (and during the 60-day period beginning on  
24 the last day of the pregnancy).

1               “(ii) CHILDREN.—Children (as defined under  
2               such plan), including optional targeted low-income  
3               children described in section 1905(u)(2)(B).

4               “(iii) PARENTS.—If the State has elected the  
5               eligibility category described in clause (ii), caretaker  
6               relatives who are parents (including individuals  
7               treated as a caregiver for purposes of carrying out  
8               section 1931) of children (described in such clause  
9               or otherwise) who are eligible for medical assistance  
10               under the plan.

11               “(B) In the case of a State that has elected to provide  
12               medical assistance to a category of aliens under subparagraph  
13               (A), no debt shall accrue under an affidavit of support  
14               against any sponsor of such an alien on the basis  
15               of provision of assistance to such category and the cost  
16               of such assistance shall not be considered as an unreimbursed cost.”.

18               (b) TITLE XXI.—Section 2107(e)(1) of the Social  
19               Security Act (42 U.S.C. 1397gg(e)(1)), as amended by  
20               section 216(b)(2), is amended by adding at the end the  
21               following:

22               “(F) Section 1903(v)(4) (relating to optional  
23               coverage of categories of lawful resident  
24               alien children and parents), but only with respect  
25               to an eligibility category under this title,

1 if the same eligibility category has been elected  
2 under such section for purposes of title XIX.”.

3 (c) EFFECTIVE DATE.—The amendments made by  
4 this section take effect on October 1, 2003, and apply to  
5 medical assistance and child health assistance furnished  
6 on or after such date, whether or not regulations imple-  
7 menting such amendments have been issued.

8 **Subtitle E—State Option to Extend  
9 Medicaid Coverage to Certain  
10 Low-Income Individuals**

11 **SEC. 241. STATE OPTION TO EXTEND MEDICAID COVERAGE  
12 TO CERTAIN LOW-INCOME INDIVIDUALS.**

13 (a) STATE OPTION.—Section 1902(a)(10)(A)(ii) of  
14 the Social Security Act (42 U.S.C. 1396a(a)(10)(A)(ii)),  
15 as amended by section 212(a)(1)(A), is amended—

16 (1) by striking “or” at the end of subclause  
17 (XVIII);

18 (2) by adding “or” at the end of subclause  
19 (XIX); and

20 (3) by adding at the end the following:

21 “(XX) who are individuals who  
22 are not otherwise eligible for medical  
23 assistance under this subparagraph,  
24 or under a waiver approved under sec-  
25 tion 1115, or otherwise, as of the date

1 of enactment of this subclause and  
2 whose family income does not exceed  
3 125 percent of the income official pov-  
4 erty line (as defined by the Office of  
5 Management and Budget and revised  
6 annually in accordance with section  
7 673(2) of the Omnibus Budget Rec-  
8 onciliation Act of 1981) applicable to  
9 a family of the size involved;".

(b) CONFORMING AMENDMENTS.—

11 (1) MEDICAL ASSISTANCE ELIGIBILITY CAT-  
12 EGORIES.—Section 1905(a) of such Act (42 U.S.C.  
13 1396d(a)), as amended by section 212(e)(1), is  
14 amended in the matter preceding paragraph (1)—

15 (i) by striking “or” at the end of  
16 clause (xiii);  
17 (ii) by adding “or” at the end of  
18 clause (xiv); and  
19 (iii) by inserting after clause (xiv) the  
20 following:

21               “(xv) who are individuals described in section  
22               1902(a)(10)(A)(ii)(XX),”.

23 (2) EXEMPTION FROM UPPER INCOME LIMITA-  
24 TION.—Section 1903(f)(4) of such Act (42 U.S.C.  
25 1396b(f)(4)), as amended by section 212(e)(2)(B), is

1       amended by inserting “1902(a)(10)(A)(ii)(XX),”  
2       after “1902(a)(10)(A)(ii)(XIX),”.

3 (c) EFFECTIVE DATES.—The amendments made by  
4 this subsection take effect on October 1, 2003.

## 5 Subtitle F—Improving Welfare-to- 6 Work Transition Under Medicaid

## 7 SEC. 251. IMPROVING WELFARE-TO-WORK TRANSITION

## 8 UNDER MEDICAID.

9 (a) MAKING PROVISION PERMANENT.—

10 (1) IN GENERAL.—Subsection (f) of section  
11 1925 of the Social Security Act (42 U.S.C. 1396r–  
12 6) is repealed.

16 (b) STATE OPTION OF INITIAL 12-MONTH ELIGI-  
17 BILITY.—Section 1925 of the Social Security Act (42  
18 U.S.C. 1396r-6) is amended—

19 (1) in subsection (a), by adding at the end the  
20 following:

21       “(5) OPTION OF 12-MONTH INITIAL ELIGIBILITY  
22       PERIOD.—A State may elect to treat any reference  
23       in this subsection to a 6-month period (or 6 months)  
24       as a reference to a 12-month period (or 12 months).

1       In the case of such an election, subsection (b) shall  
2       not apply.”; and

3               (2) in subsection (b)(1), by inserting “and sub-  
4       section (a)(5)” after “paragraph (3)”.

5       (c) SIMPLIFICATION.—

6               (1) REMOVAL OF ADMINISTRATIVE REPORTING  
7       REQUIREMENTS FOR ADDITIONAL 6-MONTH EXTEN-  
8       SION.—Section 1925(b)(2) of the Social Security Act  
9       (42 U.S.C. 1396r-6(b)(2)) is amended—

10               (A) by striking subparagraph (B);

11               (B) in subparagraph (A)(i)—

12                       (i) in the heading, by striking “AND  
13       REQUIREMENTS”;

14                       (ii) by striking “(I)” and all that fol-  
15       ows through “(II)” and inserting “(i)”;

16                       (iii) by striking “, and (III)” and in-  
17       serting “and (ii)”;

18                       (iv) by redesignating such subpara-  
19       graph as subparagraph (A) (with appro-  
20       priate indentation); and

21               (C) in subparagraph (A)(ii)—

22                       (i) in the heading, by striking “RE-  
23       PORTING REQUIREMENTS AND”;

24                       (ii) by striking “notify the family of  
25       the reporting requirement under subpara-

1 graph (B)(ii) and” and inserting “provide  
2 the family with notification of”; and  
3 (iii) by redesignating such subparagraph  
4 as subparagraph (B) (with appropriate  
5 indentation).

