

109TH CONGRESS
1ST SESSION

S. 1225

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.

IN THE SENATE OF THE UNITED STATES

JUNE 13, 2005

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

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:

Sec. 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

Sec. 201. Refundable health insurance costs credit.

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

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. Elimination of “dip” in CHIP allotments for fiscal years 2003 and 2004.

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 Extend Medicaid Coverage to Certain Low-Income Individuals

Sec. 231. State option to extend medicaid coverage to certain low-income individuals.

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

Sec. 241. Improving welfare-to-work transition under medicaid.

Subtitle F—Grants to Promote Innovative Outreach and Enrollment Under Medicaid and SCHIP

- Sec. 251. Grants to promote innovative outreach and enrollment under medicaid and SCHIP.
- Sec. 252. State option to provide for simplified determinations of a child's financial eligibility for medical assistance under medicaid or child health assistance under SCHIP.

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.

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

- Sec. 401. Expansion of funding.
- Sec. 402. Loan repayment and scholarship programs.

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.
- Sec. 702. Demonstration project to encourage the provision of high-quality, cost-effective inpatient hospital services.
- Sec. 703. Demonstration project to encourage the provision of high-quality, cost-effective physicians' services.

Subtitle B—Graduate Medical Education Demonstration

- Sec. 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 inserting after section 45I the following:

13 **“SEC. 45J. 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—

22 “(1) 50 percent in the case of an employer with
23 less than 10 employees, and

24 “(2) 30 percent in the case of an employer with
25 more than 9 but less than 26 employees.

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

6 “(1) \$2,000 in the case of self-only coverage,
7 and

8 “(2) \$4,000 in the case of family coverage (as
9 so defined).

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

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

18 “(2) DETERMINATION OF EMPLOYMENT.—

19 “(A) IN GENERAL.—An employer shall be
20 considered an employer described in paragraph
21 (1) or (2) of subsection (b) if such employer
22 employed an average of the number of employ-
23 ees described in such paragraph on business
24 days during either of the 2 preceding calendar
25 years. For purposes of the preceding sentence,

1 a preceding calendar year may be taken into ac-
 2 count only if the employer was in existence
 3 throughout such year.

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

12 “(3) QUALIFIED EMPLOYEE HEALTH INSUR-
 13 ANCE EXPENSES.—

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

18 “(i) is attributable to coverage pro-
 19 vided to any employee while such employee
 20 is a qualified employee; and

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

23 “(B) EXCEPTION FOR AMOUNTS PAID
 24 UNDER SALARY REDUCTION ARRANGEMENTS.—

25 No amount paid or incurred for health insur-

1 ance coverage pursuant to a salary reduction
2 arrangement shall be taken into account under
3 subparagraph (A).

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

7 “(4) QUALIFIED EMPLOYEE.—

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

14 “(B) TREATMENT OF CERTAIN EMPLOY-
15 EES.—For purposes of subparagraph (A), the
16 term ‘employee’—

17 “(i) shall not include an employee
18 within the meaning of section 401(c)(1),
19 but

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

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

1 “(e) CERTAIN RULES MADE APPLICABLE.—For pur-
 2 poses of this section, rules similar to the rules of section
 3 52 shall apply.

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

8 (b) CREDIT TO BE PART OF GENERAL BUSINESS
 9 CREDIT.—Section 38(b) of the Internal Revenue Code of
 10 1986 (relating to current year business credit) is amended
 11 by striking “plus” at the end of paragraph (18), by strik-
 12 ing the period at the end of paragraph (19) and inserting
 13 “, plus”, and by inserting after paragraph (19) the fol-
 14 lowing:

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

17 (c) CLERICAL AMENDMENT.—The table of sections
 18 for subpart D of part IV of subchapter A of chapter 1
 19 of the Internal Revenue Code of 1986 is amended by add-
 20 ing at the end the following:

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

21 (d) EFFECTIVE DATE.—The amendments made by
 22 this section shall apply to amounts paid or incurred in tax-
 23 able years beginning after December 31, 2005.

1 **Subtitle B—Grants to States for**
2 **Small Business Purchasing Groups**

3 **SEC. 121. GRANTS FOR SMALL EMPLOYER PURCHASING**
4 **GROUPS.**

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

9 (b) **APPLICATION REQUIREMENTS.**—To be eligible to
10 receive a grant under this section, a State shall prepare
11 and submit to the Secretary an application in such form,
12 at such time, and containing such information, certifi-
13 cations, and assurances as the Secretary shall reasonably
14 require.

15 (c) **USE OF FUNDS.**—Amounts awarded under this
16 section may be used to finance the costs associated with
17 planning, developing, and operating a qualified small em-
18 ployer purchasing group that meets the requirements of
19 section 122. Such costs may include the costs associated
20 with—

21 (1) engaging in education and outreach efforts
22 to inform small employers, insurers, and the public
23 about the small employer purchasing group;

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

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

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

6 (d) 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 2006 through 2010.

10 **SEC. 122. QUALIFIED SMALL EMPLOYER PURCHASING**
11 **GROUPS.**

12 (a) QUALIFIED SMALL EMPLOYER PURCHASING
13 GROUPS DESCRIBED.—

14 (1) IN GENERAL.—A qualified small employer
15 purchasing group is an entity that—

16 (A) is a nonprofit entity certified under
17 State law;

18 (B) has a membership consisting solely of
19 small employers;

20 (C) is administered solely under the au-
21 thority and control of its member employers;

22 (D) with respect to each State in which its
23 members are located, consists of not fewer than
24 the number of small employers established by
25 the State as appropriate for such a group;

1 (E) offers a program under which group
2 health plans are offered to eligible employees
3 and eligible individuals (including the depend-
4 ents of such employees and individuals) through
5 its member employers; and

6 (F) an insurer, agent, broker, or any other
7 individual or entity engaged in the sale of insur-
8 ance—

9 (i) does not form or underwrite; and

10 (ii) does not hold or control any right

11 to vote with respect to.

12 (2) SPECIAL RULE.—Notwithstanding para-
13 graph (1)(B), an employer member of a small em-
14 ployer purchasing group that has been certified by
15 the State as meeting the requirements of paragraph
16 (1) may retain its membership in the group if the
17 number of employees of the employer increases such
18 that the employer is no longer a small employer.

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

24 (c) MEMBERSHIP.—

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

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

8 (d) DUTIES OF QUALIFIED SMALL EMPLOYER PUR-
9 CHASING GROUPS.—Each qualified small employer pur-
10 chasing group shall—

11 (1) enter into agreements with insurers offering
12 qualified group health plans;

13 (2) enter into agreements with small employers
14 for the purchase of health insurance;

15 (3) enroll only eligible employees, eligible indi-
16 viduals, and the dependents of such employees and
17 individuals in group health plans; and

18 (4) provide enrollee information to the State.

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

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

23 (2) assume financial risk in relation to any such
24 health plan; or

1 (3) perform other activities identified by the
2 State as being inconsistent with the performance of
3 its duties.

4 (f) RULES OF CONSTRUCTION.—

5 (1) ESTABLISHMENT NOT REQUIRED.—Nothing
6 in this section shall be construed as requiring that
7 a State organize, operate or otherwise establish a
8 qualified small employer purchasing group, or other-
9 wise require the establishment of purchasing groups.

10 (2) VOLUNTARY PARTICIPATION.—Nothing in
11 this section shall be construed as requiring any indi-
12 vidual or small employer to purchase a group health
13 plan exclusively through a qualified small employer
14 purchasing group.

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

19 **Subtitle C—Health Benefits**
20 **Information for Small Employers**

21 **SEC. 131. GRANT PROGRAM TO FACILITATE HEALTH BENE-**
22 **FITS INFORMATION FOR SMALL EMPLOYERS.**

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

1 (1) demonstrating new and effective ways to
2 provide information about the benefits of health in-
3 surance to small employers, including tax benefits,
4 increased productivity of employees, and decreased
5 turnover of employees;

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

9 (3) making small employers aware of the tax
10 treatment of insurance premiums.

11 (b) AUTHORIZATION.—There is authorized to be ap-
12 propriated to carry out this section, such sums as may
13 be necessary for each of fiscal years 2006 through 2010.

14 **Subtitle D—Grant Program to**
15 **Encourage State Innovation**

16 **SEC. 141. GRANT PROGRAM TO ENCOURAGE STATE INNO-**
17 **VATION.**

18 (a) IN GENERAL.—The Secretary of Health and
19 Human Services (in this section referred to as the “Sec-
20 retary”) shall establish a program (in this section referred
21 to as the “program”) to award demonstration grants
22 under this section to States to allow States to demonstrate
23 the effectiveness of innovative ways to increase access to
24 health insurance through market reforms and other inno-

1 vative means. Such innovative means may include any of
2 the following:

3 (1) Alternative group purchasing or pooling ar-
4 rangements, such as purchasing cooperatives for
5 small businesses, reinsurance pools, or high risk
6 pools.

7 (2) Individual or small group market reforms.

8 (3) Consumer education and outreach.

9 (4) Subsidies to individuals, employers, or both,
10 in obtaining health insurance.

11 (b) SCOPE; DURATION.—The program shall be lim-
12 ited to not more than 10 States and to a total period of
13 5 years, beginning on the date the first demonstration
14 grant is made.

15 (c) CONDITIONS FOR DEMONSTRATION GRANTS.—

16 (1) IN GENERAL.—The Secretary may not pro-
17 vide for a demonstration grant to a State under the
18 program unless the Secretary finds that under the
19 proposed demonstration grant—

20 (A) the State will provide for demonstrated
21 increase of access for some portion of the exist-
22 ing uninsured population through a market in-
23 novation (other than merely through a financial
24 expansion of a program initiated before the
25 date of enactment of this Act);

1 (B) the State will comply with applicable
2 Federal laws;

3 (C) the State will not discriminate among
4 participants on the basis of any health status-
5 related factor (as defined in section 2791(d)(9)
6 of the Public Health Service Act (42 U.S.C.
7 300gg-91(d)(9)), except to the extent a State
8 wishes to focus on populations that otherwise
9 would not obtain health insurance because of
10 such factors; and

11 (D) the State will provide for such evalua-
12 tion, in coordination with the evaluation re-
13 quired under subsection (d), as the Secretary
14 may specify.

15 (2) APPLICATION.—The Secretary shall not
16 provide a demonstration grant under the program to
17 a State unless—

18 (A) the State submits to the Secretary
19 such an application, in such a form and man-
20 ner, as the Secretary specifies;

21 (B) the application includes information
22 regarding how the demonstration grant will ad-
23 dress issues such as governance, targeted popu-
24 lation, expected cost, and the continuation after

1 the completion of the demonstration grant pe-
2 riod; and

3 (C) the Secretary determines that the dem-
4 onstration grant will be used consistent with
5 this section.

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

10 (d) EVALUATION.—The Secretary shall enter into a
11 contract with an appropriate entity outside the Depart-
12 ment of Health and Human Services to conduct an overall
13 evaluation of the program at the end of the program pe-
14 riod. Such evaluation shall include an analysis of improve-
15 ments in access, costs, quality of care, or choice of cov-
16 erage, under different demonstration grants.

17 (e) OPTION TO PROVIDE FOR INITIAL PLANNING
18 GRANTS.—Notwithstanding the previous provisions of this
19 section, under the program the Secretary may provide for
20 a portion of the amounts appropriated under subsection
21 (f) (not to exceed \$5,000,000) to be made available to any
22 State for initial planning grants to permit States to de-
23 velop demonstration grant proposals under the previous
24 provisions of this section.

1 (f) AUTHORIZATION OF APPROPRIATIONS.—There
 2 are authorized to be appropriated such sums as may be
 3 necessary to carry out this section. Amounts appropriated
 4 under this subsection shall remain available until ex-
 5 pended.

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

10 **TITLE II—EXPANSION OF AC-**
 11 **CESS TO AFFORDABLE**
 12 **HEALTH CARE FOR INDIVID-**
 13 **UALS AND FAMILIES**

14 **Subtitle A—Internal Revenue Code**
 15 **Provisions**

16 **SEC. 201. REFUNDABLE HEALTH INSURANCE COSTS CRED-**
 17 **IT.**

18 (a) ALLOWANCE OF CREDIT.—

19 (1) IN GENERAL.—Subpart C of part IV of sub-
 20 chapter A of chapter 1 of the Internal Revenue Code
 21 of 1986 (relating to refundable personal credits) is
 22 amended by redesignating section 36 as section 37
 23 and inserting after section 35 the following:

1 **“SEC. 36. HEALTH INSURANCE COSTS FOR UNINSURED ELI-**
2 **GIBLE INDIVIDUALS.**

3 “(a) ALLOWANCE OF CREDIT.—In the case of an un-
4 insured eligible individual, there shall be allowed as a cred-
5 it against the tax imposed by this subtitle for the taxable
6 year an amount equal to the amount paid by the taxpayer
7 during such taxable year for qualified health insurance for
8 the taxpayer and the taxpayer’s spouse and dependents.

9 “(b) LIMITATIONS.—

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

13 “(A) the sum of the monthly limitations
14 for coverage months during such taxable year
15 for the individuals referred to in subsection (a)
16 for whom the taxpayer paid during the taxable
17 year any amount for coverage under qualified
18 health insurance, or

19 “(B) 90 percent of the amount paid by the
20 taxpayer during such taxable year for qualified
21 health insurance for such individuals.

22 “(2) MONTHLY LIMITATION.—

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

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

3 “(ii) \$1,000 if—

4 “(I) such individual is the spouse
5 of the taxpayer,

6 “(II) the taxpayer and such
7 spouse are married as of the first day
8 of such month, and

9 “(III) the taxpayer files a joint
10 return for the taxable year, and

11 “(iii) \$500 if such individual is an in-
12 dividual for whom a deduction under sec-
13 tion 151(c) is allowable to the taxpayer for
14 such taxable year.

15 “(B) LIMITATION TO 2 DEPENDENTS.—
16 Not more than 2 individuals may be taken into
17 account by the taxpayer under subparagraph
18 (A)(iii).

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

21 “(i) who is married (within the mean-
22 ing of section 7703) as of the close of the
23 taxable year but does not file a joint return
24 for such year, and

1 “(ii) who does not live apart from
2 such individual’s spouse at all times during
3 the taxable year,
4 the limitation imposed by subparagraph (B)
5 shall be divided equally between the individual
6 and the individual’s spouse unless they agree on
7 a different division.

