

108TH CONGRESS  
2D SESSION

# S. 2935

To amend section 35 of the Internal Revenue Code of 1986 to improve the health coverage tax credit, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

OCTOBER 7, 2004

Mr. ROCKEFELLER introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend section 35 of the Internal Revenue Code of 1986 to improve the health coverage tax credit, and for other purposes.

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

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

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “TAA Health Coverage Improvement Act of 2004”.

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

Sec. 1. Short title; table of contents.

Sec. 2. Improvement of the affordability of the credit.

Sec. 3. 100 percent credit and payment for monthly premiums paid prior to certification of eligibility for the credit.

Sec. 4. Eligibility for certain pension plan participants; presumptive eligibility.

- Sec. 5. Clarification of 3-month creditable coverage requirement.
- Sec. 6. TAA pre-certification period rule for purposes of determining whether there is a 63-day lapse in creditable coverage.
- Sec. 7. Continued qualification of family members after certain events.
- Sec. 8. Offering of Federal group coverage.
- Sec. 9. Additional requirements for individual health insurance costs.
- Sec. 10. Alignment of COBRA coverage with TAA period for TAA-eligible individuals.
- Sec. 11. Notice requirements.
- Sec. 12. Annual report on enhanced TAA benefits.
- Sec. 13. Extension of national emergency grants.
- Sec. 14. Extension of funding for operation of State high risk health insurance pools.

1 **SEC. 2. IMPROVEMENT OF THE AFFORDABILITY OF THE**  
 2 **CREDIT.**

3 (a) IMPROVEMENT OF AFFORDABILITY.—

4 (1) IN GENERAL.—Section 35(a) of the Internal  
 5 Revenue Code of 1986 (relating to credit for health  
 6 insurance costs of eligible individuals) is amended by  
 7 striking “65” and inserting “95”.

8 (2) CONFORMING AMENDMENT.—Section  
 9 7527(b) of such Code (relating to advance payment  
 10 of credit for health insurance costs of eligible indi-  
 11 viduals) is amended by striking “65” and inserting  
 12 “95”.

13 (b) EFFECTIVE DATE.—The amendments made by  
 14 this section apply to taxable years beginning after Decem-  
 15 ber 31, 2004.

1 **SEC. 3. 100 PERCENT CREDIT AND PAYMENT FOR MONTHLY**  
 2 **PREMIUMS PAID PRIOR TO CERTIFICATION**  
 3 **OF ELIGIBILITY FOR THE CREDIT.**

4 (a) IN GENERAL.—Subsection (a) of section 35 of the  
 5 Internal Revenue Code of 1986, as amended by section  
 6 2(a)(1), is amended—

7 (1) by striking the subsection heading and all  
 8 that follows through “In case” and inserting  
 9 “AMOUNT OF CREDIT.—

10 “(1) IN GENERAL.—In case”; and

11 (2) by adding at the end the following new  
 12 paragraph:

13 “(2) 100 PERCENT CREDIT FOR MONTHS PRIOR  
 14 TO ISSUANCE OF ELIGIBILITY CERTIFICATE.—The  
 15 amount allowed as a credit against the tax imposed  
 16 by subtitle A shall be equal to 100 percent in the  
 17 case of the taxpayer’s first eligible coverage months  
 18 occurring prior to the issuance of a qualified health  
 19 insurance costs credit eligibility certificate.”.

20 (b) PAYMENT FOR PREMIUMS DUE PRIOR TO CER-  
 21 TIFICATION OF ELIGIBILITY FOR THE CREDIT.—Section  
 22 7527 of the Internal Revenue Code of 1986 (relating to  
 23 advance payment of credit for health insurance costs of  
 24 eligible individuals) is amended by adding at the end the  
 25 following new subsection:

1       “(e) PAYMENT FOR PREMIUMS DUE PRIOR TO  
2 ISSUANCE OF CERTIFICATE.—The program established  
3 under subsection (a) shall provide—

4               “(1) that the Secretary shall make payments on  
5 behalf of a certified individual of an amount equal  
6 to 100 percent of the premiums for coverage of the  
7 taxpayer and qualifying family members under quali-  
8 fied health insurance for eligible coverage months  
9 (as defined in section 35(b)) occurring prior to the  
10 issuance of a qualified health insurance costs credit  
11 eligibility certificate; and

12              “(2) that any payments made under paragraph  
13 (1) shall not be included in the gross income of the  
14 taxpayer on whose behalf such payments were  
15 made.”.

16       (c) EFFECTIVE DATE.—The amendments made by  
17 this section shall apply to months beginning after the date  
18 of the enactment of this Act in taxable years ending after  
19 such date.