10 (A) by inserting “but subject to subparagraph  
11 graph (B)” after “any other provision of this  
12 title”;

13 (B) by redesignating the matter after “RE-  
14 QUIREMENT.—” as a subparagraph (A) with  
15 the heading “IN GENERAL.—” and with the  
16 same indentation as subparagraph (B) (as  
17 added by subparagraph (C)); and

18 (C) by adding at the end the following:

19                             “(B) STATE OPTION TO WAIVE REQUIRE-  
20                             MENT FOR 3 MONTHS PREVIOUS RECEIPT OF  
21                             MEDICAL ASSISTANCE.—A State may, at its op-  
22                             tion, elect also to apply subparagraph (A) in  
23                             the case of a family that had applied for and  
24                             was eligible for such aid for fewer than 3

1           months during the 6 immediately preceding  
2           months described in such subparagraph.”.

3           (3) PERMITTING INCREASE OR WAIVER OF 185  
4           PERCENT OF POVERTY EARNING LIMIT.—Section  
5           1925(b)(3)(A)(iii)(III) of the Social Security Act (42  
6           U.S.C. 1396r-6(b)(3)(A)(iii)(III)) is amended—

7               (A) by inserting “(at its option)” after  
8               “the State”; and

9               (B) by inserting “(or such higher percent  
10               as the State may specify)” after “185 percent”.

11           (4) EXEMPTION FOR STATES COVERING NEEDY  
12           FAMILIES UP TO 185 PERCENT OF POVERTY.—Sec-  
13           tion 1925 of the Social Security Act (42 U.S.C.  
14           1396r-6), as amended by subsection (a), is amend-  
15           ed—

16               (A) in each of subsections (a)(1) and  
17               (b)(1), by inserting “but subject to subsection  
18               (f),” after “Notwithstanding any other provi-  
19               sion of this title.”; and

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

21               “(f) EXEMPTION FOR STATE COVERING NEEDY  
22               FAMILIES UP TO 185 PERCENT OF POVERTY.—

23               “(1) IN GENERAL.—At State option, the provi-  
24               sions of this section shall not apply to a State that  
25               uses the authority under section

1       1902(a)(10)(A)(ii)(XIX), section 1931(b)(2)(C), or  
2       otherwise to make medical assistance available under  
3       the State plan under this title to eligible individuals  
4       described in section 1902(k)(1), or all individuals de-  
5       scribed in section 1931(b)(1), and who are in fami-  
6       lies with gross incomes (determined without regard  
7       to work-related child care expenses of such individ-  
8       uals) at or below 185 percent of the income official  
9       poverty line (as defined by the Office of Manage-  
10      ment and Budget, and revised annually in accord-  
11      ance with section 673(2) of the Omnibus Budget  
12      Reconciliation Act of 1981) applicable to a family  
13      of the size involved.

14       “(2) APPLICATION TO OTHER PROVISIONS OF  
15      THIS TITLE.—The State plan of a State described in  
16      paragraph (1) shall be deemed to meet the require-  
17      ments of section 1902(a)(10)(A)(i)(I).”.

18       (d) EFFECTIVE DATE.—The amendments made by  
19      this section take effect on October 1, 2003, whether or  
20      not regulations implementing such amendments have been  
21      issued.

1 **Subtitle G—Demonstration Pro-**  
2 **grams to Improve Medicaid and**  
3 **SCHIP Outreach to Homeless**  
4 **Individuals and Families**

5 **SEC. 261. DEMONSTRATION PROGRAMS TO IMPROVE MED-**  
6 **ICAID AND SCHIP OUTREACH TO HOMELESS**  
7 **INDIVIDUALS AND FAMILIES.**

8 (a) **AUTHORITY.**—The Secretary of Health and  
9 Human Services may award demonstration grants to not  
10 more than 7 States (or other qualified entities) to conduct  
11 innovative programs that are designed to improve out-  
12 reach to homeless individuals and families under the pro-  
13 grams described in subsection (b) with respect to enroll-  
14 ment of such individuals and families under such pro-  
15 grams and the provision of services (and coordinating the  
16 provision of such services) under such programs.

17 (b) **PROGRAMS FOR HOMELESS DESCRIBED.**—The  
18 programs described in this subsection are as follows:

19 (1) **MEDICAID.**—The program under title XIX  
20 of the Social Security Act (42 U.S.C. 1396 et seq.).

21 (2) **CHIP.**—The program under title XXI of  
22 the Social Security Act (42 U.S.C. 1397aa et seq.).

23 (3) **TANF.**—The program under part of A of  
24 title IV of the Social Security Act (42 U.S.C. 601  
25 et seq.).

10 (7) WELFARE-TO-WORK.—The welfare-to-work  
11 program under section 403(a)(5) of the Social Secu-  
12 rity Act (42 U.S.C. 603(a)(5))

16 (c) APPROPRIATIONS.—For the purposes of carrying  
17 out this section, there is appropriated for fiscal year 2004,  
18 out of any funds in the Treasury not otherwise appro-  
19 priated, \$10,000,000, to remain available until expended.

## 20 Subtitle H—High Risk Pools

## 21 SEC. 271. PROMOTION OF STATE HIGH RISK POOLS.

22       Title XXVII of the Public Health Service Act is  
23 amended by inserting after section 2745 (42 U.S.C.  
24 300gg-45) the following:

1   **“SEC. 2746. PROMOTION OF QUALIFIED HIGH RISK POOLS.**

2       “(a) SEED GRANTS TO STATES.—From amounts ap-  
3   propriate under subsection (c)(1), the Secretary shall  
4   award a grant of up to \$1,000,000 to each State that has  
5   not created a qualified high risk pool as of the date of  
6   the enactment of this section for the State’s costs of the  
7   creation and initial operation of such a pool.

8       “(b) MATCHING FUNDS FOR OPERATION OF  
9   POOLS.—

10       “(1) IN GENERAL.—In the case of a State that  
11   has established a qualified high risk pool that re-  
12   stricts premiums charged under the pool to no more  
13   than 150 percent of the premium for applicable  
14   standard risk rates and that offers a choice of two  
15   or more coverage options through the pool, from the  
16   amounts appropriated under subsection (c)(2) and  
17   allotted to the State under paragraph (2), the Sec-  
18   retary shall provide a grant to such State in an  
19   amount that does not exceed 50 percent of the losses  
20   incurred by the State in connection with the oper-  
21   ation of the pool.

22       “(2) ALLOTMENT.—The amount appropriated  
23   under subsection (c)(2) for a fiscal year shall be  
24   made available to the States in accordance with a  
25   formula that is developed by the Secretary based

1       upon the number of uninsured individuals in the  
2       States.

3           “(3) CONSTRUCTION.—Nothing in this sub-  
4       section shall be construed as preventing a State  
5       from supplementing the funds made available under  
6       this subsection for the support and operation of a  
7       qualified high risk pool.

8           “(c) AUTHORIZATION OF APPROPRIATIONS.—There  
9       is authorized to be appropriated to carry out this section—

10           “(1) \$20,000,000 for fiscal year 2004 to carry  
11       out subsection (a); and

12           “(2) \$40,000,000 for each of fiscal years 2004  
13       and 2005.