8 “(3) PHASEOUT OF CREDIT.—

9 “(A) IN GENERAL.—The amount which
10 would (but for this paragraph) be taken into ac-
11 count under subsection (a) shall be reduced
12 (but not below zero) by the amount determined
13 under subparagraph (B).

14 “(B) AMOUNT OF REDUCTION.—The
15 amount determined under this subparagraph is
16 the amount which bears the same ratio to the
17 amount which would be so taken into account
18 for the taxable year as—

19 “(i) the excess of—

20 “(I) the taxpayer’s modified ad-
21 justed gross income for the preceding
22 taxable year, over

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

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

3 “(C) MODIFIED ADJUSTED GROSS IN-
4 COME.—The term ‘modified adjusted gross in-
5 come’ means adjusted gross income deter-
6 mined—

7 “(i) without regard to this section and
8 sections 911, 931, and 933, and

9 “(ii) after application of sections 86,
10 135, 137, 219, 221, and 469.

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

13 “(A) IN GENERAL.—The term ‘coverage
14 month’ means, with respect to an individual,
15 any month if—

16 “(i) as of the first day of such month
17 such individual is covered by qualified
18 health insurance, and

19 “(ii) the premium for coverage under
20 such insurance for such month is paid by
21 the taxpayer.

22 “(B) EMPLOYER-SUBSIDIZED COV-
23 ERAGE.—

24 “(i) IN GENERAL.—Such term shall
25 not include any month for which such indi-

1 vidual is eligible to participate in any sub-
2 sidized health plan (within the meaning of
3 section 162(l)(2)) maintained by any em-
4 ployer of the taxpayer or of the spouse of
5 the taxpayer.

6 “(ii) PREMIUMS TO NONSUBSIDIZED
7 PLANS.—If an employer of the taxpayer or
8 the spouse of the taxpayer maintains a
9 health plan which is not a subsidized
10 health plan (as so defined) and which con-
11 stitutes qualified health insurance, em-
12 ployee contributions to the plan shall be
13 treated as amounts paid for qualified
14 health insurance.

15 “(C) CAFETERIA PLAN AND FLEXIBLE
16 SPENDING ACCOUNT BENEFICIARIES.—Such
17 term shall not include any month during a tax-
18 able year if any amount is not includible in the
19 gross income of the taxpayer for such year
20 under section 106 with respect to—

21 “(i) a benefit chosen under a cafeteria
22 plan (as defined in section 125(d)), or

23 “(ii) a benefit provided under a flexi-
24 ble spending or similar arrangement.

1 “(D) MEDICARE AND MEDICAID.—Such
2 term shall not include any month with respect
3 to an individual if, as of the first day of such
4 month, such individual—

5 “(i) is entitled to any benefits under
6 title XVIII of the Social Security Act, or

7 “(ii) is a participant in the program
8 under title XIX or XXI of such Act.

9 “(E) CERTAIN OTHER COVERAGE.—Such
10 term shall not include any month during a tax-
11 able year with respect to an individual if, at any
12 time during such year, any benefit is provided
13 to such individual under—

14 “(i) chapter 89 of title 5, United
15 States Code,

16 “(ii) chapter 55 of title 10, United
17 States Code,

18 “(iii) chapter 17 of title 38, United
19 States Code, or

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

22 “(F) PRISONERS.—Such term shall not in-
23 clude any month with respect to an individual
24 if, as of the first day of such month, such indi-

1 vidual is imprisoned under Federal, State, or
2 local authority.

3 “(G) INSUFFICIENT PRESENCE IN UNITED
4 STATES.—Such term shall not include any
5 month during a taxable year with respect to an
6 individual if such individual is present in the
7 United States on fewer than 183 days during
8 such year (determined in accordance with sec-
9 tion 7701(b)(7)).

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

17 “(c) QUALIFIED HEALTH INSURANCE.—For pur-
18 poses of this section, the term ‘qualified health insurance’
19 means health insurance coverage (as defined in section
20 9832(b)(1)), including coverage under a COBRA continu-
21 ation provision (as defined in section 9832(d)(1)).

22 “(d) ARCHER MSA CONTRIBUTIONS.—If a deduction
23 would be allowed under section 220 to the taxpayer for
24 a payment for the taxable year to the Archer MSA of an

1 individual, subsection (a) shall not apply to the taxpayer
2 for such taxable year.

3 “(e) SPECIAL RULES.—

4 “(1) COORDINATION WITH MEDICAL EXPENSE
5 DEDUCTION.—The amount which would (but for this
6 paragraph) be taken into account by the taxpayer
7 under section 213 for the taxable year shall be re-
8 duced by the credit (if any) allowed by this section
9 to the taxpayer for such year.

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

16 “(3) COORDINATION WITH ADVANCE PAY-
17 MENT.—Rules similar to the rules of section 32(g)
18 shall apply to any credit to which this section ap-
19 plies.

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

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

4 (b) INFORMATION REPORTING.—

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

10 **“SEC. 6050U. RETURNS RELATING TO PAYMENTS FOR**
11 **QUALIFIED HEALTH INSURANCE.**

12 “(a) IN GENERAL.—Any person who, in connection
13 with a trade or business conducted by such person, re-
14 ceives payments during any calendar year from any indi-
15 vidual for coverage of such individual or any other indi-
16 vidual under creditable health insurance, shall make the
17 return described in subsection (b) (at such time as the
18 Secretary may by regulations prescribe) with respect to
19 each individual from whom such payments were received.

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

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

24 “(2) contains—

1 “(A) the name, address, and TIN of the
2 individual from whom payments described in
3 subsection (a) were received,

4 “(B) the name, address, and TIN of each
5 individual who was provided by such person
6 with coverage under creditable health insurance
7 by reason of such payments and the period of
8 such coverage,

9 “(C) the aggregate amount of payments
10 described in subsection (a),

11 “(D) the qualified health insurance credit
12 advance amount (as defined in section 7528(e))
13 received by such person with respect to the indi-
14 vidual described in subparagraph (A), and

15 “(E) such other information as the Sec-
16 retary may reasonably prescribe.

17 “(c) CREDITABLE HEALTH INSURANCE.—For pur-
18 poses of this section, the term ‘creditable health insurance’
19 means qualified health insurance (as defined in section
20 36(c)).

21 “(d) STATEMENTS TO BE FURNISHED TO INDIVID-
22 UALS WITH RESPECT TO WHOM INFORMATION IS RE-
23 QUIRED.—Every person required to make a return under
24 subsection (a) shall furnish to each individual whose name

1 is required under subsection (b)(2)(A) to be set forth in
2 such return a written statement showing—

3 “(1) the name and address of the person re-
4 quired to make such return and the phone number
5 of the information contact for such person,

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

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

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

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

20 “(e) RETURNS WHICH WOULD BE REQUIRED TO BE
21 MADE BY 2 OR MORE PERSONS.—Except to the extent
22 provided in regulations prescribed by the Secretary, in the
23 case of any amount received by any person on behalf of
24 another person, only the person first receiving such

1 amount shall be required to make the return under sub-
2 section (a).”.

3 (2) ASSESSABLE PENALTIES.—

4 (A) Subparagraph (B) of section
5 6724(d)(1) of such Code (relating to defini-
6 tions) is amended by redesignating clauses (xiii)
7 through (xviii) as clauses (xiv) through (xix),
8 respectively, and by inserting after clause (xii)
9 the following:

10 “(xiii) section 6050U (relating to re-
11 turns relating to payments for qualified
12 health insurance),”.

13 (B) Paragraph (2) of section 6724(d) of
14 such Code is amended by striking “or” at the
15 end of subparagraph (AA), by striking the pe-
16 riod at the end of the subparagraph (BB) and
17 inserting “, or”, and by adding at the end the
18 following:

19 “(CC) section 6050U(d) (relating to re-
20 turns relating to payments for qualified health
21 insurance).”.

22 (3) CLERICAL AMENDMENT.—The table of sec-
23 tions for subpart B of part III of subchapter A of
24 chapter 61 of such Code is amended by inserting

1 after the item relating to section 6050T the fol-
2 lowing:

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

3 (c) **CRIMINAL PENALTY FOR FRAUD.**—Subchapter B
4 of chapter 75 of the Internal Revenue Code of 1986 (relat-
5 ing to other offenses) is amended by adding at the end
6 the following:

7 **“SEC. 7276. PENALTIES FOR OFFENSES RELATING TO**
8 **HEALTH INSURANCE TAX CREDIT.**

9 “Any person who knowingly misuses Department of
10 the Treasury names, symbols, titles, or initials to convey
11 the false impression of association with, or approval or en-
12 dorsement by, the Department of the Treasury of any in-
13 surance products or group health coverage in connection
14 with the credit for health insurance costs under section
15 36 shall on conviction thereof be fined not more than
16 \$10,000, or imprisoned not more than 1 year, or both.”.

17 (d) **CONFORMING AMENDMENTS.**—

18 (1) Section 162(l) of the Internal Revenue Code
19 of 1986 is amended by adding at the end the fol-
20 lowing:

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

1 **SEC. 202. ADVANCE PAYMENT OF CREDIT TO ISSUERS OF**
 2 **QUALIFIED HEALTH INSURANCE.**

3 (a) IN GENERAL.—Chapter 77 of the Internal Rev-
 4 enue Code of 1986 (relating to miscellaneous provisions)
 5 is amended by inserting after section 7527 the following:

6 **“SEC. 7527A ADVANCE PAYMENT OF HEALTH INSURANCE**
 7 **CREDIT FOR PURCHASERS OF QUALIFIED**
 8 **HEALTH INSURANCE.**

9 “(a) GENERAL RULE.—Every plan sponsor of a
 10 group health plan providing, or qualified health insurance
 11 issuer of, qualified health insurance to an eligible indi-
 12 vidual shall—

13 “(1) make qualified premium payments with re-
 14 spect to such individual in an amount equal to the
 15 qualified health insurance credit advance amount,
 16 and

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

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

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

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

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

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

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

11 “(3) QUALIFIED PREMIUM PAYMENTS.—The
12 term ‘qualified premium payments’ means any
13 amount paid or incurred, cost incurred, or health
14 coverage value provided, with respect to qualified
15 health insurance for an eligible individual and the
16 individual’s spouse and dependents. For purposes of
17 the preceding sentence, in the case of a group health
18 plan, the health coverage value is equal to the appli-
19 cable premium under the plan for the qualified
20 health insurance coverage provided to an eligible in-
21 dividual and the individual’s spouse and dependents,
22 as determined under section 4980B.

23 “(d) QUALIFIED HEALTH INSURANCE CREDIT ELI-
24 GIBILITY CERTIFICATE.—For purposes of this section, a
25 qualified health insurance credit eligibility certificate is a

1 statement furnished by an individual to a plan sponsor
2 of a group health plan or qualified health insurance issuer
3 which—

4 “(1) certifies that the individual will be eligible
5 to receive the credit provided by section 36 for the
6 taxable year,

7 “(2) estimates the amount of such credit for
8 such taxable year, and

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

11 “(e) QUALIFIED HEALTH INSURANCE CREDIT AD-
12 VANCE AMOUNT.—For purposes of this section, the term
13 ‘qualified health insurance credit advance amount’ means,
14 with respect to any plan sponsor of a group health plan
15 providing, or qualified health insurance issuer of, qualified
16 health insurance, the amount of credit allowable under
17 section 36 to the individual for the taxable year which is
18 attributable to the insurance provided to the individual by
19 such sponsor or issuer.

20 “(f) REQUIRED DOCUMENTATION FOR RECEIPT OF
21 PAYMENTS OF ADVANCE AMOUNT.—No payment of a
22 qualified health insurance credit advance amount with re-
23 spect to any eligible individual may be made under sub-
24 section (a) unless the plan sponsor of the group health

1 plan or qualified health insurance issuer provides to the
2 Secretary—

3 “(1) the qualified health insurance credit eligi-
4 bility certificate of such individual, and

5 “(2) the return relating to such individual
6 under section 6050U.

7 “(g) QUALIFIED PREMIUM PAYMENTS TO BE
8 TREATED AS PAYMENTS OF WITHHOLDING AMOUNTS
9 AND CERTAIN EMPLOYER TAX.—

10 “(1) IN GENERAL.—For purposes of this title,
11 qualified premium payments made or costs incurred
12 by the sponsor of a group health plan, or any entity
13 designated by the sponsor to make such payments or
14 incur such costs—

15 “(A) shall not be treated as compensation,
16 and

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

19 “(i) amounts required to be deposited
20 by the taxpayer as estimated income tax
21 under section 6654 or 6655,

22 “(ii) amounts required to be deducted
23 and withheld under section 3401 (relating
24 to wage withholding),

1 “(iii) amounts of the taxes imposed
2 under section 3111(a) or 50 percent of
3 taxes imposed under section 1401(a) (re-
4 lating to FICA employer taxes), or

5 “(iv) amounts required to be deducted
6 under section 3102 with respect to taxes
7 imposed under section 3101(a) or 50 per-
8 cent of taxes imposed under section
9 1401(a) (relating to FICA employee
10 taxes),

11 as if such sponsor, or such designated entity,
12 had paid to the Secretary an amount equal to
13 such payments.

14 “(2) QUALIFIED PREMIUM PAYMENTS EXCEED
15 TAXES DUE.—In the case of any entity, if for any
16 time period the aggregate qualified premium pay-
17 ments exceed the amounts described in paragraph
18 (1)(B), the Secretary shall reduce amounts described
19 in such paragraph for any succeeding time period as
20 necessary to reflect such excess.

21 “(3) FAILURE TO MAKE QUALIFIED PREMIUM
22 PAYMENTS.—For purposes of this title (including
23 penalties), failure to make a qualified premium pay-
24 ment with respect to an eligible individual at the
25 time provided therefor shall be treated as the failure

1 at such time to deduct and withhold under chapter
 2 24 of such Code in an amount equal to the amount
 3 of such qualified premium payments.

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

7 (b) CLERICAL AMENDMENT.—The table of sections
 8 for chapter 77 of the Internal Revenue Code of 1986 is
 9 amended by inserting after the item relating to section
 10 7527 the following:

“Sec. 7527A. Advance payment of health insurance credit for pur-
 chasers of qualified health insurance.”.