20 **SEC. 4. ELIGIBILITY FOR CERTAIN PENSION PLAN RECIPI-**  
21 **ENTS; PRESUMPTIVE ELIGIBILITY.**

22       (a) ELIGIBILITY FOR CERTAIN PENSION PLAN RE-  
23 CIPIENTS.—Subsection (c) of section 35 of the Internal  
24 Revenue Code of 1986 is amended—

25              (1) in paragraph (1)—

1 (A) in subparagraph (B), by striking  
2 “and” at the end;

3 (B) in subparagraph (C), by striking the  
4 period and inserting “, and”; and

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

6 “(D) an eligible multiemployer pension  
7 participant.”; and

8 (2) by adding at the end the following new  
9 paragraph:

10 “(5) ELIGIBLE MULTIEMPLOYER PENSION RE-  
11 CIPIENT.—The term ‘eligible multiemployer pension  
12 recipient’ means, with respect to any month, any in-  
13 dividual—

14 “(A) who has attained age 55 as of the  
15 first day of such month,

16 “(B) who is receiving a benefit from a  
17 multiemployer plan (as defined in section  
18 3(37)(A) of the Employee Retirement Income  
19 Security Act of 1974), and

20 “(C) whose former employer has with-  
21 drawn from such multiemployer plan pursuant  
22 to section 4203(a) of such Act.”.

23 (b) PRESUMPTIVE ELIGIBILITY FOR PETITIONERS  
24 FOR TRADE ADJUSTMENT ASSISTANCE.—Subsection (c)  
25 of section 35 of the Internal Revenue Code of 1986, as

1 amended by subsection (a), is amended by adding at the  
 2 end the following new paragraph:

3 “(6) PRESUMPTIVE STATUS AS A TAA RECIPI-  
 4 ENT.—The term ‘eligible individual’ shall include  
 5 any individual who is covered by a petition filed with  
 6 the Secretary of Labor under section 221 of the  
 7 Trade Act of 1974. This paragraph shall apply to  
 8 any individual only with respect to months which—

9 “(A) end after the date that such petition  
 10 is so filed, and

11 “(B) begin before the earlier of—

12 “(i) the 90th day after the date of fil-  
 13 ing of such petition, or

14 “(ii) the date on which the Secretary  
 15 of Labor makes a final determination with  
 16 respect to such petition.”.

17 (c) CONFORMING AMENDMENTS.—

18 (1) Paragraph (1) of section 7527(d) of such  
 19 Code is amended by striking “or an eligible alter-  
 20 native TAA recipient (as defined in section  
 21 35(c)(3))” and inserting “, an eligible alternative  
 22 TAA recipient (as defined in section 35(c)(3)), an el-  
 23 igible multiemployer pension recipient (as defined in  
 24 section 35(c)(5), or an individual who is an eligible  
 25 individual by reason of section 35(c)(6))”.

1           (2) Section 173(f)(4) of the Workforce Invest-  
 2           ment Act of 1998 (29 U.S.C. 2918(f)(4)) is amend-  
 3           ed—

4                   (A) in subparagraph (B), by striking  
 5           “and” at the end;

6                   (B) in subparagraph (C), by striking the  
 7           period and inserting a comma; and

8                   (C) by inserting after subparagraph (C),  
 9           the following new subparagraphs:

10                   “(D) an eligible multiemployer pension re-  
 11           cipient (as defined in section 35(c)(5) of the In-  
 12           ternal Revenue Code of 1986), and

13                   “(E) an individual who is an eligible indi-  
 14           vidual by reason of section 35(c)(6) of the In-  
 15           ternal Revenue Code of 1986.”.

16           (d) TECHNICAL AMENDMENT CLARIFYING ELIGI-  
 17   BILITY OF CERTAIN DISPLACED WORKERS RECEIVING A  
 18   BENEFIT UNDER A DEFINED BENEFIT PENSION  
 19   PLAN.—The first sentence of section 35(c)(2) of the Inter-  
 20   nal Revenue Code of 1986 is amended by inserting before  
 21   the period the following: “, and shall include any such in-  
 22   dividual who would be eligible to receive such an allowance  
 23   but for the fact that the individual is receiving a benefit  
 24   under a defined benefit plan (as defined in section 3(35)

1 of the Employee Retirement Income Security Act of  
2 1974).”.

3 (e) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to months beginning after the date  
5 of the enactment of this Act in taxable years ending after  
6 such date.

7 **SEC. 5. CLARIFICATION OF 3-MONTH CREDITABLE COV-**  
8 **ERAGE REQUIREMENT.**

9 (a) IN GENERAL.—Clause (i) of section 35(e)(2)(B)  
10 of the Internal Revenue Code of 1986 (defining qualifying  
11 individual) is amended by inserting “(prior to the employ-  
12 ment separation necessary to attain the status of an eligi-  
13 ble individual)” after “9801(c)”.