14       Amounts appropriated under this subsection for a fiscal  
15       year shall remain available for obligation through the end  
16       of the following fiscal year.

17           “(d) LIMITATION.—Nothing in this section shall be  
18       construed as providing a State with an entitlement to a  
19       grant under this section.

20           “(e) DEFINITIONS.—In this section:

21           “(1) QUALIFIED HIGH RISK POOL.—The term  
22       ‘qualified high risk pool’ has the meaning given such  
23       term in section 2744(c)(2);

24           “(2) STATE.—The term ‘State’ means any of  
25       the 50 States and the District of Columbia.”.

1 **TITLE III—STRENGTHENING THE**  
2 **HEALTH CARE SAFETY NET**

3 **SEC. 301. INCREASE IN FUNDING FOR THE CONSOLIDATED**  
4 **HEALTH CENTERS PROGRAM.**

5 It is the sense of the Senate that the amounts appro-  
6 priated for consolidated health centers under section 330  
7 of the Public Health Service Act (42 U.S.C. 254b) should  
8 be doubled over the 5-fiscal year period beginning with fis-  
9 cal year 2004.

10 **TITLE IV—EXPANSION OF AC-  
11 CESS TO HEALTH CARE IN  
12 RURAL AND UNDERSERVED  
13 AREAS**

14 **Subtitle A—National Health  
15 Service Corps**

16 **SEC. 401. EXPANSION OF FUNDING.**

17 It is the sense of the Senate that the amounts appro-  
18 priated for National Health Service Corps under subpart  
19 II of part D of title III of the Public Health Service Act  
20 (42 U.S.C. 254d et seq.) should be doubled over the 5-  
21 fiscal year period beginning with fiscal year 2004 to assist  
22 in provide support for physicians, dentists, and other  
23 health care clinicians who serve in rural and inner city  
24 areas.

1 **SEC. 402. LOAN REPAYMENT AND SCHOLARSHIP PRO-**2 **GRAMS.**

3 Section 338C of the Public Health Service Act (42

4 U.S.C. 254m) is amended by adding at the end the fol-

5 lowing:

6 “(e) Notwithstanding any other provision of this title,

7 periods of obligated service may be served and fulfilled on

8 a part time basis if—

9 “(1) such part time service is agreed to by both

10 the placement site or sites and the recipient of the

11 scholarship or loan repayment; and

12 “(2) the recipient’s total obligation is fulfilled.”.

13 **Subtitle B—Tax Exclusion for Na-**  
14 **tional Health Service Corps**  
15 **Loan Repayment Recipients**16 **SEC. 411. EXCLUSION FOR LOAN PAYMENTS UNDER NA-**17 **TIONAL HEALTH SERVICE CORPS LOAN RE-**18 **PAYMENT PROGRAM.**

19 (a) IN GENERAL.—Section 117 of the Internal Rev-

20 enue Code of 1986 is amended by adding at the end the

21 following new subsection:

22 “(e) LOAN PAYMENTS UNDER NATIONAL HEALTH

23 SERVICE CORPS LOAN REPAYMENT PROGRAM.—Gross in-

24 come shall not include any amount received under section

25 338B(g) of the Public Health Service Act.”.

1       (b) EFFECTIVE DATE.—The amendment made by  
2 subsection (a) shall apply to amounts received by an indi-  
3 vidual in taxable years beginning after December 31,  
4 2002.

5 **TITLE V—EXPANDED ACCESS TO**  
6 **AFFORDABLE LONG-TERM CARE**

7 **SEC. 501. TREATMENT OF PREMIUMS ON QUALIFIED LONG-**  
8 **TERM CARE INSURANCE CONTRACTS.**

9       (a) IN GENERAL.—Part VII of subchapter B of chap-  
10 ter 1 of the Internal Revenue Code of 1986 (relating to  
11 additional itemized deductions) is amended by redesign-  
12 ing section 223 as section 224 and by inserting after  
13 section 221 the following new section:

14 **“SEC. 223. PREMIUMS ON QUALIFIED LONG-TERM CARE IN-**  
15 **SURANCE CONTRACTS.**

16       “(a) IN GENERAL.—In the case of an individual,  
17 there shall be allowed as a deduction an amount equal to  
18 the applicable percentage of the amount of eligible long-  
19 term care premiums (as defined in section 213(d)(10))  
20 paid during the taxable year for coverage for the taxpayer,  
21 his spouse, and dependents under a qualified long-term  
22 care insurance contract (as defined in section 7702B(b)).

23       “(b) APPLICABLE PERCENTAGE.—For purposes of  
24 subsection (a)—

1           “(1) IN GENERAL.—Except as otherwise pro-  
 2        vided in this subsection, the applicable percentage  
 3        shall be determined in accordance with the following  
 4        table based on the number of years of continuous  
 5        coverage (as of the close of the taxable year) of the  
 6        individual under any qualified long-term care insur-  
 7        ance contracts (as defined in section 7702B(b)):

<b>“If the number of years of continuous coverage is—</b>	<b>The applicable long-term care percentage is—</b>
Less than 1 .....	60
At least 1 but less than 2 .....	70
At least 2 but less than 3 .....	80
At least 3 but less than 4 .....	90
At least 4 .....	100.

8           “(2) SPECIAL RULES FOR INDIVIDUALS WHO  
 9        HAVE ATTAINED AGE 55.—In the case of an indi-  
 10        vidual who has attained age 55 as of the close of the  
 11        taxable year, the following table shall be substituted  
 12        for the table in paragraph (1).

<b>“If the number of years of continuous coverage is—</b>	<b>The applicable long-term care percentage is—</b>
Less than 1 .....	70
At least 1 but less than 2 .....	85
At least 2 .....	100.

13        “(3) ONLY COVERAGE AFTER 2002 TAKEN INTO  
 14        ACCOUNT.—Only coverage for periods after Decem-  
 15        ber 31, 2002, shall be taken into account under this  
 16        subsection.

17        “(4) CONTINUOUS COVERAGE.—An individual  
 18        shall not fail to be treated as having continuous cov-

1       erage if the aggregate breaks in coverage during any  
2       1-year period are less than 60 days.

3       “(c) COORDINATION WITH OTHER DEDUCTIONS.—  
4       Any amount paid by a taxpayer for any qualified long-  
5       term care insurance contract to which subsection (a) ap-  
6       plies shall not be taken into account in computing the  
7       amount allowable to the taxpayer as a deduction under  
8       section 162(l) or 213(a).”.

9       (b) LONG-TERM CARE INSURANCE PERMITTED TO  
10      BE OFFERED UNDER CAFETERIA PLANS AND FLEXIBLE  
11      SPENDING ARRANGEMENTS.—

12           (1) CAFETERIA PLANS.—Section 125(f) of the  
13       Internal Revenue Code of 1986 (defining qualified  
14       benefits) is amended by inserting before the period  
15       at the end “; except that such term shall include the  
16       payment of premiums for any qualified long-term  
17       care insurance contract (as defined in section  
18       7702B) to the extent the amount of such payment  
19       does not exceed the eligible long-term care premiums  
20       (as defined in section 213(d)(10)) for such con-  
21       tract”.