11 (c) EFFECTIVE DATE.—The amendments made by
 12 this section shall take effect on January 1, 2007, without
 13 regard to whether final regulations to carry out such
 14 amendments have been promulgated by such date.

15 **Subtitle B—FamilyCare**

16 **SEC. 211. RENAMING OF TITLE XXI PROGRAM.**

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

20 “TITLE XXI—FAMILYCARE PROGRAM”.

21 (b) PROGRAM REFERENCES.—Any reference in any
 22 provision of Federal law or regulation to “SCHIP” or
 23 “State children’s health insurance program” under title

1 XXI of the Social Security Act shall be deemed a reference
2 to the FamilyCare program under such title.

3 **SEC. 212. FAMILYCARE COVERAGE OF PARENTS UNDER**
4 **THE MEDICAID PROGRAM AND TITLE XXI.**

5 (a) INCENTIVES TO IMPLEMENT FAMILYCARE COV-
6 ERAGE.—

7 (1) UNDER MEDICAID.—

8 (A) ESTABLISHMENT OF NEW OPTIONAL
9 ELIGIBILITY CATEGORY.—Section
10 1902(a)(10)(A)(ii) of the Social Security Act
11 (42 U.S.C. 1396a(a)(10)(A)(ii)) is amended—

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

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

16 (iii) by adding at the end the fol-
17 lowing:

18 “(XIX) who are individuals de-
19 scribed in subsection (k)(1) (relating
20 to parents of categorically eligible chil-
21 dren);”.

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

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

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

8 “(ii) who are not otherwise eligible for medical
9 assistance under such subsection, under section
10 1931, or under a waiver approved under section
11 1115 or otherwise (except under subsection
12 (a)(10)(A)(ii)(XIX)); and

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

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

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

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

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

14 (C) ENHANCED MATCHING FUNDS AVAIL-
 15 ABLE IF CERTAIN CONDITIONS MET.—Section
 16 1905 of the Social Security Act (42 U.S.C.
 17 1396d) is amended—

18 (i) in the fourth sentence of sub-
 19 section (b), by striking “or subsection
 20 (u)(3)” and inserting “, (u)(3), or (u)(4)”;
 21 and

22 (ii) in subsection (u)—

23 (I) by redesignating paragraph
 24 (4) as paragraph (6), and

1 (II) by inserting after paragraph
2 (3) the following:

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

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

8 “(i) PARENTS.—If the conditions described
9 in clause (iii) are met, expenditures for medical
10 assistance for parents described in section
11 1902(k)(1) and for parents who would be de-
12 scribed in such section but for the fact that
13 they are eligible for medical assistance under
14 section 1931 or under a waiver approved under
15 section 1115.

16 “(ii) CERTAIN PREGNANT WOMEN.—Ex-
17 penditures for medical assistance for pregnant
18 women under section 1902(l)(1)(A) in a family
19 the income of which exceeds the income level
20 applicable under section 1902(l)(2)(A) to a
21 family of the size involved as of January 1,
22 2005.

23 “(iii) CONDITIONS.—The conditions de-
24 scribed in this clause are the following:

1 “(I) The State has a State child
2 health plan under title XXI which (wheth-
3 er implemented under such title or under
4 this title) has an effective income level for
5 children that is at least 200 percent of the
6 poverty line.

7 “(II) Such State child health plan
8 does not limit the acceptance of applica-
9 tions, does not use a waiting list for chil-
10 dren who meet eligibility standards to
11 qualify for assistance, and provides bene-
12 fits to all children in the State who apply
13 for and meet eligibility standards.

14 “(III) The State plans under this title
15 and title XXI do not provide coverage for
16 parents with higher family income without
17 covering parents with a lower family in-
18 come.

19 “(IV) The State does not apply an in-
20 come level for parents that is lower than
21 the effective income level (expressed as a
22 percent of the poverty line) that has been
23 specified under the State plan under title
24 XIX (including under a waiver authorized
25 by the Secretary or under section

1 1902(r)(2)), as of January 1, 2005, to be
2 eligible for medical assistance as a parent
3 under this title.

4 “(iv) DEFINITIONS.—For purposes of this
5 subsection:

6 “(I) The term ‘parent’ has the mean-
7 ing given such term for purposes of section
8 1902(k)(1).

9 “(II) The term ‘poverty line’ has the
10 meaning given such term in section
11 2110(c)(5).”.

12 (D) APPROPRIATION FROM TITLE XXI AL-
13 LOTMENT FOR CERTAIN MEDICAID EXPANSION
14 COSTS.—Subparagraph (B) of section
15 2105(a)(1) of the Social Security Act, as
16 amended by section 217(a), is amended to read
17 as follows:

18 “(B) FAMILYCARE PARENTS.—Expendi-
19 tures for medical assistance that is attributable
20 to expenditures described in section
21 1905(u)(4)(A).”.

22 (E) ONLY COUNTING ENHANCED PORTION
23 FOR COVERAGE OF ADDITIONAL PREGNANT
24 WOMEN.—Section 1905 of the Social Security
25 Act (42 U.S.C. 1396d) is amended—

1 (i) in the fourth sentence of sub-
2 section (b), by inserting “(except in the
3 case of expenditures described in sub-
4 section (u)(5))” after “do not exceed”; and

5 (ii) in subsection (u), by inserting
6 after paragraph (4) (as inserted by sub-
7 paragraph (C)), the following:

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

12 “(A) REGULAR FMAP FOR EXPENDITURES FOR
13 PREGNANT WOMEN WITH INCOME ABOVE JANUARY
14 1, 2005 INCOME LEVEL AND BELOW 185 PERCENT OF
15 POVERTY.—The portion of the payments made for
16 expenditures described in paragraph (4)(A)(ii) that
17 represents the amount that would have been paid if
18 the enhanced FMAP had not been substituted for
19 the Federal medical assistance percentage.”.

20 (2) UNDER TITLE XXI.—

21 (A) FAMILYCARE COVERAGE.—Title XXI
22 of the Social Security Act (42 U.S.C. 1397aa et
23 seq.) is amended by adding at the end the fol-
24 lowing:

1 **“SEC. 2111. OPTIONAL FAMILYCARE COVERAGE OF PAR-**
 2 **ENTS OF TARGETED LOW-INCOME CHILDREN.**

3 “(a) **OPTIONAL COVERAGE.**—Notwithstanding any
 4 other provision of this title, a State child health plan may
 5 provide for coverage, through an amendment to its State
 6 child health plan under section 2102, of FamilyCare as-
 7 sistance for individuals who are targeted low-income par-
 8 ents in accordance with this section, but only if—

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

11 “(2) the State elects to provide medical assist-
 12 ance under section 1902(a)(10)(A)(ii)(XIX), under
 13 section 1931, or under a waiver under section 1115
 14 to individuals described in section 1902(k)(1)(A)(i)
 15 and elects an applicable income level for such indi-
 16 viduals that consistent with paragraphs (1)(B) and
 17 (2) of section 1902(k), ensures to the maximum ex-
 18 tent possible, that those individuals shall be enrolled
 19 in the same program as their children if their chil-
 20 dren are eligible for coverage under title XIX (in-
 21 cluding under a waiver authorized by the Secretary
 22 or under section 1902(r)(2)).”.

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

24 “(1) **FAMILYCARE ASSISTANCE.**—The term
 25 ‘FamilyCare assistance’ has the meaning given the
 26 term child health assistance in section 2110(a) as if

1 any reference to targeted low-income children were
2 a reference to targeted low-income parents.

3 “(2) TARGETED LOW-INCOME PARENT.—The
4 term ‘targeted low-income parent’ has the meaning
5 given the term targeted low-income child in section
6 2110(b) as if the reference to a child were deemed
7 a reference to a parent (as defined in paragraph (3))
8 of the child; except that in applying such section—

9 “(A) there shall be substituted for the in-
10 come level described in paragraph (1)(B)(ii)(I)
11 the applicable income level in effect for a tar-
12 geted low-income child;

13 “(B) in paragraph (3), January 1, 2005,
14 shall be substituted for July 1, 1997; and

15 “(C) in paragraph (4), January 1, 2005,
16 shall be substituted for March 31, 1997.

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

20 “(4) OPTIONAL TREATMENT OF PREGNANT
21 WOMEN AS PARENTS.—A State child health plan
22 may treat a pregnant woman who is not otherwise
23 a parent as a targeted low-income parent for pur-
24 poses of this section but only if the State has estab-
25 lished an income level under section 1902(l)(2)(A)(i)

1 for pregnant women that is at least 185 percent of
2 the income official poverty line described in such sec-
3 tion.

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

9 “(1) Any reference in this title (other than sub-
10 section (b)) to a targeted low-income child is deemed
11 to include a reference to a targeted low-income par-
12 ent.

13 “(2) Any such reference to child health assist-
14 ance with respect to such parents is deemed a ref-
15 erence to FamilyCare assistance.

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

20 “(4) In applying section 2110(b)(4), any ref-
21 erence to ‘section 1902(l)(2) or 1905(n)(2) (as se-
22 lected by a State)’ is deemed a reference to the in-
23 come level applicable to parents under section 1931
24 or under a waiver approved under section 1115, or,
25 in the case of a pregnant woman described in sub-

1 section (b)(4), the income level established under
2 section 1902(l)(2)(A).

3 “(5) In applying section 2102(b)(3)(B), any
4 reference to children is deemed a reference to par-
5 ents.”.

6 (B) ADDITIONAL ALLOTMENT FOR STATES
7 PROVIDING FAMILYCARE.—

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

12 “(d) ADDITIONAL ALLOTMENTS FOR STATE PRO-
13 VIDING FAMILYCARE.—

14 “(1) APPROPRIATION; TOTAL ALLOTMENT.—
15 For the purpose of providing additional allotments
16 to States to provide FamilyCare coverage under sec-
17 tion 2111, there is appropriated, out of any money
18 in the Treasury not otherwise appropriated—

19 “(A) for fiscal year 2006, \$2,000,000,000;

20 “(B) for fiscal year 2007, \$3,000,000,000;

21 “(C) for fiscal year 2008, \$3,000,000,000;

22 “(D) for fiscal year 2009, \$6,000,000,000;

23 “(E) for fiscal year 2010, \$7,000,000,000;

24 “(F) for fiscal year 2011, \$8,000,000,000;

25 “(G) for fiscal year 2012, \$9,000,000,000;

1 “(H) for fiscal year 2013,
2 \$10,000,000,000; and

3 “(I) for fiscal year 2014 and each fiscal
4 year thereafter, the amount of the allotment
5 provided under this paragraph for the preceding
6 fiscal year increased by the percentage increase
7 (if any) in the medical care expenditure cat-
8 egory of the Consumer Price Index for All
9 Urban Consumers (United States city average).

10 “(2) STATE AND TERRITORIAL ALLOTMENTS.—

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

18 “(i) in the case of such a State other
19 than a commonwealth or territory de-
20 scribed in clause (ii), the same proportion
21 as the proportion of the State’s allotment
22 under subsection (b) (determined without
23 regard to subsection (f)) to 98.95 percent
24 of the total amount of the allotments
25 under such section for such States eligible

1 for an allotment under this subparagraph
2 for such fiscal year; and

3 “(ii) in the case of a commonwealth or
4 territory described in subsection (c)(3), the
5 same proportion as the proportion of the
6 commonwealth’s or territory’s allotment
7 under subsection (c) (determined without
8 regard to subsection (f)) to 1.05 percent of
9 the total amount of the allotments under
10 such section for commonwealths and terri-
11 tories eligible for an allotment under this
12 subparagraph for such fiscal year.

13 “(B) AVAILABILITY AND REDISTRIBUTION
14 OF UNUSED ALLOTMENTS.—In applying sub-
15 sections (e) and (f) with respect to additional
16 allotments made available under this subsection,
17 the procedures established under such sub-
18 sections shall ensure such additional allotments
19 are only made available to States which have
20 elected to provide coverage under section 2111.

21 “(3) USE OF ADDITIONAL ALLOTMENT.—Addi-
22 tional allotments provided under this subsection are
23 not available for amounts expended before October
24 1, 2005. Such amounts are available for amounts ex-
25 pended on or after such date for child health assist-

1 ance for targeted low-income children, as well as for
2 FamilyCare assistance.

3 “(4) REQUIRING ELECTION TO PROVIDE
4 FAMILYCARE COVERAGE.—No payments may be
5 made to a State under this title from an allotment
6 provided under this subsection unless the State has
7 made an election to provide FamilyCare assist-
8 ance.”.

9 (ii) CONFORMING AMENDMENTS.—

10 Section 2104 of the Social Security Act
11 (42 U.S.C. 1397dd) is amended—

12 (I) in subsection (a), by inserting

13 “subject to subsection (d),” after

14 “under this section,”;

15 (II) in subsection (b)(1), by in-

16 serting “and subsection (d)” after

17 “Subject to paragraph (4)”; and

18 (III) in subsection (c)(1), by in-

19 serting “subject to subsection (d),”

20 after “for a fiscal year.”.

21 (C) NO COST-SHARING FOR PREGNANCY-

22 RELATED BENEFITS.—Section 2103(e)(2) of

23 the Social Security Act (42 U.S.C.

24 1397cc(e)(2)) is amended—

1 (i) in the heading, by inserting “AND
2 PREGNANCY-RELATED SERVICES” after
3 “PREVENTIVE SERVICES”; and

4 (ii) by inserting before the period at
5 the end the following: “and for pregnancy-
6 related services”.

7 (3) EFFECTIVE DATE.—The amendments made
8 by this subsection apply to items and services fur-
9 nished on or after October 1, 2005, whether or not
10 regulations implementing such amendments have
11 been issued.

12 (b) RULES FOR IMPLEMENTATION BEGINNING WITH
13 FISCAL YEAR 2008.—

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

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

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

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

23 “(VIII) who are described in sub-
24 section (k)(1) (or would be described
25 if subparagraph (A)(ii) of such sub-

1 section did not apply) and who are in
 2 families with incomes that do not ex-
 3 ceed 100 percent of the poverty line
 4 applicable to a family of the size in-
 5 volved;”.