14 (b) CONFORMING AMENDMENT.—Section  
15 173(f)(2)(B)(ii)(I) of the Workforce Investment Act of  
16 1998 (29 U.S.C. 2918(f)(2)(B)(ii)(I)) is amended by in-  
17 serting “(prior to the employment separation necessary to  
18 attain the status of an eligible individual)” after “1986”.

19 (c) EFFECTIVE DATE.—The amendments made by  
20 this section shall apply to months beginning after the date  
21 of the enactment of this Act in taxable years ending after  
22 such date.

1 **SEC. 6. TAA PRE-CERTIFICATION PERIOD RULE FOR PUR-**  
 2 **POSES OF DETERMINING WHETHER THERE IS**  
 3 **A 63-DAY LAPSE IN CREDITABLE COVERAGE.**

4 (a) ERISA AMENDMENT.—Section 701(c)(2) of the  
 5 Employee Retirement Income Security Act of 1974 (29  
 6 U.S.C. 1181(c)(2)) is amended by adding at the end the  
 7 following new subparagraph:

8 “(C) TAA-ELIGIBLE INDIVIDUALS.—

9 “(i) TAA PRE-CERTIFICATION PERIOD  
 10 RULE.—In the case of a TAA-eligible indi-  
 11 vidual, the period beginning on the date  
 12 the individual has a TAA-related loss of  
 13 coverage and ending on the date that is 5  
 14 days after the postmark date of the notice  
 15 by the Secretary (or by any person or enti-  
 16 ty designated by the Secretary) that the  
 17 individual is eligible for a qualified health  
 18 insurance costs credit eligibility certificate  
 19 for purposes of section 7527 of the Inter-  
 20 nal Revenue Code of 1986 shall not be  
 21 taken into account in determining the con-  
 22 tinuous period under subparagraph (A).

23 “(ii) DEFINITIONS.—The terms ‘TAA-  
 24 eligible individual’, and ‘TAA-related loss  
 25 of coverage’ have the meanings given such  
 26 terms in section 605(b)(4)(C).”.

1 (b) PHSA AMENDMENT.—Section 2701(c)(2) of the  
 2 Public Health Service Act (42 U.S.C. 300gg(c)(2)) is  
 3 amended by adding at the end the following new subpara-  
 4 graph:

5 “(C) TAA-ELIGIBLE INDIVIDUALS.—

6 “(i) TAA PRE-CERTIFICATION PERIOD  
 7 RULE.—In the case of a TAA-eligible indi-  
 8 vidual, the period beginning on the date  
 9 the individual has a TAA-related loss of  
 10 coverage and ending on the date that is 5  
 11 days after the postmark date of the notice  
 12 by the Secretary (or by any person or enti-  
 13 ty designated by the Secretary) that the  
 14 individual is eligible for a qualified health  
 15 insurance costs credit eligibility certificate  
 16 for purposes of section 7527 of the Inter-  
 17 nal Revenue Code of 1986 shall not be  
 18 taken into account in determining the con-  
 19 tinuous period under subparagraph (A).

20 “(ii) DEFINITIONS.—The terms ‘TAA-  
 21 eligible individual’, and ‘TAA-related loss  
 22 of coverage’ have the meanings given such  
 23 terms in section 2205(b)(4)(C).”.

24 (c) IRC AMENDMENT.—Section 9801(c)(2) of the In-  
 25 ternal Revenue Code of 1986 (relating to not counting pe-

1 riods before significant breaks in creditable coverage) is  
 2 amended by adding at the end the following new subpara-  
 3 graph:

4 “(D) TAA-ELIGIBLE INDIVIDUALS.—

5 “(i) TAA PRE-CERTIFICATION PERIOD  
 6 RULE.—In the case of a TAA-eligible indi-  
 7 vidual, the period beginning on the date  
 8 the individual has a TAA-related loss of  
 9 coverage and ending on the date which is  
 10 5 days after the postmark date of the no-  
 11 tice by the Secretary (or by any person or  
 12 entity designated by the Secretary) that  
 13 the individual is eligible for a qualified  
 14 health insurance costs credit eligibility cer-  
 15 tificate for purposes of section 7527 shall  
 16 not be taken into account in determining  
 17 the continuous period under subparagraph  
 18 (A).

19 “(ii) DEFINITIONS.—The terms ‘TAA-  
 20 eligible individual’, and ‘TAA-related loss  
 21 of coverage’ have the meanings given such  
 22 terms in section 4980B(f)(5)(C)(iv).”.

23 (d) EFFECTIVE DATE.—The amendments made by  
 24 this section shall apply to months beginning after the date

1 of the enactment of this Act in taxable years ending after  
 2 such date.