22           (2) FLEXIBLE SPENDING ARRANGEMENTS.—  
23       Section 106 of such Code (relating to contributions  
24       by an employer to accident and health plans) is  
25       amended by striking subsection (c).

1 (c) CONFORMING AMENDMENTS.—

5                   “(19) PREMIUMS ON QUALIFIED LONG-TERM  
6                   CARE INSURANCE CONTRACTS.—The deduction al-  
7                   lowed by section 223.”.

“Sec. 223. Premiums on qualified long-term care insurance contracts.

“Sec. 224. Cross reference.”.

12 (d) EFFECTIVE DATES.—

17 (2) CAFETERIA PLANS AND FLEXIBLE SPEND-  
18 ING ARRANGEMENTS.—The amendments made by  
19 subsection (b) shall apply to taxable years beginning  
20 after December 31, 2003.

## 21 SEC. 502. CREDIT FOR TAXPAYERS WITH LONG-TERM CARE 22 NEEDS.

23 (a) IN GENERAL.—Subpart A of part IV of sub-  
24 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 (relating to nonrefundable personal credits) is  
 2 amended by inserting after section 25B the following new  
 3 section:

4 **“SEC. 25C. CREDIT FOR TAXPAYERS WITH LONG-TERM**  
 5 **CARE NEEDS.**

6 **“(a) ALLOWANCE OF CREDIT.—**

7 **“(1) IN GENERAL.—**There shall be allowed as a  
 8 credit against the tax imposed by this chapter for  
 9 the taxable year an amount equal to the applicable  
 10 credit amount multiplied by the number of applica-  
 11 ble individuals with respect to whom the taxpayer is  
 12 an eligible caregiver for the taxable year.

13 **“(2) APPLICABLE CREDIT AMOUNT.—**For pur-  
 14 poses of paragraph (1), the applicable credit amount  
 15 shall be determined in accordance with the following  
 16 table:

<b>“For taxable years beginning in calendar year—</b>	<b>The applicable credit amount is—</b>
2002 .....	\$1,000
2003 .....	1,500
2004 .....	2,000
2005 .....	2,500
2006 or thereafter .....	3,000 .

17 **“(b) LIMITATION BASED ON ADJUSTED GROSS IN-**  
 18 **COME.—**

19 **“(1) IN GENERAL.—**The amount of the credit  
 20 allowable under subsection (a) shall be reduced (but  
 21 not below zero) by \$100 for each \$1,000 (or fraction  
 22 thereof) by which the taxpayer’s modified adjusted

1       gross income exceeds the threshold amount. For  
2       purposes of the preceding sentence, the term ‘modi-  
3       fied adjusted gross income’ means adjusted gross in-  
4       come increased by any amount excluded from gross  
5       income under section 911, 931, or 933.

6           “(2) THRESHOLD AMOUNT.—For purposes of  
7       paragraph (1), the term ‘threshold amount’ means—

8               “(A) \$150,000 in the case of a joint re-  
9       turn, and

10               “(B) \$75,000 in any other case.

11           “(3) INDEXING.—In the case of any taxable  
12       year beginning in a calendar year after 2002, each  
13       dollar amount contained in paragraph (2) shall be  
14       increased by an amount equal to the product of—

15               “(A) such dollar amount, and

16               “(B) the medical care cost adjustment de-  
17       termined under section 213(d)(10)(B)(ii) for  
18       the calendar year in which the taxable year be-  
19       gins, determined by substituting ‘August 2002’  
20       for ‘August 1996’ in subclause (II) thereof.

21       If any increase determined under the preceding sen-  
22       tence is not a multiple of \$50, such increase shall  
23       be rounded to the next lowest multiple of \$50.

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

25               “(1) APPLICABLE INDIVIDUAL.—

1                     “(A) IN GENERAL.—The term ‘applicable  
2                     individual’ means, with respect to any taxable  
3                     year, any individual who has been certified, be-  
4                     fore the due date for filing the return of tax for  
5                     the taxable year (without extensions), by a phy-  
6                     sician (as defined in section 1861(r)(1) of the  
7                     Social Security Act) as being an individual with  
8                     long-term care needs described in subparagraph  
9                     (B) for a period—

10                     “(i) which is at least 180 consecutive  
11                     days, and

12                     “(ii) a portion of which occurs within  
13                     the taxable year.

14                     Such term shall not include any individual oth-  
15                     erwise meeting the requirements of the pre-  
16                     ceding sentence unless within the 39½ month  
17                     period ending on such due date (or such other  
18                     period as the Secretary prescribes) a physician  
19                     (as so defined) has certified that such indi-  
20                     vidual meets such requirements.

21                     “(B) INDIVIDUALS WITH LONG-TERM CARE  
22                     NEEDS.—An individual is described in this sub-  
23                     paragraph if the individual meets any of the fol-  
24                     lowing requirements:

1                     “(i) The individual is at least 6 years  
2                     of age and—

3                         “(I) is unable to perform (without  
4                     substantial assistance from an-  
5                     other individual) at least 3 activities  
6                     of daily living (as defined in section  
7                     7702B(c)(2)(B)) due to a loss of  
8                     functional capacity, or

9                         “(II) requires substantial super-  
10                     vision to protect such individual from  
11                     threats to health and safety due to se-  
12                     vere cognitive impairment and is un-  
13                     able to perform, without reminding or  
14                     cuing assistance, at least 1 activity of  
15                     daily living (as so defined) or to the  
16                     extent provided in regulations pre-  
17                     scribed by the Secretary (in consulta-  
18                     tion with the Secretary of Health and  
19                     Human Services), is unable to engage  
20                     in age appropriate activities.

21                         “(ii) The individual is at least 2 but  
22                     not 6 years of age and is unable due to a  
23                     loss of functional capacity to perform  
24                     (without substantial assistance from an-

1                   other individual) at least 2 of the following  
2                   activities: eating, transferring, or mobility.

3                   “(iii) The individual is under 2 years  
4                   of age and requires specific durable med-  
5                   ical equipment by reason of a severe health  
6                   condition or requires a skilled practitioner  
7                   trained to address the individual’s condi-  
8                   tion to be available if the individual’s par-  
9                   ents or guardians are absent.

10                  “(2) ELIGIBLE CAREGIVER.—

11                  “(A) IN GENERAL.—A taxpayer shall be  
12                  treated as an eligible caregiver for any taxable  
13                  year with respect to the following individuals:

14                  “(i) The taxpayer.

15                  “(ii) The taxpayer’s spouse.