6 (2) EXPANSION OF AVAILABILITY OF EN-
 7 HANCED MATCH UNDER MEDICAID FOR PRE-CHIP
 8 EXPANSIONS.—Paragraph (4) of section 1905(u) of
 9 the Social Security Act (42 U.S.C. 1396d(u)), as in-
 10 serted by subsection (a)(1)(C), is amended—

11 (A) by amending clause (ii) of subpara-
 12 graph (A) to read as follows:

13 “(ii) CERTAIN PREGNANT WOMEN.—Ex-
 14 penditures for medical assistance for pregnant
 15 women under section 1902(l)(1)(A) in a family
 16 the income of which exceeds the 133 percent of
 17 the income official poverty line.”; and

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

19 “(B) CHILDREN IN FAMILIES WITH INCOME
 20 ABOVE MEDICAID MANDATORY LEVEL NOT PRE-
 21 VIOUSLY DESCRIBED.—The expenditures described
 22 in this subparagraph are expenditures (other than
 23 expenditures described in paragraph (2) or (3)) for
 24 medical assistance made available to any child who
 25 is eligible for assistance under section

1 1902(a)(10)(A) (other than under clause (i)) and
2 the income of whose family exceeds the minimum in-
3 come level required under subsection 1902(l)(2) (or,
4 if higher, the minimum level required under section
5 1931 for that State) for a child of the age involved
6 (treating any child who is 19 or 20 years of age as
7 being 18 years of age).”.

8 (3) OFFSET OF ADDITIONAL EXPENDITURES
9 FOR ENHANCED MATCH FOR PRE-CHIP EXPANSION;
10 ELIMINATION OF OFFSET FOR REQUIRED COVERAGE
11 OF FAMILYCARE PARENTS.—

12 (A) IN GENERAL.—Section 1905(u)(5) of
13 the Social Security Act (42 U.S.C.
14 1396d(u)(5)), as added by subsection (a)(1)(E),
15 is amended—

16 (i) by amending subparagraph (A) to

17 read as follows:

18 “(A) REGULAR FMAP FOR EXPENDITURES FOR
19 PREGNANT WOMEN WITH INCOME ABOVE 133 PER-
20 CENT OF POVERTY.—The portion of the payments
21 made for expenditures described in paragraph
22 (4)(A)(ii) that represents the amount that would
23 have been paid if the enhanced FMAP had not been
24 substituted for the Federal medical assistance per-
25 centage.”; and

1 (ii) by adding at the end the fol-
2 lowing:

3 “(B) FAMILYCARE PARENTS UNDER 100 PER-
4 CENT OF POVERTY.—Payments for expenditures de-
5 scribed in paragraph (4)(A)(i) in the case of parents
6 whose income does not exceed 100 percent of the in-
7 come official poverty line applicable to a family of
8 the size involved.

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

17 (B) CONFORMING AMENDMENTS.—Sub-
18 paragraph (B) of section 2105(a)(1) of the So-
19 cial Security Act, as amended by section 217(a)
20 and subsection (a)(1)(D), is amended to read as
21 follows:

22 “(B) CERTAIN FAMILYCARE PARENTS AND
23 OTHERS.—Expenditures for medical assistance
24 that is attributable to expenditures described in

1 section 1905(u)(4), except as provided in sec-
2 tion 1905(u)(5).”.

3 (4) EFFECTIVE DATE.—The amendments made
4 by this subsection apply as of October 1, 2007, to
5 fiscal years beginning on or after such date and to
6 expenditures under the State plan on and after such
7 date, whether or not regulations implementing such
8 amendments have been issued.

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

12 (1) by striking “and” at the end of paragraph
13 (9);

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

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

17 “(11) for fiscal year 2008 and each fiscal year
18 thereafter, the amount of the allotment provided
19 under this subsection for the preceding fiscal year
20 increased by the percentage increase (if any) in the
21 medical care expenditure category of the Consumer
22 Price Index for All Urban Consumers (United States
23 city average).”.

24 (d) OPTIONAL APPLICATION OF PRESUMPTIVE ELI-
25 GIBILITY PROVISIONS TO PARENTS.—Section 1920A of

1 the Social Security Act (42 U.S.C. 1396r–1a) is amended
2 by adding at the end the following:

3 “(e) A State may elect to apply the previous provi-
4 sions of this section to provide for a period of presumptive
5 eligibility for medical assistance for a parent (as defined
6 for purposes of section 1902(k)(1)) of a child with respect
7 to whom such a period is provided under this section.”.

8 (e) CONFORMING AMENDMENTS.—

9 (1) ELIGIBILITY CATEGORIES.—Section
10 1905(a) of the Social Security Act (42 U.S.C.
11 1396d(a)) is amended, in the matter before para-
12 graph (1)—

13 (A) by striking “or” at the end of clause
14 (xii);

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

17 (C) by inserting after clause (xiii) the fol-
18 lowing:

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

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

1 (A) effective October 1, 2007, by inserting
 2 “1902(a)(10)(A)(i)(VIII),” after
 3 “1902(a)(10)(A)(i)(VII),”; and
 4 (B) by inserting
 5 “1902(a)(10)(A)(ii)(XIX),” after
 6 “1902(a)(10)(A)(ii)(XVIII),”.

7 (3) CONFORMING AMENDMENT RELATING TO
 8 NO WAITING PERIOD FOR PREGNANT WOMEN.—Sec-
 9 tion 2102(b)(1)(B) of the Social Security Act (42
 10 U.S.C. 1397bb(b)(1)(B)) is amended—

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

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

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

16 “(iii) may not apply a waiting period
 17 (including a waiting period to carry out
 18 paragraph (3)(C)) in the case of a targeted
 19 low-income parent who is pregnant.”.

20 **SEC. 213. OPTIONAL COVERAGE OF CHILDREN THROUGH**
 21 **AGE 20 UNDER THE MEDICAID PROGRAM AND**
 22 **TITLE XXI.**

23 (a) MEDICAID.—

24 (1) IN GENERAL.—Section 1902(l)(1)(D) of the
 25 Social Security Act (42 U.S.C. 1396a(l)(1)(D)) is

1 amended by inserting “(or, at the election of a
2 State, 20 or 21 years of age)” after “19 years of
3 age”.

4 (2) CONFORMING AMENDMENTS.—

5 (A) Section 1902(e)(3)(A) of the Social Se-
6 curity Act (42 U.S.C. 1396a(e)(3)(A)) is
7 amended by inserting “(or 1 year less than the
8 age the State has elected under subsection
9 (l)(1)(D))” after “18 years of age”.

10 (B) Section 1902(e)(12) of the Social Se-
11 curity Act (42 U.S.C. 1396a(e)(12)) is amend-
12 ed by inserting “or such higher age as the State
13 has elected under subsection (l)(1)(D)” after
14 “19 years of age”.

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

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

1 (1) by striking “and” at the end of clause (i);

2 (2) by striking the period at the end of clause

3 (ii) and inserting “; and”; and

4 (3) by adding at the end the following new

5 clause:

6 “(iii) total annual aggregate cost-

7 sharing described in clauses (i) and (ii)

8 with respect to all such targeted low-in-

9 come children in a family under this title

10 that exceeds 2.5 percent of such family’s

11 income for the year involved.”.

12 (b) REPORTING OF ENROLLMENT DATA.—

13 (1) QUARTERLY REPORTS.—Section 2107(b)(1)

14 of such Act (42 U.S.C. 1397gg(b)(1)) is amended by

15 adding at the end the following: “In quarterly re-

16 ports on enrollment required under this paragraph,

17 a State shall include information on the age, gender,

18 race, ethnicity, service delivery system, and family

19 income of individuals enrolled.”.

20 (2) ANNUAL REPORTS.—Section

21 2108(b)(1)(B)(i) of such Act (42 U.S.C.

22 1397hh(b)(1)(B)(i)) is amended by inserting “pri-

23 mary language of enrollees,” after “family income,”.

1 (c) EMPLOYER COVERAGE WAIVER CHANGES.—Sec-
2 tion 2105(e)(3) of such Act (42 U.S.C. 1397ee(c)(3)) is
3 amended—

4 (1) by redesignating subparagraphs (A) and
5 (B) as clauses (i) and (ii) and indenting appro-
6 priately;

7 (2) by designating the matter beginning with
8 “Payment may be made” as a subparagraph (A)
9 with the heading “IN GENERAL” and indenting ap-
10 propriately;

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

12 (A) in the matter preceding clause (i) (as
13 redesignated by paragraph (1)), by striking
14 “targeted low-income children” and inserting “a
15 targeted low-income child, a targeted low-in-
16 come parent, or a pregnant woman who is
17 treated as a targeted low-income parent under
18 section 2111(b)(4)”;

19 (B) in clause (i) (as so redesignated), by
20 striking “children” and inserting “child, tar-
21 geted low-income parent, or pregnant woman
22 treated as such a parent”; and

23 (C) in clause (ii) (as so redesignated), by
24 striking “children” and inserting “child, parent,
25 or pregnant women”; and

1 (4) by adding at the end the following new sub-
2 paragraphs:

3 “(B) APPLICATION OF REQUIREMENTS.—

4 In carrying out subparagraph (A)—

5 “(i) the Secretary shall not require a
6 minimum employer contribution level that
7 is separate from the requirement of cost-
8 effectiveness under subparagraph (A)(i),
9 but a State shall identify a reasonable min-
10 imum employer contribution level that is
11 based on data demonstrating that such a
12 level is representative to the employer-
13 sponsored insurance market in the State
14 and shall monitor employer contribution
15 levels over time to determine whether sub-
16 stitution is occurring and report the find-
17 ings in annual reports under section
18 2108(a);

19 “(ii) the State shall establish a wait-
20 ing period of at least 6 months without
21 group health coverage, but may establish
22 reasonable exceptions to such period and
23 shall not apply such a waiting period to a
24 child who is provided coverage under a
25 group health plan under section 1906;

1 “(iii) subject to clause (iv), the State
2 shall provide satisfactory assurances that
3 the minimum benefits and cost-sharing
4 protections established under this title are
5 provided, either through the coverage
6 under subparagraph (A) or as a supple-
7 ment to such coverage; and

8 “(iv) coverage under such subpara-
9 graph shall not be considered to violate
10 clause (iii) because it does not comply with
11 requirements relating to reviews of health
12 service decisions if the enrollee involved is
13 provided the option of being provided bene-
14 fits directly under this title.

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

24 “(i) The enrollee has an opportunity
25 for external review of a—

1 “(I) delay, denial, reduction, sus-
2 pension, or termination of health serv-
3 ices, in whole or in part, including a
4 determination about the type or level
5 of services; and

6 “(II) failure to approve, furnish,
7 or provide payment for health services
8 in a timely manner.

9 “(ii) The external review is conducted
10 by the State or a impartial contractor
11 other than the contractor responsible for
12 the matter subject to external review.

13 “(iii) The external review decision is
14 made on a timely basis in accordance with
15 the medical needs of the patient. If the
16 medical needs of the patient do not dictate
17 a shorter time frame, the review must be
18 completed—

19 “(I) within 90 calendar days of
20 the date of the request for internal or
21 external review; or

22 “(II) within 72 hours if the en-
23 rollee’s physician or plan determines
24 that the deadline under subclause (I)
25 could seriously jeopardize the enroll-

1 ee's life or health or ability to attain,
2 maintain, or regain maximum func-
3 tion (except that a State may extend
4 the 72-hour deadline by up to 14 days
5 if the enrollee requests an extension).

6 “(iv) The external review decision
7 shall be in writing.

8 “(v) Applicants and enrollees have an
9 opportunity—

10 “(I) to represent themselves or
11 have representatives of their choosing
12 in the review process;

13 “(II) timely review their files and
14 other applicable information relevant
15 to the review of the decision; and

16 “(III) fully participate in the re-
17 view process, whether the review is
18 conducted in person or in writing, in-
19 cluding by presenting supplemental
20 information during the review pro-
21 cess.”.

22 (d) SENSE OF THE SENATE REGARDING AUTHORITY
23 TO USE SCHIP FUNDS TO PURCHASE FAMILY COV-
24 ERAGE.—It is the sense of the Senate that section
25 2105(c)(3) of the Social Security Act (42 U.S.C.

1 1397ee(c)(3)) permits States to use funds provided under
2 the State children’s health insurance program established
3 under title XXI of that Act (42 U.S.C. 1397aa et seq.)
4 to help low-income working families and pregnant women
5 eligible for assistance under that program pay their share
6 of employer-sponsored health insurance coverage.

7 (e) EFFECTIVE DATE.—The amendments made by
8 this section apply as of October 1, 2006, whether or not
9 regulations implementing such amendments have been
10 issued.

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

12 (a) LIMITATION ON CONFLICTS OF INTEREST IN
13 MARKETING ACTIVITIES.—

14 (1) TITLE XXI.—Section 2105(c) of the Social
15 Security Act (42 U.S.C. 300aa–5(c)) is amended by
16 adding at the end the following:

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

1 “(A) The vendor is independent of any en-
2 tity offering the coverage in the same area of
3 the State in which the vendor is conducting
4 marketing activities.

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

13 (b) PROHIBITION OF AFFILIATION WITH DEBARRED
14 INDIVIDUALS.—

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

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

19 (B) by inserting after paragraph (20) the
20 following:

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

24 “(A) no person with an ownership or con-
25 trol interest (as defined in section 1124(a)(3))

1 in the entity is a person that is debarred, sus-
 2 pended, or otherwise excluded from partici-
 3 pating in procurement or non-procurement ac-
 4 tivities under the Federal Acquisition Regula-
 5 tion; and

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

11 (2) TITLE XXI.—Section 2107(e)(1) of the So-
 12 cial Security Act (42 U.S.C. 1397gg(e)(1)) is
 13 amended—

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

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

17 “(E) Section 1902(a)(67) (relating to pro-
 18 hibition of affiliation with debarred individ-
 19 uals).”.

20 (c) EFFECTIVE DATE.—The amendments made by
 21 this section shall apply to expenditures made on or after
 22 October 1, 2006, whether or not regulations implementing
 23 such amendments have been issued.

1 **SEC. 217. TECHNICAL AND CONFORMING AMENDMENTS TO**
2 **AUTHORITY TO PAY MEDICAID EXPANSION**
3 **COSTS FROM TITLE XXI APPROPRIATION.**

4 (a) AUTHORITY TO PAY MEDICAID EXPANSION
5 COSTS FROM TITLE XXI APPROPRIATION.—Section
6 2105(a) of the Social Security Act (42 U.S.C. 1397ee(a))
7 is amended to read as follows:

8 “(a) ALLOWABLE EXPENDITURES.—

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

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

21 “(B) RESERVED.—[reserved].