3 **SEC. 7. CONTINUED QUALIFICATION OF FAMILY MEMBERS**  
 4 **AFTER CERTAIN EVENTS.**

5 (a) IN GENERAL.—Subsection (g) of section 35 of the  
 6 Internal Revenue Code of 1986 is amended by redesignig-  
 7 nating paragraph (9) as paragraph (10) and inserting  
 8 after paragraph (8) the following new paragraph:

9 “(9) CONTINUED QUALIFICATION OF FAMILY  
 10 MEMBERS AFTER CERTAIN EVENTS.—

11 “(A) ELIGIBLE INDIVIDUAL BECOMES  
 12 MEDICARE ELIGIBLE.—In the case of a month  
 13 which would be an eligible coverage month with  
 14 respect to an eligible individual but for sub-  
 15 section (f)(2)(A), such month shall be treated  
 16 as an eligible coverage month with respect to  
 17 any qualifying family member of such eligible  
 18 individual (but not with respect to such eligible  
 19 individual).

20 “(B) DIVORCE.—In the case of a month  
 21 which would be an eligible coverage month with  
 22 respect to a former spouse of a taxpayer but for  
 23 the finalization of a divorce between the spouse  
 24 and the taxpayer that occurs during the period  
 25 in which the taxpayer is an eligible individual,

1           such month shall be treated as an eligible cov-  
2           erage month with respect to such former  
3           spouse.

4           “(C) DEATH.—In the case of a month  
5           which would be an eligible coverage month with  
6           respect to an eligible individual but for the  
7           death of such individual, such month shall be  
8           treated as an eligible coverage month with re-  
9           spect to any qualifying family of such eligible  
10          individual.”.

11          (b) CONFORMING AMENDMENT.—Section 173(f) of  
12          the Workforce Investment Act of 1998 (29 U.S.C.  
13          2918(f)) is amended by adding at the end the following:

14               “(8) CONTINUED QUALIFICATION OF FAMILY  
15          MEMBERS AFTER CERTAIN EVENTS.—

16               “(A) ELIGIBLE INDIVIDUAL BECOMES  
17          MEDICARE ELIGIBLE.—In the case of a month  
18          which would be an eligible coverage month with  
19          respect to an eligible individual but for sub-  
20          section (f)(2)(A), such month shall be treated  
21          as an eligible coverage month with respect to  
22          any qualifying family member of such eligible  
23          individual (but not with respect to such eligible  
24          individual).

1           “(B) DIVORCE.—In the case of a month  
 2           which would be an eligible coverage month with  
 3           respect to a former spouse of a taxpayer but for  
 4           the finalization of a divorce between the spouse  
 5           and the taxpayer that occurs during the period  
 6           in which the taxpayer is an eligible individual,  
 7           such month shall be treated as an eligible cov-  
 8           erage month with respect to such former  
 9           spouse.

10           “(C) DEATH.—In the case of a month  
 11           which would be an eligible coverage month with  
 12           respect to an eligible individual but for the  
 13           death of such individual, such month shall be  
 14           treated as an eligible coverage month with re-  
 15           spect to any qualifying family of such eligible  
 16           individual.”.

17           (c) EFFECTIVE DATE.—The amendments made by  
 18           this section shall apply to months beginning after the date  
 19           of the enactment of this Act in taxable years ending after  
 20           such date.

21   **SEC. 8. OFFERING OF FEDERAL GROUP COVERAGE.**

22           (a) PROVISION OF GROUP COVERAGE.—

23           (1) IN GENERAL.—The Director of the Office of  
 24           Personnel Management jointly with the Secretary of  
 25           the Treasury shall establish a program under which

1 eligible individuals (as defined in section 35(c) of the  
2 Internal Revenue Code of 1986) are offered enroll-  
3 ment under health benefit plans that are made avail-  
4 able under FEHBP.

5 (2) TERMS AND CONDITIONS.—The terms and  
6 conditions of health benefits plans offered under  
7 paragraph (1) shall be the same as the terms and  
8 coverage offered under FEHBP, except that the per-  
9 centage of the premium charged to eligible individ-  
10 uals (as so defined) for such health benefit plans  
11 shall be equal to 5 percent.

12 (3) STUDY.—The Director of the Office of Per-  
13 sonnel Management jointly with the Secretary of the  
14 Treasury shall conduct a study of the impact of the  
15 offering of health benefit plans under this subsection  
16 on the terms and conditions, including premiums,  
17 for health benefit plans offered under FEHBP and  
18 shall submit to Congress, not later than 2 years  
19 after the date of the enactment of this Act, a report  
20 on such study. Such report may contain such rec-  
21 ommendations regarding the establishment of sepa-  
22 rate risk pools for individuals covered under  
23 FEHBP and eligible individuals covered under  
24 health benefit plans offered under paragraph (1) as  
25 may be appropriate to protect the interests of indi-

viduals covered under FEHBP and alleviate any adverse impact on FEHBP that may result from the offering of such health benefit plans.

(4) FEHBP DEFINED.—In this section, the term “FEHBP” means the Federal Employees Health Benefits Program offered under chapter 89 of title 5, United States Code.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 35(e) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

“(K) Coverage under a health benefits plan offered under section 8(a)(1) of the TAA Health Care Tax Credit Improvement Act of 2004.”.

