

109TH CONGRESS
2^D SESSION

S. 2510

To establish a national health program administered by the Office of Personnel Management to offer health benefits plans to individuals who are not Federal employees, and for other purposes.

IN THE SENATE OF THE UNITED STATES

APRIL 5, 2006

Mr. DURBIN (for himself, Mrs. LINCOLN, Mr. REID, Mr. BAUCUS, Mr. KENNEDY, Mr. KERRY, Mr. BINGAMAN, Mr. CARPER, Mr. DAYTON, Mr. HARKIN, Mr. KOHL, Mr. NELSON of Florida, Ms. CANTWELL, Mrs. CLINTON, Mr. DODD, Mr. LEAHY, Ms. MIKULSKI, Mr. PRYOR, Mr. LIEBERMAN, Mr. LAUTENBERG, Mr. JOHNSON, Mr. MENENDEZ, Mr. ROCKEFELLER, and Mrs. BOXER) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To establish a national health program administered by the Office of Personnel Management to offer health benefits plans to individuals who are not Federal employees, and for other purposes.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Small Employers
5 Health Benefits Program Act of 2006”.

1 **SEC. 2. DEFINITIONS.**

2 (a) IN GENERAL.—In this Act, the terms “member
3 of family”, “health benefits plan”, “carrier”, “employee
4 organizations”, and “dependent” have the meanings given
5 such terms in section 8901 of title 5, United States Code.

6 (b) OTHER TERMS.—In this Act:

7 (1) EMPLOYEE.—The term “employee” has the
8 meaning given such term under section 3(6) of the
9 Employee Retirement Income Security Act of 1974
10 (29 U.S.C. 1002(6)). Such term shall not include an
11 employee of the Federal Government.

12 (2) EMPLOYER.—The term “employer” has the
13 meaning given such term under section 3(5) of the
14 Employee Retirement Income Security Act of 1974
15 (29 U.S.C. 1002(5)), except that such term shall in-
16 clude only employers who employed an average of at
17 least 1 but not more than 100 employees on busi-
18 ness days during the year preceding the date of ap-
19 plication. Such term shall not include the Federal
20 Government.

21 (3) HEALTH STATUS-RELATED FACTOR.—The
22 term “health status-related factor” has the meaning
23 given such term in section 2791(d)(9) of the Public
24 Health Service Act (42 U.S.C. 300gg–91(d)(9)).

25 (4) OFFICE.—The term “Office” means the Of-
26 fice of Personnel Management.

1 (5) PARTICIPATING EMPLOYER.—The term
2 “participating employer” means an employer that—

3 (A) elects to provide health insurance cov-
4 erage under this Act to its employees; and

5 (B) is not offering other comprehensive
6 health insurance coverage to such employees.

7 (c) APPLICATION OF CERTAIN RULES IN DETER-
8 MINATION OF EMPLOYER SIZE.—For purposes of sub-
9 section (b)(2):

10 (1) APPLICATION OF AGGREGATION RULE FOR
11 EMPLOYERS.—All persons treated as a single em-
12 ployer under subsection (b), (c), (m), or (o) of sec-
13 tion 414 of the Internal Revenue Code of 1986 shall
14 be treated as 1 employer.

15 (2) EMPLOYERS NOT IN EXISTENCE IN PRE-
16 CEDING YEAR.—In the case of an employer which
17 was not in existence for the full year prior to the
18 date on which the employer applies to participate,
19 the determination of whether such employer meets
20 the requirements of subsection (b)(2) shall be based
21 on the average number of employees that it is rea-
22 sonably expected such employer will employ on busi-
23 ness days in the employer’s first full year.

1 (3) PREDECESSORS.—Any reference in this
2 subsection to an employer shall include a reference
3 to any predecessor of such employer.

4 (d) WAIVER AND CONTINUATION OF PARTICIPA-
5 TION.—

6 (1) WAIVER.—The Office may waive the limita-
7 tions relating to the size of an employer which may
8 participate in the health insurance program estab-
9 lished under this Act on a case by case basis if the
10 Office determines that such employer makes a com-
11 pelling case for such a waiver. In making determina-
12 tions under this paragraph, the Office may consider
13 the effects of the employment of temporary and sea-
14 sonal workers and other factors.

15 (2) CONTINUATION OF PARTICIPATION.—An
16 employer participating in the program under this
17 Act that experiences an increase in the number of
18 employees so that such employer has in excess of
19 100 employees, may not be excluded from participa-
20 tion solely as a result of such increase in employees.