16                  “(iii) An individual with respect to  
17                  whom the taxpayer is allowed a deduction  
18                  under section 151 for the taxable year.

19                  “(iv) An individual who would be de-  
20                  scribed in clause (iii) for the taxable year  
21                  if section 151(c)(1)(A) were applied by  
22                  substituting for the exemption amount an  
23                  amount equal to the sum of the exemption  
24                  amount, the standard deduction under sec-  
25                  tion 63(c)(2)(C), and any additional stand-

14                   “(B) RESIDENCY TEST.—The require-  
15                   ments of this subparagraph are met if an indi-  
16                   vidual has as his principal place of abode the  
17                   home of the taxpayer and—

1                   “(C) SPECIAL RULES WHERE MORE THAN  
2                   1 ELIGIBLE CAREGIVER.—

3                   “(i) IN GENERAL.—If more than 1 in-  
4                   dividual is an eligible caregiver with re-  
5                   spect to the same applicable individual for  
6                   taxable years ending with or within the  
7                   same calendar year, a taxpayer shall be  
8                   treated as the eligible caregiver if each  
9                   such individual (other than the taxpayer)  
10                  files a written declaration (in such form  
11                  and manner as the Secretary may pre-  
12                  scribe) that such individual will not claim  
13                  such applicable individual for the credit  
14                  under this section.

15                  “(ii) NO AGREEMENT.—If each indi-  
16                  vidual required under clause (i) to file a  
17                  written declaration under clause (i) does  
18                  not do so, the individual with the highest  
19                  modified adjusted gross income (as defined  
20                  in section 32(c)(5)) shall be treated as the  
21                  eligible caregiver.

22                  “(iii) MARRIED INDIVIDUALS FILING  
23                  SEPARATELY.—In the case of married indi-  
24                  viduals filing separately, the determination  
25                  under this subparagraph as to whether the

5       “(d) IDENTIFICATION REQUIREMENT.—No credit  
6 shall be allowed under this section to a taxpayer with re-  
7 spect to any applicable individual unless the taxpayer in-  
8 cludes the name and taxpayer identification number of  
9 such individual, and the identification number of the phy-  
10 sician certifying such individual, on the return of tax for  
11 the taxable year.

12        "(e) TAXABLE YEAR MUST BE FULL TAXABLE  
13 YEAR.—Except in the case of a taxable year closed by rea-  
14 son of the death of the taxpayer, no credit shall be allow-  
15 able under this section in the case of a taxable year cov-  
16 ering a period of less than 12 months.".

17 (b) CONFORMING AMENDMENTS.—

1           25C(d) (relating to credit for taxpayers with  
2           long-term care needs) to be included on a re-  
3           turn.”.

4           (2) Section 6213(g)(2) of the Internal Revenue  
5           Code of 1986, as amended by section 303(g) of the  
6           Economic Growth and Tax Relief Reconciliation Act  
7           of 2001, is amended by striking “and” at the end  
8           of subparagraph (L), by striking the period at the  
9           end of subparagraph (M) and inserting “, and”, and  
10           by inserting after subparagraph (M) the following  
11           new subparagraph:

12           “(N) an omission of a correct TIN or phy-  
13           sician identification required under section  
14           25C(d) (relating to credit for taxpayers with  
15           long-term care needs) to be included on a re-  
16           turn.”.

17           (3) The table of sections for subpart A of part  
18           IV of subchapter A of chapter 1 of such Code is  
19           amended by inserting after the item relating to sec-  
20           tion 25B the following new item:

“Sec. 25C. Credit for taxpayers with long-term care needs.”.

21           (c) EFFECTIVE DATES.—

22           (1) IN GENERAL.—Except as provided in para-  
23           graphs (2) and (3), the amendments made by this  
24           section shall apply to taxable years beginning after  
25           December 31, 2002.

8 SEC. 503. ADDITIONAL CONSUMER PROTECTIONS FOR  
9 LONG-TERM CARE INSURANCE.

10 (a) ADDITIONAL PROTECTIONS APPLICABLE TO  
11 LONG-TERM CARE INSURANCE.—Subparagraphs (A) and  
12 (B) of section 7702B(g)(2) of the Internal Revenue Code  
13 of 1986 (relating to requirements of model regulation and  
14 Act) are amended to read as follows:

15                   “(A) IN GENERAL.—The requirements of  
16                   this paragraph are met with respect to any con-  
17                   tract if such contract meets—

1                         “(II) Section 6B (relating to pro-  
2                         hibitions on limitations and exclu-  
3                         sions).

4                         “(III) Section 6C (relating to ex-  
5                         tension of benefits).

6                         “(IV) Section 6D (relating to  
7                         continuation or conversion of cov-  
8                         erage).

9                         “(V) Section 6E (relating to dis-  
10                         continuance and replacement of poli-  
11                         cies).

12                         “(VI) Section 7 (relating to unin-  
13                         tentional lapse).

14                         “(VII) Section 8 (relating to dis-  
15                         closure), other than section 8F there-  
16                         of.

17                         “(VIII) Section 11 (relating to  
18                         prohibitions against post-claims un-  
19                         derwriting).

20                         “(IX) Section 12 (relating to  
21                         minimum standards).

22                         “(X) Section 13 (relating to re-  
23                         quirement to offer inflation protec-  
24                         tion), except that any requirement for  
25                         a signature on a rejection of inflation

1 protection shall permit the signature  
2 to be on an application or on a sepa-  
3 rate form.

24                   “(B) DEFINITIONS.—For purposes of this  
25                   paragraph—

1                     “(i) MODEL PROVISIONS.—The terms  
2                     ‘model regulation’ and ‘model Act’ mean  
3                     the long-term care insurance model regula-  
4                     tion, and the long-term care insurance  
5                     model Act, respectively, promulgated by  
6                     the National Association of Insurance  
7                     Commissioners (as adopted as of Sep-  
8                     tember 2000).

9                     “(ii) COORDINATION.—Any provision  
10                    of the model regulation or model Act listed  
11                    under clause (i) or (ii) of subparagraph  
12                    (A) shall be treated as including any other  
13                    provision of such regulation or Act nec-  
14                    essary to implement the provision.

15                     “(iii) DETERMINATION.—For pur-  
16                    poses of this section and section 4980C,  
17                    the determination of whether any require-  
18                    ment of a model regulation or the model  
19                    Act has been met shall be made by the  
20                    Secretary.”.

21                     (b) EXCISE TAX.—Paragraph (1) of section  
22                    4980C(c) of the Internal Revenue Code of 1986 (relating  
23                    to requirements of model provisions) is amended to read  
24                    as follows:

25                     “(1) REQUIREMENTS OF MODEL PROVISIONS.—

1                     “(A) MODEL REGULATION.—The following  
2                     requirements of the model regulation must be  
3                     met:

4                     “(i) Section 9 (relating to required  
5                     disclosure of rating practices to con-  
6                     sumer).”