(2) Section 173(f)(2)(A) of the Workforce Investment Act of 1998 (29 U.S.C. 2918(f)(2)(A)) is amended by adding at the end the following new clause:

“(xi) Coverage under a health benefits plan offered under section 8(a)(1) of the TAA Health Care Tax Credit Improvement Act of 2004.”.

1 **SEC. 9. ADDITIONAL REQUIREMENTS FOR INDIVIDUAL**  
2 **HEALTH INSURANCE COSTS.**

3 (a) IN GENERAL.—Subparagraph (A) of section  
4 35(e)(2) of such Code is amended by striking “subpara-  
5 graphs (B) through (H) of paragraph (1)” and inserting  
6 “paragraph (1) (other than subparagraphs (A), (I), and  
7 (K) thereof)”.

8 (b) RATING SYSTEM REQUIREMENT.—Subparagraph  
9 (J) of section 35(e)(1) of such Code is amended by adding  
10 at the end the following: “For purposes of this subpara-  
11 graph and clauses (ii), (iii), and (iv) of subparagraph (F),  
12 such term does not include any insurance unless the pre-  
13 miums for such insurance are restricted based on a com-  
14 munity rating system (determined other than on the basis  
15 of age).”.

16 (c) CLARIFICATION OF CONGRESSIONAL INTENT TO  
17 LIMIT USE OF INDIVIDUAL HEALTH INSURANCE COV-  
18 ERAGE OPTION.—Section 35(e)(1)(J) (relating to quali-  
19 fied health insurance) is amended in the matter preceding  
20 clause (i), by inserting “, but only” after “under individual  
21 health insurance”.

22 (d) CONFORMING AMENDMENTS.—Section 173(f)(2)  
23 of the Workforce Investment Act of 1998 (29 U.S.C.  
24 2918(f)(2)) is amended—

25 (1) in subparagraph (A)(x), by adding at the  
26 end the following: “Such term does not include any

1 insurance unless the premiums for such insurance  
 2 are restricted based on a community rating system  
 3 (determined other than on the basis of age).”; and

4 (2) in subparagraph (B)—

5 (A) in the matter preceding subclause (I),  
 6 by inserting “, but only” after “under indi-  
 7 vidual health insurance”; and

8 (B) in clause (i), by striking “clauses (ii)  
 9 through (viii) of subparagraph (A)” and insert-  
 10 ing “subparagraph (A) (other than clauses (i),  
 11 (x), and (xi) thereof”).

12 **SEC. 10. ALIGNMENT OF COBRA COVERAGE WITH TAA PE-**  
 13 **RIOD FOR TAA-ELIGIBLE INDIVIDUALS.**

14 (a) ERISA.—Section 605(b) of the Employee Retire-  
 15 ment Income Security Act of 1974 (29 U.S.C. 1165(b))  
 16 is amended—

17 (1) in the subsection heading, by inserting  
 18 “AND COVERAGE” after “ELECTION”; and

19 (2) in paragraph (2)—

20 (A) in the paragraph heading, by inserting  
 21 “AND PERIOD” after “COMMENCEMENT”;

22 (B) by striking “and shall” and inserting  
 23 “, shall”; and

24 (C) by inserting “, and in no event shall  
 25 the maximum period required under section

1           602(2)(A) be less than the period during which  
 2           the individual is a TAA-eligible individual” be-  
 3           fore the period at the end.

4           (b) INTERNAL REVENUE CODE OF 1986.—Section  
 5   4980B(f)(5)(C) of the Internal Revenue Code of 1986 is  
 6   amended—

7           (1) in the subparagraph heading, by inserting  
 8   “AND COVERAGE” after “ELECTION”; and

9           (2) in clause (ii)—

10           (A) in the clause heading, by inserting  
 11   “AND PERIOD” after “COMMENCEMENT”;

12           (B) by striking “and shall” and inserting  
 13   “, shall”; and

14           (C) by inserting “, and in no event shall  
 15   the maximum period required under paragraph  
 16   (2)(B)(i) be less than the period during which  
 17   the individual is a TAA-eligible individual” be-  
 18   fore the period at the end.

19           (c) PUBLIC HEALTH SERVICE ACT.—Section  
 20   2205(b) of the Public Health Service Act (42 U.S.C.  
 21   300bb–5(b)) is amended—

22           (1) in the subsection heading, by inserting  
 23   “AND COVERAGE” after “ELECTION”; and

24           (2) in paragraph (2)—

1 (A) in the paragraph heading, by inserting  
 2 “AND PERIOD” after “COMMENCEMENT”;

3 (B) by striking “and shall” and inserting  
 4 “, shall”; and

5 (C) by inserting “, and in no event shall  
 6 the maximum period required under section  
 7 2202(2)(A) be less than the period during  
 8 which the individual is a TAA-eligible indi-  
 9 vidual” before the period at the end.