22 “(C) CHILD HEALTH ASSISTANCE UNDER
23 THIS TITLE.—Expenditures for child health as-
24 sistance under the plan for targeted low-income
25 children in the form of providing health benefits

1 coverage that meets the requirements of section
2 2103.

3 “(D) ASSISTANCE AND ADMINISTRATIVE
4 EXPENDITURES SUBJECT TO LIMIT.—Expendi-
5 tures only to the extent permitted consistent
6 with subsection (c)—

7 “(i) for other child health assistance
8 for targeted low-income children;

9 “(ii) for expenditures for health serv-
10 ices initiatives under the plan for improv-
11 ing the health of children (including tar-
12 geted low-income children and other low-
13 income children);

14 “(iii) for expenditures for outreach ac-
15 tivities as provided in section 2102(c)(1)
16 under the plan; and

17 “(iv) for other reasonable costs in-
18 curred by the State to administer the plan.

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

24 “(3) NO DUPLICATIVE PAYMENT.—In the case
25 of expenditures for which payment is made under

1 paragraph (1), no payment shall be made under title
2 XIX.”.

3 (b) CONFORMING AMENDMENTS.—

4 (1) SECTION 1905(u).—Section 1905(u)(1)(B)
5 of the Social Security Act (42 U.S.C.
6 1396d(u)(1)(B)) is amended by inserting “and sec-
7 tion 2105(a)(1)” after “subsection (b)”.

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

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall be effective as if included in the enact-
14 ment of the Balanced Budget Act of 1997 (Public Law
15 105–33; 111 Stat. 251).

16 **Subtitle C—Simplified Enrollment**

17 **SEC. 221. AUTOMATIC ENROLLMENT OF CHILDREN BORN** 18 **TO TITLE XXI PARENTS.**

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

22 “(C) AUTOMATIC ELIGIBILITY OF CHIL-
23 DREN BORN TO A PARENT BEING PROVIDED
24 FAMILYCARE.—Such eligibility standards shall
25 provide for automatic coverage of a child born

1 to an individual who is provided assistance
 2 under this title in the same manner as medical
 3 assistance would be provided under section
 4 1902(e)(4) to a child described in such sec-
 5 tion.”.

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

8 (a) APPLICATION UNDER MEDICAID.—

9 (1) IN GENERAL.—Section 1902(l) of the Social
 10 Security Act (42 U.S.C. 1396a(l)) is amended—

11 (A) in paragraph (3), by inserting “subject
 12 to paragraph (5)”, after “Notwithstanding sub-
 13 section (a)(17),”; and

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

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

24 “(A) the State may not apply a resource stand-
 25 ard;

1 “(B) the State shall use the same simplified eli-
2 gibility form (including, if applicable, permitting ap-
3 plication other than in person) as the State uses
4 under such State child health plan with respect to
5 such individuals;

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

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

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

24 (b) PRESUMPTIVE ELIGIBILITY.—

1 (1) IN GENERAL.—Section 1920A(b)(3)(A)(i) of
2 the Social Security Act (42 U.S.C. 1396r–
3 1a(b)(3)(A)(i)) is amended by inserting “a child care
4 resource and referral agency,” after “a State or trib-
5 al child support enforcement agency,”.

6 (2) APPLICATION TO PRESUMPTIVE ELIGIBILITY
7 FOR PREGNANT WOMEN UNDER MEDICAID.—Section
8 1920(b) of the Social Security Act (42 U.S.C.
9 1396r–1(b)) is amended by adding at the end after
10 and below paragraph (2) the following flush sen-
11 tence:

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

14 (3) APPLICATION UNDER TITLE XXI.—

15 (A) IN GENERAL.—Section 2107(e)(1)(D)
16 of the Social Security Act (42 U.S.C.
17 1397gg(e)(1)) is amended to read as follows:

18 “(D) Sections 1920 and 1920A (relating to
19 presumptive eligibility).”.

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

23 (i) by striking “ and resources (in-
24 cluding any standards relating to

1 spenddowns and disposition of resources”);

2 and

3 (ii) by adding at the end the fol-
4 lowing: “Effective 1 year after the date of
5 enactment of the Access to Affordable
6 Health Care Act, such standards may not
7 include the application of a resource stand-
8 ard or test.”.

9 (c) AUTOMATIC REASSESSMENT OF ELIGIBILITY FOR
10 TITLE XXI AND MEDICAID BENEFITS FOR CHILDREN
11 LOSING MEDICAID OR TITLE XXI ELIGIBILITY.—

12 (1) LOSS OF MEDICAID ELIGIBILITY.—Section
13 1902(a) of the Social Security Act (42 U.S.C.
14 1396a(a)) is amended—

15 (A) by striking “and” at the end of para-
16 graph (66):

17 (B) by striking the period at the end of
18 paragraph (67) and inserting “; and”, and

19 (B) by inserting after paragraph (67) the
20 following:

21 “(68) provide, in the case of a State with a
22 State child health plan under title XXI, that before
23 medical assistance to a child (or a parent of a child)
24 is discontinued under this title, a determination of
25 whether the child (or parent) is eligible for benefits

1 under title XXI shall be made and, if determined to
2 be so eligible, the child (or parent) shall be auto-
3 matically enrolled in the program under such title
4 without the need for a new application.”.

5 (2) LOSS OF TITLE XXI ELIGIBILITY AND CO-
6 ORDINATION WITH MEDICAID.—Section 2102(b) (42
7 U.S.C. 1397bb(b)) is amended—

8 (A) in paragraph (3), by redesignating
9 subparagraphs (D) and (E) as subparagraphs
10 (E) and (F), respectively, and by inserting after
11 subparagraph (C) the following:

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

20 (B) by redesignating paragraph (4) as
21 paragraph (5); and

22 (C) by inserting after paragraph (3) the
23 following new paragraph:

24 “(4) COORDINATION WITH MEDICAID.—The
25 State shall coordinate the screening and enrollment

1 of individuals under this title and under title XIX
2 consistent with the following:

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

16 “(B) If a State does not use a joint appli-
17 cation under this title and such title, the State
18 shall—

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

23 “(ii) provide the family with an appli-
24 cation for medical assistance under such
25 title and offer information about what (if

1 any) further information, documentation,
2 or other steps are needed to complete such
3 application process;

4 “(iii) offer assistance in completing
5 such application process; and

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

14 “(C) Applicants are notified in writing
15 of—

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

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

1 “(D) If the agency administering this title
2 is different from the agency administering a
3 State plan under title XIX, such agencies shall
4 coordinate the screening and enrollment of ap-
5 plicants for such coverage under both titles.

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

12 (3) EFFECTIVE DATE.—The amendments made
13 by paragraphs (1) and (2) apply to individuals who
14 lose eligibility under the medicaid program under
15 title XIX, or under a State child health insurance
16 plan under title XXI, respectively, of the Social Se-
17 curity Act on or after October 1, 2006 (or, if later,
18 60 days after the date of enactment of this Act),
19 whether or not regulations implementing such
20 amendments have been issued.

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

1 1758(b)(2)(B)(iii)) is amended by adding at the end the
2 following:

3 “(III) NOTICE OF AVAILABILITY
4 OF HEALTH BENEFITS UNDER MED-
5 ICAID AND CHIP.—Descriptive mate-
6 rial distributed in accordance with
7 clause (i) shall also contain informa-
8 tion (provided on a form separate
9 from the application form for free and
10 reduced price lunches) on the avail-
11 ability of medical assistance under
12 title XIX of the Social Security Act
13 (42 U.S.C. 1396 et seq.) and of child
14 health and FamilyCare assistance
15 under title XXI of such Act, including
16 information on how to obtain an ap-
17 plication for assistance under such
18 programs.”.

19 (e) 12-MONTHS CONTINUOUS ELIGIBILITY.—

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

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

1 (B) by striking “an age specified by the
2 State (not to exceed 19 years of age)” and in-
3 serting “19 years of age (or such higher age as
4 the State has elected under subsection
5 (l)(1)(D)) or, at the option of the State, who is
6 eligible for medical assistance as the parent of
7 such a child”; and

8 (C) in subparagraph (A), by striking “a
9 period (not to exceed 12 months)” and insert-
10 ing “the 12-month period beginning on the
11 date”.

12 (2) TITLE XXI.—Section 2102(b)(2) of such
13 Act (42 U.S.C. 1397bb(b)(2)) is amended by adding
14 at the end the following: “Such methods shall pro-
15 vide 12-months continuous eligibility for children
16 under this title in the same manner that section
17 1902(e)(12) provides 12-months continuous eligi-
18 bility for children described in such section under
19 title XIX. If a State has elected to apply section
20 1902(e)(12) to parents, such methods may provide
21 12-months continuous eligibility for parents under
22 this title in the same manner that such section pro-
23 vides 12-months continuous eligibility for parents
24 described in such section under title XIX.”.

25 (3) EFFECTIVE DATE.—

1 (A) IN GENERAL.—The amendments made
2 by this subsection take effect on October 1,
3 2006 (or, if later, 60 days after the date of en-
4 actment of this Act), whether or not regulations
5 implementing such amendments have been
6 issued.

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

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

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

20 (c) EFFECTIVE DATE.—The amendments made by
21 this section apply to eligibility determinations made on or
22 after October 1, 2006, whether or not regulations imple-
23 menting such amendments have been issued.

1 **Subtitle D—State Option to Extend**
2 **Medicaid Coverage to Certain**
3 **Low-Income Individuals**

4 **SEC. 231. STATE OPTION TO EXTEND MEDICAID COVERAGE**
5 **TO CERTAIN LOW-INCOME INDIVIDUALS.**

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

9 (1) by striking “or” at the end of subclause
10 (XVIII);

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

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

14 “(XX) who are individuals who
15 are not otherwise eligible for medical
16 assistance under this subparagraph,
17 or under a waiver approved under sec-
18 tion 1115, or otherwise, as of the date
19 of enactment of this subclause and
20 whose family income does not exceed
21 125 percent of the income official pov-
22 erty line (as defined by the Office of
23 Management and Budget and revised
24 annually in accordance with section
25 673(2) of the Omnibus Budget Rec-

1 conciliation Act of 1981) applicable to
2 a family of the size involved;”.

3 (b) CONFORMING AMENDMENTS.—

4 (1) MEDICAL ASSISTANCE ELIGIBILITY CAT-
5 EGORIES.—Section 1905(a) of such Act (42 U.S.C.
6 1396d(a)), as amended by section 212(e)(1), is
7 amended in the matter preceding paragraph (1)—

8 (i) by striking “or” at the end of
9 clause (xiii);

10 (ii) by adding “or” at the end of
11 clause (xiv); and

12 (iii) by inserting after clause (xiv) the
13 following:

14 “(xv) who are individuals described in section
15 1902(a)(10)(A)(ii)(XX),”.

16 (2) EXEMPTION FROM UPPER INCOME LIMITA-
17 TION.—Section 1903(f)(4) of such Act (42 U.S.C.
18 1396b(f)(4)), as amended by section 212(e)(2)(B), is
19 amended by inserting “1902(a)(10)(A)(ii)(XX),”
20 after “1902(a)(10)(A)(ii)(XIX),”.

21 (c) EFFECTIVE DATES.—The amendments made by
22 this subsection take effect on October 1, 2006.

1 **Subtitle E—Improving Welfare-to-**
2 **Work Transition Under Medicaid**

3 **SEC. 241. IMPROVING WELFARE-TO-WORK TRANSITION**
4 **UNDER MEDICAID.**

5 (a) MAKING PROVISION PERMANENT.—

6 (1) IN GENERAL.—Subsection (f) of section
7 1925 of the Social Security Act (42 U.S.C. 1396r–
8 6) is repealed.

9 (2) CONFORMING AMENDMENT.—Section
10 1902(e)(1) of the Social Security Act (42 U.S.C.
11 1396a(e)(1)) is repealed.

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

15 (1) in subsection (a), by adding at the end the
16 following:

17 “(5) OPTION OF 12-MONTH INITIAL ELIGIBILITY
18 PERIOD.—A State may elect to treat any reference
19 in this subsection to a 6-month period (or 6 months)
20 as a reference to a 12-month period (or 12 months).
21 In the case of such an election, subsection (b) shall
22 not apply.”; and

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

25 (c) SIMPLIFICATION.—

1 (1) REMOVAL OF ADMINISTRATIVE REPORTING
2 REQUIREMENTS FOR ADDITIONAL 6-MONTH EXTEN-
3 SION.—Section 1925(b)(2) of the Social Security Act
4 (42 U.S.C. 1396r-6(b)(2)) is amended—

5 (A) by striking subparagraph (B);

6 (B) in subparagraph (A)(i)—

7 (i) in the heading, by striking “AND
8 REQUIREMENTS”;

9 (ii) by striking “(I)” and all that fol-
10 lows through “(II)” and inserting “(i)”;

11 (iii) by striking “, and (III)” and in-
12 serting “and (ii)”;

13 (iv) by redesignating such subpara-
14 graph as subparagraph (A) (with appro-
15 priate indentation); and

16 (C) in subparagraph (A)(ii)—

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

19 (ii) by striking “notify the family of
20 the reporting requirement under subpara-
21 graph (B)(ii) and” and inserting “provide
22 the family with notification of”;

23 (iii) by redesignating such subpara-
24 graph as subparagraph (B) (with appro-
25 priate indentation).

1 (2) REMOVAL OF REQUIREMENT FOR PREVIOUS
2 RECEIPT OF MEDICAL ASSISTANCE.—Section
3 1925(a)(1) of the Social Security Act (42 U.S.C.
4 1396r-6(a)(1)) is amended—

5 (A) by inserting “but subject to subpara-
6 graph (B)” after “any other provision of this
7 title”;

8 (B) by redesignating the matter after “RE-
9 QUIREMENT.—” as a subparagraph (A) with
10 the heading “IN GENERAL.—” and with the
11 same indentation as subparagraph (B) (as
12 added by subparagraph (C)); and

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

14 “(B) STATE OPTION TO WAIVE REQUIRE-
15 MENT FOR 3 MONTHS PREVIOUS RECEIPT OF
16 MEDICAL ASSISTANCE.—A State may, at its op-
17 tion, elect also to apply subparagraph (A) in
18 the case of a family that had applied for and
19 was eligible for such aid for fewer than 3
20 months during the 6 immediately preceding
21 months described in such subparagraph.”.