7                     “(ii) Section 14 (relating to applica-  
8                     tion forms and replacement coverage).

9                     “(iii) Section 15 (relating to reporting  
10                     requirements), except that the issuer shall  
11                     also report at least annually the number of  
12                     claims denied during the reporting period  
13                     for each class of business (expressed as a  
14                     percentage of claims denied), other than  
15                     claims denied for failure to meet the wait-  
16                     ing period or because of any applicable  
17                     preexisting condition.

18                     “(iv) Section 22 (relating to filing re-  
19                     quirements for marketing).

20                     “(v) Section 23 (relating to standards  
21                     for marketing), including inaccurate com-  
22                     pletion of medical histories, other than  
23                     paragraphs (1), (6), and (9) of section  
24                     23C, except that—

1                             “(I) in addition to such require-  
2                             ments, no person shall, in selling or  
3                             offering to sell a qualified long-term  
4                             care insurance contract, misrepresent  
5                             a material fact; and

6                             “(II) no such requirements shall  
7                             include a requirement to inquire or  
8                             identify whether a prospective appli-  
9                             cant or enrollee for long-term care in-  
10                             surance has accident and sickness in-  
11                             surance.

12                             “(vi) Section 24 (relating to suit-  
13                             ability).

14                             “(vii) Section 29 (relating to standard  
15                             format outline of coverage).

16                             “(viii) Section 30 (relating to require-  
17                             ment to deliver shopper’s guide).

18                             The requirements referred to in clause (vi) shall  
19                             not include those portions of the personal work-  
20                             sheet described in Appendix B relating to con-  
21                             sumer protection requirements not imposed by  
22                             section 4980C or 7702B.

23                             “(B) MODEL ACT.—The following require-  
24                             ments of the model Act must be met:

1                     “(i) Section 6F (relating to right to  
2                     return), except that such section shall also  
3                     apply to denials of applications and any re-  
4                     fund shall be made within 30 days of the  
5                     return or denial.

6                     “(ii) Section 6G (relating to outline of  
7                     coverage).

8                     “(iii) Section 6H (relating to require-  
9                     ments for certificates under group plans).

10                    “(iv) Section 6I (relating to policy  
11                     summary).

12                    “(v) Section 6J (relating to monthly  
13                     reports on accelerated death benefits).

14                    “(vi) Section 7 (relating to incontest-  
15                     ability period).

16                    “(C) DEFINITIONS.—For purposes of this  
17                     paragraph, the terms ‘model regulation’ and  
18                     ‘model Act’ have the meanings given such terms  
19                     by section 7702B(g)(2)(B).”.

20                    (c) EFFECTIVE DATE.—The amendments made by  
21                     this section shall apply to policies issued more than 1 year  
22                     after the date of the enactment of this Act.

## **TITLE VI—PROMOTING HEALTHIER LIFESTYLES**

3 SEC. 601. COMMUNITY PARTNERSHIPS TO PROMOTE  
4 HEALTHY LIFESTYLES.

5 (a) GRANTS.—The Secretary of Health and Human  
6 Services (referred to in this title as the “Secretary”) shall  
7 award grants to States to enable such States to provide  
8 assistance to eligible community partnerships that will  
9 carry out activities to promote healthy lifestyles.

10 (b) ELIGIBILITY.—

19 (A) be a partnership consisting of one or  
20 more public and private organizations (such as  
21 hospitals, health centers, other health care pro-  
22 viders, employers, local educational agencies,  
23 community organizations, and public health or-  
24 ganizations); and

7 (c) ACTIVITIES.—A State shall use amounts received  
8 under a grant under this section to support activities con-  
9 ducted by an eligible community partnership to promote  
10 health lifestyles, including—

11 (1) activities to reduce the primary risk factors  
12 for diseases, such as smoking, obesity, and sedentary  
13 lifestyles;

18 (3) activities to decrease hospital inpatient ad-  
19 missions of individuals with chronic diseases; and

20 (4) the development of programs relating to  
21 mental health and substance abuse.

22 (d) AUTHORIZATION OF APPROPRIATIONS.—There  
23 are authorized to be appropriated to carry out this section,  
24 such sums as may be necessary for each of fiscal years  
25 2004 through 2006.

1 **SEC. 602. WORKSITE WELLNESS GRANT PROGRAM.**

2       (a) GRANTS.—The Secretary shall award grants to  
3 States (through State health departments or other State  
4 agencies working in consultation with the State health  
5 agency) to enable such States to provide assistance to em-  
6 ployers that employ not to exceed 100 employees to enable  
7 such employers to establish and operate worksite wellness  
8 programs for their employees.

9       (b) APPLICATION.—To be eligible to receive a grant  
10 under subsection (a), a State shall prepare and submit to  
11 the Secretary an application at such time, in such manner,  
12 and containing such information as the Secretary may re-  
13 quire, including—

14           (1) a description of the manner in which the  
15 State intends to use amounts received under the  
16 grant; and

17           (2) assurances that the State will only use  
18 amounts provided under such grant to provide as-  
19 sistance to employers that can demonstrate that they  
20 are in compliance with minimum program character-  
21 istics (relative to scope and regularity of services of-  
22 fered) that are developed by the Secretary in con-  
23 sultation with experts in public health and represent-  
24 atives of small employers.

1       (c) ALLOCATION.—Grants shall be allocated among  
2 States based on the population of individuals employed by  
3 small employers in such States.

4       (d) PROGRAM CHARACTERISTICS.—In developing  
5 minimum program characteristics under subsection (b)(2),  
6 the Secretary shall ensure that all activities established or  
7 enhanced under a grant under this section have clearly  
8 defined goals and objectives and demonstrate how receipt  
9 of such assistance will help to achieve established State  
10 or local health objectives based on the National Health  
11 Promotion and Disease Prevention Objectives.

12       (e) USE OF FUNDS.—Amounts received under a  
13 grant awarded under subsection (a) shall be used by a  
14 State to provide grants to employers (as described in sub-  
15 section (a)), nonprofit organizations, or public authorities,  
16 or to operate State-based worksite wellness programs.

17       (f) SPECIAL EMPHASIS.—In funding employer work-  
18 site wellness projects under this section, a State shall give  
19 special emphasis to—

20           (1) the development of joint wellness programs  
21           between employers;  
22           (2) the development of employee assistance pro-  
23           grams dealing with substance abuse;

4 (4) encouraging the participation of dependents  
5 of employees and retirees in wellness programs.

6 (g) AUTHORIZATION OF APPROPRIATIONS.—There  
7 are authorized to be appropriated to carry out this section,  
8 such sums as may be necessary for each of fiscal years  
9 2004 through 2006.