10 **SEC. 11. NOTICE REQUIREMENTS.**

11 Section 7527 of the Internal Revenue Code of 1986  
 12 (relating to advance payment of credit for health insur-  
 13 ance costs of eligible individuals), as amended by section  
 14 3(b), is amended by adding at the end the following new  
 15 subsection:

16 “(f) INCLUSION OF CERTAIN INFORMATION.—The  
 17 notice by the Secretary (or by any person or entity des-  
 18 ignated by the Secretary) that an individual is eligible for  
 19 a qualified health insurance costs credit eligibility certifi-  
 20 cate shall include—

21 “(1) the name, address, and telephone number  
 22 of the State office or offices responsible for deter-  
 23 mining that the individual is eligible for such certifi-  
 24 cate and for providing the individual with assistance

1 with enrollment in qualified health insurance (as de-  
 2 fined in section 35(e)),

3 “(2) a list of the coverage options that are  
 4 treated as qualified health insurance (as so defined)  
 5 by the State in which the individual resides, and

6 “(3) in the case of a TAA-eligible individual (as  
 7 defined in section 4980B(f)(5)(C)(iv)(II)), a state-  
 8 ment informing the individual that the individual  
 9 has 63 days from the date that is 5 days after the  
 10 postmark date of such notice to enroll in such insur-  
 11 ance without a lapse in creditable coverage (as de-  
 12 fined in section 9801(c)).”.

13 **SEC. 12. ANNUAL REPORT ON ENHANCED TAA BENEFITS.**

14 Not later than October 1 of each year (beginning in  
 15 2004) the Secretary of the Treasury, after consultation  
 16 with the Secretary of Labor, shall report to the Committee  
 17 on Finance and the Committee on Health, Education,  
 18 Labor, and Pensions of the Senate and the Committee on  
 19 Ways and Means and the Committee on Education and  
 20 the Workforce of the House of Representatives the fol-  
 21 lowing information with respect to the most recent taxable  
 22 year ending before such date:

23 (1) The total number of participants utilizing  
 24 the health insurance tax credit under section 35 of

1 the Internal Revenue Code of 1986, including a  
 2 measurement of such participants identified—

3 (A) by State, and

4 (B) by coverage under COBRA continu-  
 5 ation provisions (as defined in section  
 6 9832(d)(1) of such Code) and by non-COBRA  
 7 coverage (further identified by group and indi-  
 8 vidual market).

9 (2) The range of monthly health insurance pre-  
 10 miums offered and the average and median monthly  
 11 health insurance premiums offered to TAA-eligible  
 12 individuals (as defined in section  
 13 4980B(f)(5)(C)(iv)(II) of such Code) under COBRA  
 14 continuation provisions (as defined in section  
 15 9832(d)(1) of such Code), State-based continuation  
 16 coverage provided under a State law that requires  
 17 such coverage, and each category of coverage de-  
 18 scribed in section 35(e)(1) of such Code, identified  
 19 by State and by the actuarial value of such coverage  
 20 and the specific benefits provided and cost-sharing  
 21 imposed under such coverage.

22 (3) The number of States applying for and re-  
 23 ceiving national emergency grants under section  
 24 173(f) of the Workforce Investment Act of 1998 (29

1 U.S.C. 2918(f)) and the time necessary for applica-  
 2 tion approval of such grants.

3 (4) The cost of administering the health credit  
 4 program under section 35 of such Code, by function,  
 5 including the cost of subcontractors.

6 **SEC. 13. EXTENSION OF NATIONAL EMERGENCY GRANTS.**

7 (a) IN GENERAL.—Section 173(f) of the Workforce  
 8 Investment Act of 1998 (29 U.S.C. 2918(f)) is amended—  
 9 (1) by striking paragraph (1) and inserting the  
 10 following new paragraph:

11 “(1) USE OF FUNDS.—

12 “(A) HEALTH INSURANCE COVERAGE FOR  
 13 ELIGIBLE INDIVIDUALS IN ORDER TO OBTAIN  
 14 QUALIFIED HEALTH INSURANCE THAT HAS  
 15 GUARANTEED ISSUE AND OTHER CONSUMER  
 16 PROTECTIONS.—Funds made available to a  
 17 State or entity under paragraph (4)(A) of sub-  
 18 section (a) shall be used to provide an eligible  
 19 individual described in paragraph (4)(C) and  
 20 such individual’s qualifying family members  
 21 with health insurance coverage for the 3-month  
 22 period that immediately precedes the first eligi-  
 23 ble coverage month (as defined in section 35(b)  
 24 of the Internal Revenue Code of 1986) in which  
 25 such eligible individual and such individual’s

1       qualifying family members are covered by quali-  
 2       fied health insurance that meets the require-  
 3       ments described in clauses (i) through (iv) of  
 4       section 35(e)(2)(A) of the Internal Revenue  
 5       Code of 1986 (or such longer minimum period  
 6       as is necessary in order for such eligible indi-  
 7       vidual and such individual’s qualifying family  
 8       members to be covered by qualified health in-  
 9       surance that meets such requirements).