22 (3) PERMITTING INCREASE OR WAIVER OF 185
23 PERCENT OF POVERTY EARNING LIMIT.—Section
24 1925(b)(3)(A)(iii)(III) of the Social Security Act (42
25 U.S.C. 1396r-6(b)(3)(A)(iii)(III)) is amended—

1 (A) by inserting “(at its option)” after
2 “the State”; and

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

5 (4) EXEMPTION FOR STATES COVERING NEEDY
6 FAMILIES UP TO 185 PERCENT OF POVERTY.—Sec-
7 tion 1925 of the Social Security Act (42 U.S.C.
8 1396r–6), as amended by subsection (a), is amend-
9 ed—

10 (A) in each of subsections (a)(1) and
11 (b)(1), by inserting “but subject to subsection
12 (f),” after “Notwithstanding any other provi-
13 sion of this title,”; and

14 (B) by adding at the end the following:
15 “(f) EXEMPTION FOR STATE COVERING NEEDY
16 FAMILIES UP TO 185 PERCENT OF POVERTY.—

17 “(1) IN GENERAL.—At State option, the provi-
18 sions of this section shall not apply to a State that
19 uses the authority under section
20 1902(a)(10)(A)(ii)(XIX), section 1931(b)(2)(C), or
21 otherwise to make medical assistance available under
22 the State plan under this title to eligible individuals
23 described in section 1902(k)(1), or all individuals de-
24 scribed in section 1931(b)(1), and who are in fami-
25 lies with gross incomes (determined without regard

1 to work-related child care expenses of such individ-
 2 uals) at or below 185 percent of the income official
 3 poverty line (as defined by the Office of Manage-
 4 ment and Budget, and revised annually in accord-
 5 ance with section 673(2) of the Omnibus Budget
 6 Reconciliation Act of 1981) applicable to a family of
 7 the size involved.

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

12 (d) EFFECTIVE DATE.—The amendments made by
 13 this section take effect on October 1, 2006, whether or
 14 not regulations implementing such amendments have been
 15 issued.

16 **Subtitle F—Grants to Promote In-**
 17 **novative Outreach and Enroll-**
 18 **ment Under Medicaid and**
 19 **SCHIP**

20 **SEC. 251. GRANTS TO PROMOTE INNOVATIVE OUTREACH**
 21 **AND ENROLLMENT UNDER MEDICAID AND**
 22 **SCHIP.**

23 (a) GRANTS FOR EXPANDED OUTREACH ACTIVI-
 24 TIES.—Title XXI of the Social Security Act (42 U.S.C.

1 1397aa et seq.), as amended by section 212(a)(2), is
2 amended by adding at the end the following:

3 **“SEC. 2112. EXPANDED OUTREACH ACTIVITIES.**

4 “(a) IN GENERAL.—The Secretary shall award
5 grants to eligible entities to—

6 “(1) conduct innovative outreach and enroll-
7 ment efforts that are designed to increase the enroll-
8 ment and participation of eligible children under this
9 title and title XIX; and

10 “(2) promote understanding of the importance
11 of health insurance coverage for prenatal care and
12 children.

13 “(b) PRIORITY FOR AWARD OF GRANTS.—In making
14 grants under subsection (a), the Secretary shall give pri-
15 ority to—

16 “(1) eligible entities that propose to target geo-
17 graphic areas with high rates of—

18 “(A) eligible but unenrolled children, in-
19 cluding such children who reside in rural areas;
20 or

21 “(B) racial and ethnic minorities and
22 health disparity populations, including those
23 proposals that address cultural and linguistic
24 barriers to enrollment; and

1 “(2) eligible entities that plan to engage in out-
2 reach efforts with respect to individuals described in
3 paragraph (1) and that are—

4 “(A) Federal health safety net organiza-
5 tions; or

6 “(B) faith-based organizations or con-
7 sortia.

8 “(c) APPLICATION.—An eligible entity that desires to
9 receive a grant under this section shall submit an applica-
10 tion to the Secretary in such form and manner, and con-
11 taining such information, as the Secretary may decide.
12 Such application shall include—

13 “(1) quality and outcomes performance meas-
14 ures to evaluate the effectiveness of activities funded
15 by a grant awarded under this section to ensure that
16 the activities are meeting their goals; and

17 “(2) an assurance that the entity shall—

18 “(A) conduct an assessment of the effec-
19 tiveness of such activities against such perform-
20 ance measures; and

21 “(B) collect and report enrollment data
22 and other information determined as a result of
23 conducting such assessments to the Secretary,
24 in such form and manner as the Secretary shall
25 require.

1 “(d) DISSEMINATION OF ENROLLMENT DATA AND
2 INFORMATION DETERMINED FROM EFFECTIVENESS AS-
3 SESSMENTS; ANNUAL REPORT.—The Secretary shall—

4 “(1) disseminate to eligible entities and make
5 publicly available the enrollment data and informa-
6 tion reported in accordance with subsection
7 (c)(2)(B); and

8 “(2) submit an annual report to Congress on
9 the outreach activities funded by grants awarded
10 under this section.

11 “(e) DEFINITIONS.—In this section:

12 “(1) ELIGIBLE ENTITY.—The term ‘eligible en-
13 tity’ means any of the following:

14 “(A) A State.

15 “(B) A Federal health safety net organiza-
16 tion.

17 “(C) A national, local, or community-based
18 public or nonprofit private organization.

19 “(D) A faith-based organization or con-
20 sortia, to the extent that a grant awarded to
21 such an entity is consistent with the require-
22 ments of section 1955 of the Public Health
23 Service Act (42 U.S.C. 300x-65) relating to a
24 grant award to non-governmental entities.

25 “(E) An elementary or secondary school.

1 “(2) FEDERAL HEALTH SAFETY NET ORGANI-
2 ZATION.—The term ‘Federal health safety net orga-
3 nization’ means—

4 “(A) an Indian tribe, tribal organization,
5 or an urban Indian organization receiving funds
6 under title V of the Indian Health Care Im-
7 provement Act (25 U.S.C. 1651 et seq.);

8 “(B) a federally-qualified health center (as
9 defined in section 1905(l)(2)(B));

10 “(C) a hospital defined as a dispro-
11 portionate share hospital for purposes of section
12 1923;

13 “(D) a covered entity described in section
14 340B(a)(4) of the Public Health Service Act
15 (42 U.S.C. 256b(a)(4)); and

16 “(E) any other entity or a consortium that
17 serves children under a federally-funded pro-
18 gram, including the special supplemental nutri-
19 tion program for women, infants, and children
20 (WIC) established under section 17 of the Child
21 Nutrition Act of 1966 (42 U.S.C. 1786), the
22 head start and early head start programs under
23 the Head Start Act (42 U.S.C. 9801 et seq.),
24 the school lunch program established under the

1 Richard B. Russell National School Lunch Act,
2 and an elementary or secondary school.

3 “(3) INDIANS; INDIAN TRIBE; TRIBAL ORGANI-
4 ZATION; URBAN INDIAN ORGANIZATION; SERVICE
5 UNIT.—The terms ‘Indian’, ‘Indian tribe’, ‘tribal or-
6 ganization’, ‘urban Indian organization’, and ‘Serv-
7 ice Unit’ have the meanings given such terms in sec-
8 tion 4 of the Indian Health Care Improvement Act
9 (25 U.S.C. 1603).

10 “(f) APPROPRIATION.—There is appropriated, out of
11 any money in the Treasury not otherwise appropriated,
12 \$50,000,000 for each of fiscal years 2006 and 2007 for
13 the purpose of awarding grants under this section.
14 Amounts appropriated and paid under the authority of
15 this section shall be in addition to amounts appropriated
16 under section 2104 and paid to States in accordance with
17 section 2105.”.

18 (b) EXTENDING USE OF OUTSTATIONED WORKERS
19 TO ACCEPT TITLE XXI APPLICATIONS.—Section
20 1902(a)(55) of the Social Security Act (42 U.S.C.
21 1396a(a)(55)) is amended by inserting “, and applications
22 for child health assistance under title XXI” after
23 “(a)(10)(A)(ii)(IX)”.

1 **SEC. 252. STATE OPTION TO PROVIDE FOR SIMPLIFIED DE-**
2 **TERMINATIONS OF A CHILD'S FINANCIAL ELI-**
3 **GIBILITY FOR MEDICAL ASSISTANCE UNDER**
4 **MEDICAID OR CHILD HEALTH ASSISTANCE**
5 **UNDER SCHIP.**

6 (a) MEDICAID.—Section 1902(e) of the Social Secu-
7 rity Act (42 U.S.C. 1396a(e)) is amended by adding at
8 the end the following:

9 “(13)(A) At the option of the State, the plan
10 may provide that financial eligibility requirements
11 for medical assistance are met for an individual who
12 is under an age specified by the State (except as
13 provided in subparagraph (C), not to exceed 21
14 years of age) by using a determination made within
15 a reasonable period (as determined by the State) be-
16 fore its use for this purpose, of the individual’s fam-
17 ily or household income, or if applicable for purposes
18 of determining eligibility under this title or title
19 XXI, assets or resources, by a Federal or State
20 agency, or a public or private entity making such de-
21 termination on behalf of such agency, specified by
22 the plan, including (but not limited to) an agency
23 administering the State program funded under part
24 A of title IV, the Food Stamp Act of 1977, the
25 Richard B. Russell National School Lunch Act, or
26 the Child Nutrition Act of 1966, notwithstanding

1 any differences in budget unit, disregard, deeming,
2 or other methodology, but only if—

3 “(i) the agency has fiscal liabilities or re-
4 sponsibilities affected or potentially affected by
5 such determination; and

6 “(ii) any information furnished by the
7 agency pursuant to this subparagraph is used
8 solely for purposes of determining eligibility for
9 medical assistance under this title or for child
10 health assistance under title XXI.

11 “(B) Nothing in subparagraph (A) shall be con-
12 strued—

13 “(i) to authorize the denial of medical as-
14 sistance under this title or of child health as-
15 sistance under title XXI to an individual who,
16 without the application of this paragraph, would
17 qualify for such assistance;

18 “(ii) to relieve a State of the obligation
19 under subsection (a)(8) to furnish medical as-
20 sistance with reasonable promptness after the
21 submission of an initial application that is eval-
22 uated or for which evaluation is requested pur-
23 suant to this paragraph; or

24 “(iii) to relieve a State of the obligation to
25 determine eligibility for medical assistance

1 under this title or for child health assistance
2 under title XXI on a basis other than family or
3 household income (or, if applicable, assets or re-
4 sources) if an individual is determined ineligible
5 for such assistance on the basis of information
6 furnished pursuant to this paragraph.

7 “(C) At the option of a State, the financial eli-
8 gibility process described in subparagraph (A) may
9 apply to an individual who is older than age 21 if
10 the individual’s eligibility for medical assistance
11 under this title is based on pregnancy or if the indi-
12 vidual is a parent, guardian, or other caretaker re-
13 lative of an individual found eligible under subpara-
14 graph (A).”.

15 (b) SCHIP.—Section 2107(e)(1) of the Social Secu-
16 rity Act (42 U.S.C. 1397gg(e)(1)) is amended by adding
17 at the end the following:

18 “(E) Section 1902(e)(13) (relating to the
19 State option to base an individual’s eligibility
20 for assistance on financial determinations made
21 by a program providing nutrition or other pub-
22 lic assistance (except that the State option
23 under subparagraph (C) of such section shall
24 apply under this title only if an individual is
25 pregnant)).”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section take effect on October 1, 2005.

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

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

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

19 (b) PROGRAMS FOR HOMELESS DESCRIBED.—The
20 programs described in this subsection are as follows:

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

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

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

4 (4) SAMHSA BLOCK GRANTS.—The program
5 of grants under part B of title XIX of the Public
6 Health Service Act (42 U.S.C. 300x-1 et seq.).

7 (5) FOOD STAMP PROGRAM.—The program
8 under the Food Stamp Act of 1977 (7 U.S.C. 2011
9 et seq.).

10 (6) WORKFORCE INVESTMENT ACT.—The pro-
11 gram under the Workforce Investment Act of 1999
12 (29 U.S.C. 2801 et seq.).

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

16 (8) OTHER PROGRAMS.—Other public and pri-
17 vate benefit programs that serve low-income individ-
18 uals.

19 (c) APPROPRIATIONS.—For the purposes of carrying
20 out this section, there is appropriated for fiscal year 2006,
21 out of any funds in the Treasury not otherwise appro-
22 priated, \$10,000,000, to remain available until expended.

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 2006.

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

14 **SEC. 401. EXPANSION OF FUNDING.**

15 It is the sense of the Senate that the amounts appro-
16 priated for National Health Service Corps under subpart
17 II of part D of title III of the Public Health Service Act
18 (42 U.S.C. 254d et seq.) should be doubled over the 5-
19 fiscal year period beginning with fiscal year 2006 to assist
20 in provide support for physicians, dentists, and other
21 health care clinicians who serve in rural and inner city
22 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 **TITLE V—EXPANDED ACCESS TO**
 14 **AFFORDABLE LONG-TERM CARE**

15 **SEC. 501. TREATMENT OF PREMIUMS ON QUALIFIED LONG-**
 16 **TERM CARE INSURANCE CONTRACTS.**

17 (a) IN GENERAL.—Part VII of subchapter B of chap-
 18 ter 1 of the Internal Revenue Code of 1986 (relating to
 19 additional itemized deductions) is amended by redesign-
 20 ating section 224 as section 225 and by inserting after
 21 section 223 the following new section:

22 **“SEC. 224. PREMIUMS ON QUALIFIED LONG-TERM CARE IN-**
 23 **SURANCE CONTRACTS.**

24 “(a) IN GENERAL.—In the case of an individual,
 25 there shall be allowed as a deduction an amount equal to
 26 the applicable percentage of the amount of eligible long-

1 term care premiums (as defined in section 213(d)(10))
 2 paid during the taxable year for coverage for the taxpayer,
 3 his spouse, and dependents under a qualified long-term
 4 care insurance contract (as defined in section 7702B(b)).

5 “(b) APPLICABLE PERCENTAGE.—For purposes of
 6 subsection (a)—

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

“If the number of years of continuous coverage is—	The applicable long-term care percentage is—
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.