10 SEC. 603. COMPREHENSIVE SCHOOL HEALTH EDUCATION.

11 (a) IN GENERAL.—The Secretary shall use amounts  
12 appropriated in each fiscal year under subsection (d) to  
13 expand comprehensive school health education programs  
14 administered by the Centers for Disease Control and Pre-  
15 vention under sections 301 and 311 of the Public Health  
16 Service Act (42 U.S.C. 241 and 243).

17 (b) SPECIFIED USE OF FUNDS.—In meeting the re-  
18 quirement of subsection (a), the Secretary shall expand  
19 the number of children receiving planned, sequential kin-  
20 dergarten through 12th grade comprehensive school edu-  
21 cation as a component of comprehensive programs of  
22 school health, including—

23 (1) physical education programs that provide  
24 lifelong physical activity;

## 25 (2) healthy school food service selections:

5 (5) integrated school and community health  
6 promotion efforts; and

7 (6) school nursing disease prevention and  
8 health promotion services.

9 (c) COORDINATION OF EXISTING PROGRAMS.—The  
10 Secretary of Health and Human Services, the Secretary  
11 of Education, and the Secretary of Agriculture shall work  
12 cooperatively to coordinate existing school health edu-  
13 cation programs within the jurisdiction of their respective  
14 Departments in a manner that maximizes the efficiency  
15 and effectiveness of Federal expenditures for such pro-  
16 grams.

17 (d) AUTHORIZATION OF APPROPRIATIONS.—There  
18 are authorized to be appropriated to carry out this section,  
19 such sums as may be necessary for each of fiscal years  
20 2004 through 2006.

21 **TITLE VII—MEDICARE FAIRNESS**  
22 **Subtitle A—Medicare Value and**  
23 **Quality Demonstration**

## 24 SEC. 701. FINDINGS.

25 The Senate makes the following findings:

6 (2) The Journal of the American Medical Asso-  
7 ciation has published quality indicators in an article  
8 entitled “Quality of Medical Care Delivered to Medi-  
9 care Beneficiaries: A Profile at State and National  
10 Levels”.

11 (3) The cost of health care is—

12 (A) reflected in the type and volume of  
13 physicians' services and in physician ordering  
14 and prescribing behavior; and

15 (B) reflected in the amount of the average  
16 payment to hospitals under the medicare pro-  
17 gram for each medicare beneficiary in each  
18 State.

19 (4) Physician and hospital practice patterns  
20 contribute to the total cost and quality of care for  
21 each medicare beneficiary in each State.

22 (5) The original medicare fee-for-service pro-  
23 gram under parts A and B of title XVIII of the So-  
24 cial Security Act does not include a mechanism to  
25 pay for interventions designed to improve quality of

1        care. While the framework for payments to managed  
2        care organizations under the Medicare+Choice pro-  
3        gram under part C of such title allows for the re-  
4        allocation of capitation revenues to cover such things  
5        as disease state management and quality improve-  
6        ment infrastructure, even the most optimistic projec-  
7        tions for managed care enrollment leave the majority  
8        of medicare beneficiaries in the original medicare  
9        fee-for-service program.

10 **SEC. 702. DEMONSTRATION PROJECT TO ENCOURAGE THE**  
11                   **PROVISION OF HIGH-QUALITY, COST-EFFEC-**  
12                   **TIVE INPATIENT HOSPITAL SERVICES.**

13        (a) PURPOSE.—The purpose of the demonstration  
14        project conducted under this section is to encourage the  
15        provision of high-quality, cost-effective health care to  
16        beneficiaries under the medicare program under title  
17        XVIII of the Social Security Act (42 U.S.C. 1395 et seq.)  
18        by providing incentive payments to hospitals located in  
19        States in which high-quality and cost-effective services are  
20        being provided in order to finance further quality improve-  
21        ments.

22        (b) DEMONSTRATION PROJECT.—

23                    (1) ESTABLISHMENT.—Not later than 6  
24        months after the date of enactment of this Act, the

1       Secretary shall establish a demonstration project  
2       under which—

9 (B) the Secretary funds a plan at each site  
10 to increase the number of providers of inpatient  
11 hospital services that provide high-quality, low-  
12 cost health care to beneficiaries under the medi-  
13 care program under title XVIII of the Social  
14 Security Act.

15 (2) VALUE AND QUALITY RANKING METHOD-  
16 OLOGY.—

1           care services being provided to medicare bene-  
2           ficiaries.

3           (B) BASIS.—The methodology established  
4           under subparagraph (A) shall be based on the  
5           rank and performance on medicare quality indi-  
6           cators contained in the article entitled “Quality  
7           of Medical Care Delivered to Medicare Bene-  
8           ficiaries: A Profile at State and National Lev-  
9           els” published in the October 4, 2000, issue of  
10           the Journal of the American Medical Associa-  
11           tion or such other quality indicators as the Sec-  
12           retary determines to be appropriate.

13           (3) SITES.—The Secretary shall select 2 States  
14           in which to conduct the demonstration project—

15           (A) from among the top 25 States (as  
16           ranked using the methodology established under  
17           paragraph (2)) that are also among the group  
18           of 25 States with the lowest per capita cost to  
19           the medicare program under title XVIII of the  
20           Social Security Act during the most recent 12-  
21           month period for which data are available; and

22           (B) based upon information contained in  
23           applications submitted to the Secretary by such  
24           States at such time, in such form and manner,

1                   and containing such information as the Sec-  
2                   retary may require.

3                   (4) DURATION OF PROJECT.—The demonstra-  
4                   tion project shall be conducted over a 5-year period.

5                   (c) REPORTS.—The Secretary shall submit to the ap-  
6                   propriate committees of Congress interim reports on the  
7                   demonstration project and a final report on the project  
8                   within 6 months after the conclusion of the project to-  
9                   gether with recommendations for such legislative or ad-  
10                   ministrative action as the Secretary determines appro-  
11                   priate.

12                   (d) WAIVER.—The Secretary shall waive such provi-  
13                   sions of titles XI and XVIII of the Social Security Act  
14                   (42 U.S.C. 1301 et seq. and 1395 et seq.) as may be nec-  
15                   essary to conduct the demonstration project under this  
16                   section.

17                   (e) DEFINITIONS.—In this section:

18                   (1) PROVIDER OF INPATIENT HOSPITAL SERV-  
19                   ICES.—The term “provider of inpatient hospital  
20                   services” means any individual or entity that re-  
21                   ceives payment under the medicare program under  
22                   title XVIII of the Social Security Act (42 U.S.C.  
23                   1395 et seq.) for providing an inpatient hospital  
24                   service (as defined in section 1861(b) of such Act  
25                   (42 U.S.C. 1395x(b))).

3 (f) FUNDING.—There are appropriated from the Fed-  
4 eral Hospital Insurance Trust Fund under section 1817  
5 of the Social Security Act (42 U.S.C. 1395i) such sums  
6 as the Secretary determines are necessary to conduct the  
7 demonstration project under this section.