10       “(B) ADDITIONAL USES.—Funds made  
 11       available to a State or entity under paragraph  
 12       (4)(A) of subsection (a) may be used by the  
 13       State or entity for the following:

14               “(i) HEALTH INSURANCE COV-  
 15               ERAGE.—To assist an eligible individual  
 16               and such individual’s qualifying family  
 17               members with enrolling in health insurance  
 18               coverage and qualified health insurance or  
 19               paying premiums for such coverage or in-  
 20               surance.

21               “(ii) ADMINISTRATIVE EXPENSES AND  
 22               START-UP EXPENSES TO ESTABLISH  
 23               GROUP HEALTH PLAN COVERAGE OPTIONS  
 24               FOR QUALIFIED HEALTH INSURANCE.—To  
 25               pay the administrative expenses related to

1 the enrollment of eligible individuals and  
2 such individuals' qualifying family mem-  
3 bers in health insurance coverage and  
4 qualified health insurance, including—

5 “(I) eligibility verification activi-  
6 ties;

7 “(II) the notification of eligible  
8 individuals of available health insur-  
9 ance and qualified health insurance  
10 options;

11 “(III) processing qualified health  
12 insurance costs credit eligibility cer-  
13 tificates provided for under section  
14 7527 of the Internal Revenue Code of  
15 1986;

16 “(IV) providing assistance to eli-  
17 gible individuals in enrolling in health  
18 insurance coverage and qualified  
19 health insurance;

20 “(V) the development or installa-  
21 tion of necessary data management  
22 systems; and

23 “(VI) any other expenses deter-  
24 mined appropriate by the Secretary,  
25 including start-up costs and on going

1 administrative expenses, in order for  
2 the State to treat the coverage de-  
3 scribed in subparagraph (C), (D), (E),  
4 or (F)(i) of section 35(e)(1) of the In-  
5 ternal Revenue Code of 1986, or, only  
6 if the coverage is under a group  
7 health plan, the coverage described in  
8 subparagraph (F)(ii), (F)(iii), (F)(iv),  
9 (G), or (H) of such section, as quali-  
10 fied health insurance under that sec-  
11 tion.

12 “(iii) OUTREACH.—To pay for out-  
13 reach to eligible individuals to inform such  
14 individuals of available health insurance  
15 and qualified health insurance options, in-  
16 cluding outreach consisting of notice to eli-  
17 gible individuals of such options made  
18 available after the date of enactment of  
19 this clause and direct assistance to help  
20 potentially eligible individuals and such in-  
21 dividual’s qualifying family members qual-  
22 ify and remain eligible for the credit estab-  
23 lished under section 35 of the Internal  
24 Revenue Code of 1986 and advance pay-

1           ment of such credit under section 7527 of  
2           such Code.

3           “(iv) BRIDGE FUNDING.—To assist  
4           potentially eligible individuals purchase  
5           qualified health insurance coverage prior to  
6           issuance of a qualified health insurance  
7           costs credit eligibility certificate under sec-  
8           tion 7527 of the Internal Revenue Code of  
9           1986 and commencement of advance pay-  
10          ment, and receipt of expedited payment,  
11          under subsections (a) and (e), respectively,  
12          of that section.

13          “(C) RULE OF CONSTRUCTION.—The in-  
14          clusion of a permitted use under this paragraph  
15          shall not be construed as prohibiting a similar  
16          use of funds permitted under subsection (g).”;  
17          and

18          (2) by striking paragraph (2) and inserting the  
19          following new paragraph:

20          “(2) QUALIFIED HEALTH INSURANCE.—For  
21          purposes of this subsection and subsection (g), the  
22          term ‘qualified health insurance’ has the meaning  
23          given that term in section 35(e) of the Internal Rev-  
24          enue Code of 1986.”.

1 (b) FUNDING.—Section 174(c)(1) of the Workforce  
 2 Investment Act of 1998 (29 U.S.C. 2919(c)(1)) is amend-  
 3 ed—

4 (1) in the paragraph heading, by striking “AU-  
 5 THORIZATION AND APPROPRIATION FOR FISCAL  
 6 YEAR 2002” and inserting “APPROPRIATIONS”; and

7 (2) by striking subparagraph (A) and inserting  
 8 the following new subparagraph:

9 “(A) to carry out subsection (a)(4)(A) of  
 10 section 173—

11 “(i) \$10,000,000 for fiscal year 2002;  
 12 and

13 “(ii) \$300,000,000 for the period of  
 14 fiscal years 2005 through 2007; and”.