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

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

1 “(3) ONLY COVERAGE AFTER 2002 TAKEN INTO
2 ACCOUNT.—Only coverage for periods after Decem-
3 ber 31, 2004, shall be taken into account under this
4 subsection.

5 “(4) CONTINUOUS COVERAGE.—An individual
6 shall not fail to be treated as having continuous cov-
7 erage if the aggregate breaks in coverage during any
8 1-year period are less than 60 days.

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

15 (b) LONG-TERM CARE INSURANCE PERMITTED TO
16 BE OFFERED UNDER CAFETERIA PLANS AND FLEXIBLE
17 SPENDING ARRANGEMENTS.—

18 (1) CAFETERIA PLANS.—Section 125(f) of the
19 Internal Revenue Code of 1986 (defining qualified
20 benefits) is amended by inserting before the period
21 at the end “; except that such term shall include the
22 payment of premiums for any qualified long-term
23 care insurance contract (as defined in section
24 7702B) to the extent the amount of such payment
25 does not exceed the eligible long-term care premiums

1 (as defined in section 213(d)(10)) for such con-
2 tract”.

3 (2) FLEXIBLE SPENDING ARRANGEMENTS.—

4 Section 106 of such Code (relating to contributions
5 by an employer to accident and health plans) is
6 amended by striking subsection (c).

7 (c) CONFORMING AMENDMENTS.—

8 (1) Section 62(a) of the Internal Revenue Code
9 of 1986 is amended by inserting after paragraph
10 (20) the following new item:

11 “(21) PREMIUMS ON QUALIFIED LONG-TERM
12 CARE INSURANCE CONTRACTS.—The deduction al-
13 lowed by section 224.”.

14 (2) The table of sections for part VII of sub-
15 chapter B of chapter 1 of such Code is amended by
16 striking the last item and inserting the following
17 new items:

“Sec. 224. Premiums on qualified long-term care insurance con-
tracts.

“Sec. 225. Cross reference.”.

18 (d) EFFECTIVE DATES.—

19 (1) IN GENERAL.—Except as provided in para-
20 graph (2), the amendments made by this section
21 shall apply to taxable years beginning after Decem-
22 ber 31, 2004.

23 (2) CAFETERIA PLANS AND FLEXIBLE SPEND-
24 ING ARRANGEMENTS.—The amendments made by

1 subsection (b) shall apply to taxable years beginning
2 after December 31, 2004.

3 **SEC. 502. CREDIT FOR TAXPAYERS WITH LONG-TERM CARE**
4 **NEEDS.**

5 (a) IN GENERAL.—Subpart A of part IV of sub-
6 chapter A of chapter 1 of the Internal Revenue Code of
7 1986 (relating to nonrefundable personal credits) is
8 amended by inserting after section 25B the following new
9 section:

10 **“SEC. 25C. CREDIT FOR TAXPAYERS WITH LONG-TERM**
11 **CARE NEEDS.**

12 “(a) ALLOWANCE OF CREDIT.—

13 “(1) IN GENERAL.—There shall be allowed as a
14 credit against the tax imposed by this chapter for
15 the taxable year an amount equal to the applicable
16 credit amount multiplied by the number of applica-
17 ble individuals with respect to whom the taxpayer is
18 an eligible caregiver for the taxable year.

19 “(2) APPLICABLE CREDIT AMOUNT.—For pur-
20 poses of paragraph (1), the applicable credit amount
21 shall be determined in accordance with the following
22 table:

“For taxable years beginning in calendar year—	The applicable credit amount is—
2005	\$1,000
2006	1,500
2007	2,000
2008	2,500
2009 or thereafter	3,000.

1 “(b) LIMITATION BASED ON ADJUSTED GROSS IN-
2 COME.—

3 “(1) IN GENERAL.—The amount of the credit
4 allowable under subsection (a) shall be reduced (but
5 not below zero) by \$100 for each \$1,000 (or fraction
6 thereof) by which the taxpayer’s modified adjusted
7 gross income exceeds the threshold amount. For
8 purposes of the preceding sentence, the term ‘modi-
9 fied adjusted gross income’ means adjusted gross in-
10 come increased by any amount excluded from gross
11 income under section 911, 931, or 933.

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

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

16 “(B) \$75,000 in any other case.

17 “(3) INDEXING.—In the case of any taxable
18 year beginning in a calendar year after 2005, each
19 dollar amount contained in paragraph (2) shall be
20 increased by an amount equal to the product of—

21 “(A) such dollar amount, and

22 “(B) the medical care cost adjustment de-
23 termined under section 213(d)(10)(B)(ii) for
24 the calendar year in which the taxable year be-

1 gins, determined by substituting ‘August 2005’
2 for ‘August 1996’ in subclause (II) thereof.

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

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

7 “(1) APPLICABLE INDIVIDUAL.—

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

17 “(i) which is at least 180 consecutive
18 days, and

19 “(ii) a portion of which occurs within
20 the taxable year.

21 Such term shall not include any individual oth-
22 erwise meeting the requirements of the pre-
23 ceding sentence unless within the 39½ month
24 period ending on such due date (or such other
25 period as the Secretary prescribes) a physician

1 (as so defined) has certified that such indi-
2 vidual meets such requirements.

3 “(B) INDIVIDUALS WITH LONG-TERM CARE
4 NEEDS.—An individual is described in this sub-
5 paragraph if the individual meets any of the fol-
6 lowing requirements:

7 “(i) The individual is at least 6 years
8 of age and—

9 “(I) is unable to perform (with-
10 out substantial assistance from an-
11 other individual) at least 3 activities
12 of daily living (as defined in section
13 7702B(c)(2)(B)) due to a loss of
14 functional capacity, or

15 “(II) requires substantial super-
16 vision to protect such individual from
17 threats to health and safety due to se-
18 vere cognitive impairment and is un-
19 able to perform, without reminding or
20 cuing assistance, at least 1 activity of
21 daily living (as so defined) or to the
22 extent provided in regulations pre-
23 scribed by the Secretary (in consulta-
24 tion with the Secretary of Health and

1 Human Services), is unable to engage
2 in age appropriate activities.

3 “(ii) The individual is at least 2 but
4 not 6 years of age and is unable due to a
5 loss of functional capacity to perform
6 (without substantial assistance from an-
7 other individual) at least 2 of the following
8 activities: eating, transferring, or mobility.

9 “(iii) The individual is under 2 years
10 of age and requires specific durable med-
11 ical equipment by reason of a severe health
12 condition or requires a skilled practitioner
13 trained to address the individual’s condi-
14 tion to be available if the individual’s par-
15 ents or guardians are absent.

16 “(2) ELIGIBLE CAREGIVER.—

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

20 “(i) The taxpayer.

21 “(ii) The taxpayer’s spouse.

22 “(iii) An individual with respect to
23 whom the taxpayer is allowed a deduction
24 under section 151 for the taxable year.

1 “(iv) An individual who would be de-
2 scribed in clause (iii) for the taxable year
3 if section 151(c)(1)(A) were applied by
4 substituting for the exemption amount an
5 amount equal to the sum of the exemption
6 amount, the standard deduction under sec-
7 tion 63(c)(2)(C), and any additional stand-
8 ard deduction under section 63(c)(3) which
9 would be applicable to the individual if
10 clause (iii) applied.

11 “(v) An individual who would be de-
12 scribed in clause (iii) for the taxable year
13 if—

14 “(I) the requirements of clause
15 (iv) are met with respect to the indi-
16 vidual, and

17 “(II) the requirements of sub-
18 paragraph (B) are met with respect to
19 the individual in lieu of the support
20 test of section 152(a).

21 “(B) RESIDENCY TEST.—The require-
22 ments of this subparagraph are met if an indi-
23 vidual has as his principal place of abode the
24 home of the taxpayer and—

1 “(i) in the case of an individual who
2 is an ancestor or descendant of the tax-
3 payer or the taxpayer’s spouse, is a mem-
4 ber of the taxpayer’s household for over
5 half the taxable year, or

6 “(ii) in the case of any other indi-
7 vidual, is a member of the taxpayer’s
8 household for the entire taxable year.

9 “(C) SPECIAL RULES WHERE MORE THAN
10 1 ELIGIBLE CAREGIVER.—

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

23 “(ii) NO AGREEMENT.—If each indi-
24 vidual required under clause (i) to file a
25 written declaration under clause (i) does

1 not do so, the individual with the highest
2 modified adjusted gross income (as defined
3 in section 32(c)(5)) shall be treated as the
4 eligible caregiver.

5 “(iii) MARRIED INDIVIDUALS FILING
6 SEPARATELY.—In the case of married indi-
7 viduals filing separately, the determination
8 under this subparagraph as to whether the
9 husband or wife is the eligible caregiver
10 shall be made under the rules of clause (ii)
11 (whether or not one of them has filed a
12 written declaration under clause (i)).

13 “(d) IDENTIFICATION REQUIREMENT.—No credit
14 shall be allowed under this section to a taxpayer with re-
15 spect to any applicable individual unless the taxpayer in-
16 cludes the name and taxpayer identification number of
17 such individual, and the identification number of the phy-
18 sician certifying such individual, on the return of tax for
19 the taxable year.

20 “(e) TAXABLE YEAR MUST BE FULL TAXABLE
21 YEAR.—Except in the case of a taxable year closed by rea-
22 son of the death of the taxpayer, no credit shall be allow-
23 able under this section in the case of a taxable year cov-
24 ering a period of less than 12 months.”.

25 (b) CONFORMING AMENDMENTS.—

1 (1) Section 6213(g)(2) of the Internal Revenue
2 Code of 1986 is amended by striking “and” at the
3 end of subparagraph (L), by striking the period at
4 the end of subparagraph (M) and inserting “, and”,
5 and by inserting after subparagraph (M) the fol-
6 lowing new subparagraph:

7 “(N) an omission of a correct TIN or phy-
8 sician identification required under section
9 25C(d) (relating to credit for taxpayers with
10 long-term care needs) to be included on a re-
11 turn.”.

12 (2) The table of sections for subpart A of part
13 IV of subchapter A of chapter 1 of such Code is
14 amended by inserting after the item relating to sec-
15 tion 25B the following new item:

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

16 (c) EFFECTIVE DATES.—The amendments made by
17 this section shall apply to taxable years beginning after
18 December 31, 2004.

19 **SEC. 503. ADDITIONAL CONSUMER PROTECTIONS FOR**
20 **LONG-TERM CARE INSURANCE.**

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

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

4 “(i) MODEL REGULATION.—The fol-
5 lowing requirements of the model regula-
6 tion:

7 “(I) Section 6A (relating to guar-
8 anteed renewal or noncancellability),
9 and the requirements of section 6B of
10 the model Act relating to such section
11 6A.

12 “(II) Section 6B (relating to pro-
13 hibitions on limitations and exclu-
14 sions).

15 “(III) Section 6C (relating to ex-
16 tension of benefits).

17 “(IV) Section 6D (relating to
18 continuation or conversion of cov-
19 erage).

20 “(V) Section 6E (relating to dis-
21 continuance and replacement of poli-
22 cies).

23 “(VI) Section 7 (relating to unin-
24 tentional lapse).

1 “(VII) Section 8 (relating to dis-
2 closure), other than section 8F there-
3 of.

4 “(VIII) Section 11 (relating to
5 prohibitions against post-claims un-
6 derwriting).

7 “(IX) Section 12 (relating to
8 minimum standards).

9 “(X) Section 13 (relating to re-
10 quirement to offer inflation protec-
11 tion), except that any requirement for
12 a signature on a rejection of inflation
13 protection shall permit the signature
14 to be on an application or on a sepa-
15 rate form.

16 “(XI) Section 25 (relating to pro-
17 hibition against preexisting conditions
18 and probationary periods in replace-
19 ment policies or certificates).

20 “(XII) The provisions of section
21 26 relating to contingent nonforfeiture
22 benefits, if the policyholder declines
23 the offer of a nonforfeiture provision
24 described in paragraph (4).

1 “(ii) MODEL ACT.—The following re-
2 quirements of the model Act:

3 “(I) Section 6C (relating to pre-
4 existing conditions).

5 “(II) Section 6D (relating to
6 prior hospitalization).

7 “(III) The provisions of section 8
8 relating to contingent nonforfeiture
9 benefits, if the policyholder declines
10 the offer of a nonforfeiture provision
11 described in paragraph (4).

12 “(B) DEFINITIONS.—For purposes of this
13 paragraph—

14 “(i) MODEL PROVISIONS.—The terms
15 ‘model regulation’ and ‘model Act’ mean
16 the long-term care insurance model regula-
17 tion, and the long-term care insurance
18 model Act, respectively, promulgated by
19 the National Association of Insurance
20 Commissioners (as adopted as of Sep-
21 tember 2000).

22 “(ii) COORDINATION.—Any provision
23 of the model regulation or model Act listed
24 under clause (i) or (ii) of subparagraph
25 (A) shall be treated as including any other

1 provision of such regulation or Act nec-
2 essary to implement the provision.

3 “(iii) DETERMINATION.—For pur-
4 poses of this section and section 4980C,
5 the determination of whether any require-
6 ment of a model regulation or the model
7 Act has been met shall be made by the
8 Secretary.”.

9 (b) EXCISE TAX.—Paragraph (1) of section
10 4980C(c) of the Internal Revenue Code of 1986 (relating
11 to requirements of model provisions) is amended to read
12 as follows:

13 “(1) REQUIREMENTS OF MODEL PROVISIONS.—

14 “(A) MODEL REGULATION.—The following
15 requirements of the model regulation must be
16 met:

17 “(i) Section 9 (relating to required
18 disclosure of rating practices to con-
19 sumer).”

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

22 “(iii) Section 15 (relating to reporting
23 requirements), except that the issuer shall
24 also report at least annually the number of
25 claims denied during the reporting period

1 for each class of business (expressed as a
2 percentage of claims denied), other than
3 claims denied for failure to meet the wait-
4 ing period or because of any applicable
5 preexisting condition.

6 “(iv) Section 22 (relating to filing re-
7 quirements for marketing).

8 “(v) Section 23 (relating to standards
9 for marketing), including inaccurate com-
10 pletion of medical histories, other than
11 paragraphs (1), (6), and (9) of section
12 23C, except that—

13 “(I) in addition to such require-
14 ments, no person shall, in selling or
15 offering to sell a qualified long-term
16 care insurance contract, misrepresent
17 a material fact; and

18 “(II) no such requirements shall
19 include a requirement to inquire or
20 identify whether a prospective appli-
21 cant or enrollee for long-term care in-
22 surance has accident and sickness in-
23 surance.