8 SEC. 703. DEMONSTRATION PROJECT TO ENCOURAGE THE  
9 PROVISION OF HIGH-QUALITY, COST-EFFEC-  
10 TIVE PHYSICIANS' SERVICES.

11 (a) PURPOSE.—The purpose of the demonstration  
12 project conducted under this section is to encourage the  
13 provision of high-quality, cost-effective health care to  
14 beneficiaries under the medicare program under title  
15 XVIII of the Social Security Act (42 U.S.C. 1395 et seq.)  
16 by providing incentive payments to physicians located in  
17 States in which high-quality and cost-effective services are  
18 being provided in order to finance further quality improve-  
19 ments.

20 (b) DEMONSTRATION PROJECT.—

21 (1) ESTABLISHMENT.—Not later than 6  
22 months after the date of enactment of this Act, the  
23 Secretary shall establish a demonstration project  
24 under which—

7 (B) the Secretary funds a plan in each  
8 State to increase the number of providers of  
9 physicians' services that provide high-quality,  
10 cost-effective health care to beneficiaries under  
11 the medicare program under title XVIII of the  
12 Social Security Act.

15 (A) IN GENERAL.—The Agency for  
16 Healthcare Research and Quality shall establish  
17 a value and quality ranking methodology under  
18 which the Secretary awards bonus payments to  
19 providers of physicians' services located in those  
20 States that demonstrate that such providers in  
21 the State are providing high value because of  
22 the high-quality, cost-effective health care serv-  
23 ices being provided to medicare beneficiaries.

24 (B) BASIS.—The methodology established  
25 under subparagraph (A) shall be based on the

1 rank and performance on medicare quality indi-  
2 cators contained in the article entitled “Quality  
3 of Medical Care Delivered to Medicare Bene-  
4 ficiaries: A Profile at State and National Lev-  
5 els” published in the October 4, 2000, issue of  
6 the Journal of the American Medical Associa-  
7 tion or such other quality indicators as the Sec-  
8 retary determines to be appropriate.

9 (3) SITES.—The Secretary shall select 2 States  
10 in which to conduct the demonstration project—

11 (A) from among the top 25 States (as  
12 ranked using the methodology established under  
13 paragraph (2)) that are also among the 25  
14 States with the lowest per capita cost to the  
15 medicare program under title XVIII of the So-  
16 cial Security Act during the most recent 12-  
17 month period for which data are available; and

18 (B) based upon information contained in  
19 applications submitted to the Secretary by such  
20 States at such time, in such form and manner,  
21 and containing such information as the Sec-  
22 retary may require.

23 (4) DURATION OF PROJECT.—The demonstra-  
24 tion project shall be conducted over a 5-year period.

1       (c) REPORTS.—The Secretary shall submit to the appropriate committees of Congress interim reports on the demonstration project and a final report on the project within 6 months after the conclusion of the project together with recommendations for such legislative or administrative action as the Secretary determines appropriate.

8       (d) WAIVER.—The Secretary shall waive such provisions of titles XI and XVIII of the Social Security Act (42 U.S.C. 1301 et seq. and 1395 et seq.) as may be necessary to conduct the demonstration project under this section.

13       (e) DEFINITIONS.—In this section:

14           (1) PROVIDER OF PHYSICIANS' SERVICES.—The term “provider of physicians' services” means any individual or entity that receives payment under the medicare program under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) for providing physicians' services (as defined in section 1861(q) of such Act (42 U.S.C. 1395x(q))).

21           (2) SECRETARY.—The term “Secretary” means the Secretary of Health and Human Services.

23       (f) FUNDING.—There are appropriated from the Federal Supplementary Medical Insurance Trust Fund under section 1841 of the Social Security Act (42 U.S.C. 1395t)

1 such sums as the Secretary determines are necessary to  
2 conduct the demonstration project under this section.

3 **Subtitle B—Graduate Medical  
4 Education Demonstration**

5 **SEC. 711. CLINICAL ROTATION DEMONSTRATION PROJECT.**

6 (a) ESTABLISHMENT.—Not later than 6 months after  
7 the date of enactment of this Act, the Secretary shall es-  
8 tablish a demonstration project that provides for dem-  
9 onstration grants designed to provide financial or other  
10 incentives to hospitals to attract educators and clinical  
11 practitioners so that hospitals that serve beneficiaries  
12 under the medicare program under title XVIII of the So-  
13 cial Security Act (42 U.S.C. 1395 et seq.) who are resi-  
14 dents of underserved areas may host clinical rotations.

15 (b) DURATION OF PROJECT.—The demonstration  
16 project shall be conducted over a 5-year period.

17 (c) FUNDING.—

18 (1) IN GENERAL.—Subject to paragraph (2),  
19 the Secretary shall pay the costs of the demonstra-  
20 tion project conducted under this section from the  
21 Federal Hospital Insurance Trust Fund under sec-  
22 tion 1817 of the Social Security Act (42 U.S.C.  
23 1395i).

(3) BUDGET NEUTRALITY FOR DEMONSTRATION PROJECT.—Notwithstanding any other provision of law, the Secretary shall provide for an appropriate reduction in the aggregate amount of additional payments made under subsection (d)(5)(B) of section 1886 of the Social Security Act (42 U.S.C. 1395ww) for the indirect costs of medical education and for direct graduate medical education costs under subsection (h) of such section to reflect any increase in amounts expended from the Federal Hospital Insurance Trust Fund as a result of the demonstration project conducted under this section.

16 (d) REPORTS.—The Secretary shall submit to the ap-  
17 propriate committees of Congress interim reports on the  
18 demonstration project and a final report on such project  
19 within 6 months after the conclusion of the project to-  
20 gether with recommendations for such legislative or ad-  
21 ministrative action as the Secretary determines appro-  
22 priate.

23 (e) WAIVER.—The Secretary shall waive such provi-  
24 sions of titles XI and XVIII of the Social Security Act  
25 (42 U.S.C. 1301 et seq. and 1395 et seq.) as may be nec-

1   essary to conduct the demonstration project under this  
2   section.

3                   (f) DEFINITIONS.—In this section:

4                   (1) HOSPITAL.—The term “hospital” means  
5                   any subsection (d) hospital (as defined in section  
6                   1886(d)(1)(B) of the Social Security Act (42 U.S.C.  
7                   1395ww(d)(1)(B)) that had indirect or direct costs  
8                   of medical education during the most recent cost re-  
9                   porting period preceding the date of enactment of  
10                  this Act.

11                  (2) SECRETARY.—The term “Secretary” means  
12                  the Secretary of Health and Human Services.

13                  (3) UNDERSERVED AREA.—The term “under-  
14                  served area” means such medically underserved  
15                  urban areas and medically underserved rural areas  
16                  as the Secretary may specify.

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