15 (c) REPORT REGARDING FAILURE TO COMPLY WITH  
 16 REQUIREMENTS FOR EXPEDITED APPROVAL PROCE-  
 17 DURES.—Section 173(f) of the Workforce Investment Act  
 18 of 1998 (29 U.S.C. 2918(f)) is amended by adding at the  
 19 end the following new paragraph:

20 “(8) REPORT FOR FAILURE TO COMPLY WITH  
 21 REQUIREMENTS FOR EXPEDITED APPROVAL PROCE-  
 22 DURES.—If the Secretary fails to make the notifica-  
 23 tion required under clause (i) of paragraph (3)(A)  
 24 within the 15-day period required under that clause,  
 25 or fails to provide the technical assistance required

1 under clause (ii) of such paragraph within a timely  
 2 manner so that a State or entity may submit an ap-  
 3 proved application within 2 months of the date on  
 4 which the State or entity's previous application was  
 5 disapproved, the Secretary shall submit a report to  
 6 Congress explaining such failure.”.

7 (d) TECHNICAL AMENDMENT.—Effective as if in-  
 8 cluded in the enactment of the Trade Act of 2002 (Public  
 9 Law 107–210; 116 Stat. 933), subsection (f) of section  
 10 203 of that Act is repealed.

11 **SEC. 14. EXTENSION OF FUNDING FOR OPERATION OF**  
 12 **STATE HIGH RISK HEALTH INSURANCE**  
 13 **POOLS.**

14 (a) EXTENSION OF SEED GRANTS.—Section 2745 of  
 15 the Public Health Service Act (42 U.S.C. 300gg–45) is  
 16 amended—

17 (1) in subsection (a), in the subsection heading  
 18 by inserting “EXTENSION OF” before “SEED”; and

19 (2) in subsection (c)(1), by striking  
 20 “\$20,000,000” and all that follows through “2003”  
 21 and inserting “\$15,000,000 for the period of fiscal  
 22 years 2005 and 2006”.

23 (b) FUNDS FOR OPERATIONS.—Section 2745 of the  
 24 Public Health Service Act (42 U.S.C. 300gg–45) is  
 25 amended—

1 (1) in subsection (b)—

2 (A) in the subsection heading by striking  
3 “MATCHING”; and

4 (B) by striking paragraph (2) and insert-  
5 ing the following new paragraph:

6 “(2) ALLOTMENT.—The amounts appropriated  
7 under subsection (c)(2) for a fiscal year shall be  
8 made available to the States (or the entities that op-  
9 erate the high risk pool under applicable State law)  
10 as follows:

11 “(A) An amount equal to 50 percent of the  
12 appropriated amount for the fiscal year shall be  
13 allocated in equal amounts among each eligible  
14 State that applies for assistance under this sub-  
15 section.

16 “(B) An amount equal to 25 percent of the  
17 appropriated amount for the fiscal year shall be  
18 allocated among the States so that the amount  
19 provided to a State bears the same ratio to  
20 such available amount as the number of unin-  
21 sured individuals in the State bears to the total  
22 number of uninsured individuals in all States  
23 (as determined by the Secretary).

24 “(C) An amount equal to 25 percent of the  
25 appropriated amount for the fiscal year shall be

1 allocated among the States so that the amount  
 2 provided to a State bears the same ratio to  
 3 such available amount as the number of individ-  
 4 uals enrolled in health care coverage through  
 5 the qualified high risk pool of the State bears  
 6 to the total number of individuals so enrolled  
 7 through qualified high risk pools in all States  
 8 (as determined by the Secretary).”; and

9 (2) in subsection (c)(2), by striking  
 10 “\$40,000,000” and all that follows through the pe-  
 11 riod and inserting “\$75,000,000 for each of fiscal  
 12 years 2005 through 2009 to make allotments under  
 13 subsection (b)(2).”.

14 (c) DEFINITIONS.—Section 2745 of the Public  
 15 Health Service Act (42 U.S.C. 300gg–45) is amended—

16 (1) in subsection (d), by inserting after  
 17 “2744(c)(2)” the following: “, except that with re-  
 18 spect to subparagraph (A) of such section a State  
 19 may elect to provide for the enrollment of eligible in-  
 20 dividuals through an acceptable alternative mecha-  
 21 nism,”; and

22 (2) by adding at the end the following new sub-  
 23 section:

24 “(e) STANDARD RISK RATE.—In subsection  
 25 (b)(1)(A), the term ‘standard risk rate’ means a rate—

1           “(1) determined under the State high risk pool  
2           by considering the premium rates charged by other  
3           health insurers offering health insurance coverage to  
4           individuals in the insurance market served;

5           “(2) that is established using reasonable actu-  
6           arial techniques; and

7           “(3) that reflects anticipated claims experience  
8           and expenses for the coverage involved.”.

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