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

1 “(vii) Section 29 (relating to standard
2 format outline of coverage).

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

5 The requirements referred to in clause (vi) shall
6 not include those portions of the personal work-
7 sheet described in Appendix B relating to con-
8 sumer protection requirements not imposed by
9 section 4980C or 7702B.

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

12 “(i) Section 6F (relating to right to
13 return), except that such section shall also
14 apply to denials of applications and any re-
15 fund shall be made within 30 days of the
16 return or denial.

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

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

21 “(iv) Section 6I (relating to policy
22 summary).

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

1 “(vi) Section 7 (relating to incontest-
2 ability period).

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

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

10 **TITLE VI—PROMOTING**
11 **HEALTHIER LIFESTYLES**

12 **SEC. 601. COMMUNITY PARTNERSHIPS TO PROMOTE**
13 **HEALTHY LIFESTYLES.**

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

19 (b) ELIGIBILITY.—

20 (1) STATE.—To be eligible to receive a grant
21 under subsection (a), a State shall prepare and sub-
22 mit to the Secretary an application at such time, in
23 such manner and containing such information as the
24 Secretary may require.

1 (2) COMMUNITY PARTNERSHIP.—To be eligible
2 to receive assistance from a State under a grant
3 under subsection (a), an entity shall—

4 (A) be a partnership consisting of one or
5 more public and private organizations (such as
6 hospitals, health centers, other health care pro-
7 viders, employers, local educational agencies,
8 community organizations, and public health or-
9 ganizations); and

10 (B) prepare and submit to the State an
11 application at such time, in such manner and
12 containing such information as the State may
13 require, including a description of the activities
14 that the partnership will carry out with assist-
15 ance provided under this section.

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

20 (1) activities to reduce the primary risk factors
21 for diseases, such as smoking, obesity, and sedentary
22 lifestyles;

23 (2) implementing employee health promotion
24 programs in the workplace using best practices to

1 improve health access, education, and prevention
2 promotion and disease management;

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

5 (4) the development of programs relating to
6 mental health and substance abuse.

7 (d) AUTHORIZATION OF APPROPRIATIONS.—There
8 are authorized to be appropriated to carry out this section,
9 such sums as may be necessary for each of fiscal years
10 2006 through 2010.

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

12 (a) GRANTS.—The Secretary shall award grants to
13 States (through State health departments or other State
14 agencies working in consultation with the State health
15 agency) to enable such States to provide assistance to em-
16 ployers that employ not to exceed 100 employees to enable
17 such employers to establish and operate worksite wellness
18 programs for their employees.

19 (b) APPLICATION.—To be eligible to receive a grant
20 under subsection (a), a State shall prepare and submit to
21 the Secretary an application at such time, in such manner,
22 and containing such information as the Secretary may re-
23 quire, including—

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

4 (2) assurances that the State will only use
5 amounts provided under such grant to provide as-
6 sistance to employers that can demonstrate that they
7 are in compliance with minimum program character-
8 istics (relative to scope and regularity of services of-
9 fered) that are developed by the Secretary in con-
10 sultation with experts in public health and represent-
11 atives of small employers.

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

15 (d) PROGRAM CHARACTERISTICS.—In developing
16 minimum program characteristics under subsection (b)(2),
17 the Secretary shall ensure that all activities established or
18 enhanced under a grant under this section have clearly
19 defined goals and objectives and demonstrate how receipt
20 of such assistance will help to achieve established State
21 or local health objectives based on the National Health
22 Promotion and Disease Prevention Objectives.

23 (e) USE OF FUNDS.—Amounts received under a
24 grant awarded under subsection (a) shall be used by a
25 State to provide grants to employers (as described in sub-

1 section (a)), nonprofit organizations, or public authorities,
2 or to operate State-based worksite wellness programs.

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

6 (1) the development of joint wellness programs
7 between employers;

8 (2) the development of employee assistance pro-
9 grams dealing with substance abuse;

10 (3) maximizing the use of, and coordination
11 with, existing community resources such as non-
12 profit health organizations; and

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

15 (g) AUTHORIZATION OF APPROPRIATIONS.—There
16 are authorized to be appropriated to carry out this section,
17 such sums as may be necessary for each of fiscal years
18 2006 through 2010.

19 **SEC. 603. COMPREHENSIVE SCHOOL HEALTH EDUCATION.**

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

1 (b) SPECIFIED USE OF FUNDS.—In meeting the re-
2 quirement of subsection (a), the Secretary shall expand
3 the number of children receiving planned, sequential kin-
4 dergarten through 12th grade comprehensive school edu-
5 cation as a component of comprehensive programs of
6 school health, including—

7 (1) physical education programs that provide
8 lifelong physical activity;

9 (2) healthy school food service selections;

10 (3) programs that promote a healthy and safe
11 school environment;

12 (4) schoolsite health promotion for faculty and
13 staff;

14 (5) integrated school and community health
15 promotion efforts; and

16 (6) school nursing disease prevention and
17 health promotion services.

18 (c) COORDINATION OF EXISTING PROGRAMS.—The
19 Secretary of Health and Human Services, the Secretary
20 of Education, and the Secretary of Agriculture shall work
21 cooperatively to coordinate existing school health edu-
22 cation programs within the jurisdiction of their respective
23 Departments in a manner that maximizes the efficiency
24 and effectiveness of Federal expenditures for such pro-
25 grams.

1 (d) AUTHORIZATION OF APPROPRIATIONS.—There
2 are authorized to be appropriated to carry out this section,
3 such sums as may be necessary for each of fiscal years
4 2006 through 2010.

5 **TITLE VII—MEDICARE FAIRNESS**
6 **Subtitle A—Medicare Value and**
7 **Quality Demonstration**

8 **SEC. 701. FINDINGS.**

9 The Senate makes the following findings:

10 (1) The United States Government should re-
11 ward physicians, hospitals, and other health care
12 providers that provide high-quality, cost-effective
13 health care to beneficiaries under the medicare pro-
14 gram.

15 (2) The Journal of the American Medical Asso-
16 ciation has published quality indicators in an article
17 entitled “Quality of Medical Care Delivered to Medi-
18 care Beneficiaries: A Profile at State and National
19 Levels”.

20 (3) The cost of health care is—

21 (A) reflected in the type and volume of
22 physicians’ services and in physician ordering
23 and prescribing behavior; and

24 (B) reflected in the amount of the average
25 payment to hospitals under the medicare pro-

1 gram for each medicare beneficiary in each
2 State.

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

6 (5) The original medicare fee-for-service pro-
7 gram under parts A and B of title XVIII of the So-
8 cial Security Act does not include a mechanism to
9 pay for interventions designed to improve quality of
10 care. While the framework for payments to managed
11 care organizations under the Medicare+Choice pro-
12 gram under part C of such title allows for the re-
13 allocation of capitation revenues to cover such things
14 as disease state management and quality improve-
15 ment infrastructure, even the most optimistic projec-
16 tions for managed care enrollment leave the majority
17 of medicare beneficiaries in the original medicare
18 fee-for-service program.

19 **SEC. 702. DEMONSTRATION PROJECT TO ENCOURAGE THE**
20 **PROVISION OF HIGH-QUALITY, COST-EFFEC-**
21 **TIVE INPATIENT HOSPITAL SERVICES.**

22 (a) PURPOSE.—The purpose of the demonstration
23 project conducted under this section is to encourage the
24 provision of high-quality, cost-effective health care to
25 beneficiaries under the medicare program under title

1 XVIII of the Social Security Act (42 U.S.C. 1395 et seq.)
2 by providing incentive payments to hospitals located in
3 States in which high-quality and cost-effective services are
4 being provided in order to finance further quality improve-
5 ments.

6 (b) DEMONSTRATION PROJECT.—

7 (1) ESTABLISHMENT.—Not later than 6
8 months after the date of enactment of this Act, the
9 Secretary shall establish a demonstration project
10 under which—

11 (A) the Secretary provides bonus payments
12 to providers of inpatient hospital services that
13 deliver high-quality health care at low costs in
14 accordance with the methodology established by
15 the Agency for Healthcare Research and Qual-
16 ity under paragraph (2); and

17 (B) the Secretary funds a plan at each site
18 to increase the number of providers of inpatient
19 hospital services that provide high-quality, low-
20 cost health care to beneficiaries under the medi-
21 care program under title XVIII of the Social
22 Security Act.

23 (2) VALUE AND QUALITY RANKING METHOD-
24 OLOGY.—

1 (A) IN GENERAL.—The Agency for
2 Healthcare Research and Quality shall establish
3 a value and quality ranking methodology under
4 which the Secretary awards bonus payments to
5 providers of inpatient hospital services located
6 in those States that demonstrate that such pro-
7 viders in the State are providing high value be-
8 cause of the high-quality, cost-effective health
9 care services being provided to medicare bene-
10 ficiaries.

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

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

23 (A) from among the top 25 States (as
24 ranked using the methodology established under
25 paragraph (2)) that are also among the group

1 of 25 States with the lowest per capita cost to
2 the medicare program under title XVIII of the
3 Social Security Act during the most recent 12-
4 month period for which data are available; and

5 (B) based upon information contained in
6 applications submitted to the Secretary by such
7 States at such time, in such form and manner,
8 and containing such information as the Sec-
9 retary may require.

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

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

19 (d) WAIVER.—The Secretary shall waive such provi-
20 sions of titles XI and XVIII of the Social Security Act
21 (42 U.S.C. 1301 et seq. and 1395 et seq.) as may be nec-
22 essary to conduct the demonstration project under this
23 section.

24 (e) DEFINITIONS.—In this section:

1 being provided in order to finance further quality improve-
2 ments.

3 (b) DEMONSTRATION PROJECT.—

4 (1) ESTABLISHMENT.—Not later than 6
5 months after the date of enactment of this Act, the
6 Secretary shall establish a demonstration project
7 under which—

8 (A) the Secretary provides bonus payments
9 to providers of physicians' services that deliver
10 high-quality, cost-effective health care in ac-
11 cordance with the methodology established by
12 the Agency for Healthcare Research and Qual-
13 ity under paragraph (2); and

14 (B) the Secretary funds a plan in each
15 State to increase the number of providers of
16 physicians' services that provide high-quality,
17 cost-effective health care to beneficiaries under
18 the medicare program under title XVIII of the
19 Social Security Act.

20 (2) VALUE AND QUALITY RANKING METHOD-
21 OLOGY.—

22 (A) IN GENERAL.—The Agency for
23 Healthcare Research and Quality shall establish
24 a value and quality ranking methodology under
25 which the Secretary awards bonus payments to

1 providers of physicians' services located in those
2 States that demonstrate that such providers in
3 the State are providing high value because of
4 the high-quality, cost-effective health care serv-
5 ices being provided to medicare beneficiaries.

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

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

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

1 (B) based upon information contained in
2 applications submitted to the Secretary by such
3 States at such time, in such form and manner,
4 and containing such information as the Sec-
5 retary may require.

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

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

15 (d) WAIVER.—The Secretary shall waive such provi-
16 sions of titles XI and XVIII of the Social Security Act
17 (42 U.S.C. 1301 et seq. and 1395 et seq.) as may be nec-
18 essary to conduct the demonstration project under this
19 section.

20 (e) DEFINITIONS.—In this section:

21 (1) PROVIDER OF PHYSICIANS' SERVICES.—The
22 term “provider of physicians’ services” means any
23 individual or entity that receives payment under the
24 medicare program under title XVIII of the Social
25 Security Act (42 U.S.C. 1395 et seq.) for providing

1 physicians' services (as defined in section 1861(q) of
2 such Act (42 U.S.C. 1395x(q))).

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

5 (f) FUNDING.—There are appropriated from the Fed-
6 eral Supplementary Medical Insurance Trust Fund under
7 section 1841 of the Social Security Act (42 U.S.C. 1395t)
8 such sums as the Secretary determines are necessary to
9 conduct the demonstration project under this section.

10 **Subtitle B—Graduate Medical** 11 **Education Demonstration**

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

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

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

24 (c) FUNDING.—

1 (1) IN GENERAL.—Subject to paragraph (2),
2 the Secretary shall pay the costs of the demonstra-
3 tion project conducted under this section from the
4 Federal Hospital Insurance Trust Fund under sec-
5 tion 1817 of the Social Security Act (42 U.S.C.
6 1395i).

7 (2) CAP ON FUNDING.—The Secretary may not
8 expend more than \$20,000,000 to conduct the dem-
9 onstration project under this section.

10 (3) BUDGET NEUTRALITY FOR DEMONSTRA-
11 TION PROJECT.—Notwithstanding any other provi-
12 sion of law, the Secretary shall provide for an appro-
13 priate reduction in the aggregate amount of addi-
14 tional payments made under subsection (d)(5)(B) of
15 section 1886 of the Social Security Act (42 U.S.C.
16 1395ww) for the indirect costs of medical education
17 and for direct graduate medical education costs
18 under subsection (h) of such section to reflect any
19 increase in amounts expended from the Federal Hos-
20 pital Insurance Trust Fund as a result of the dem-
21 onstration project conducted under this section.

22 (d) REPORTS.—The Secretary shall submit to the ap-
23 propriate committees of Congress interim reports on the
24 demonstration project and a final report on such project
25 within 6 months after the conclusion of the project to-

1 gether with recommendations for such legislative or ad-
2 ministrative action as the Secretary determines appro-
3 priate.

4 (e) WAIVER.—The Secretary shall waive such provi-
5 sions of titles XI and XVIII of the Social Security Act
6 (42 U.S.C. 1301 et seq. and 1395 et seq.) as may be nec-
7 essary to conduct the demonstration project under this
8 section.

9 (f) DEFINITIONS.—In this section:

10 (1) HOSPITAL.—The term “hospital” means
11 any subsection (d) hospital (as defined in section
12 1886(d)(1)(B) of the Social Security Act (42 U.S.C.
13 1395ww(d)(1)(B)) that had indirect or direct costs
14 of medical education during the most recent cost re-
15 porting period preceding the date of enactment of
16 this Act.

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

19 (3) UNDERSERVED AREA.—The term “under-
20 served area” means such medically underserved
21 urban areas and medically underserved rural areas
22 as the Secretary may specify.

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