21 (e) TREATMENT OF HEALTH BENEFITS PLAN AS
22 GROUP HEALTH PLAN.—A health benefits plan offered
23 under this Act shall be treated as a group health plan for
24 purposes of applying the Employee Retirement Income Se-
25 curity Act of 1974 (29 U.S.C. 1001 et seq.) except to the

1 extent that a provision of this Act expressly provides oth-
2 erwise.

3 **SEC. 3. HEALTH INSURANCE COVERAGE FOR NON-FEDERAL**
4 **EMPLOYEES.**

5 (a) ADMINISTRATION.—The Office shall administer a
6 health insurance program for non-Federal employees and
7 employers in accordance with this Act.

8 (b) REGULATIONS.—Except as provided under this
9 Act, the Office shall prescribe regulations to apply the pro-
10 visions of chapter 89 of title 5, United States Code, to
11 the greatest extent practicable to participating carriers,
12 employers, and employees covered under this Act.

13 (c) LIMITATIONS.—In no event shall the enactment
14 of this Act result in—

15 (1) any increase in the level of individual or
16 Federal Government contributions required under
17 chapter 89 of title 5, United States Code, including
18 copayments or deductibles;

19 (2) any decrease in the types of benefits offered
20 under such chapter 89; or

21 (3) any other change that would adversely af-
22 fect the coverage afforded under such chapter 89 to
23 employees and annuitants and members of family
24 under that chapter.

1 (d) ENROLLMENT.—The Office shall develop methods
2 to facilitate enrollment under this Act, including the use
3 of the Internet.

4 (e) CONTRACTS FOR ADMINISTRATION.—The Office
5 may enter into contracts for the performance of appro-
6 priate administrative functions under this Act.

7 (f) SEPARATE RISK POOL.—In the administration of
8 this Act, the Office shall ensure that covered employees
9 under this Act are in a risk pool that is separate from
10 the risk pool maintained for covered individuals under
11 chapter 89 of title 5, United States Code.

12 (g) RULE OF CONSTRUCTION.—Nothing in this Act
13 shall be construed to require a carrier that is participating
14 in the program under chapter 89 of title 5, United States
15 Code, to provide health benefits plan coverage under this
16 Act.

17 **SEC. 4. CONTRACT REQUIREMENT.**

18 (a) IN GENERAL.—The Office may enter into con-
19 tracts with qualified carriers offering health benefits plans
20 of the type described in section 8903 or 8903a of title
21 5, United States Code, without regard to section 5 of title
22 41, United States Code, or other statutes requiring com-
23 petitive bidding, to provide health insurance coverage to
24 employees of participating employers under this Act. Each
25 contract shall be for a uniform term of at least 1 year,

1 but may be made automatically renewable from term to
2 term in the absence of notice of termination by either
3 party. In entering into such contracts, the Office shall en-
4 sure that health benefits coverage is provided for individ-
5 uals only, individuals with one or more children, married
6 individuals without children, and married individuals with
7 one or more children.

8 (b) ELIGIBILITY.—A carrier shall be eligible to enter
9 into a contract under subsection (a) if such carrier—

10 (1) is licensed to offer health benefits plan cov-
11 erage in each State in which the plan is offered; and

12 (2) meets such other requirements as deter-
13 mined appropriate by the Office.

14 (c) STATEMENT OF BENEFITS.—

15 (1) IN GENERAL.—Each contract under this
16 Act shall contain a detailed statement of benefits of-
17 fered and shall include information concerning such
18 maximums, limitations, exclusions, and other defini-
19 tions of benefits as the Office considers necessary or
20 desirable.

21 (2) ENSURING A RANGE OF PLANS.—The Office
22 shall ensure that a range of health benefits plans are
23 available to participating employers under this Act.

24 (3) PARTICIPATING PLANS.—The Office shall
25 not prohibit the offering of any health benefits plan

1 to a participating employer if such plan is eligible to
2 participate in the Federal Employees Health Bene-
3 fits Program.

4 (4) NATIONWIDE PLAN.—With respect to all
5 nationwide plans, the Office shall develop a benefit
6 package that shall be offered in the case of a con-
7 tract for a health benefit plan that is to be offered
8 on a nationwide basis that meets all State benefit
9 mandates.

10 (d) STANDARDS.—The minimum standards pre-
11 scribed for health benefits plans under section 8902(e) of
12 title 5, United States Code, and for carriers offering plans,
13 shall apply to plans and carriers under this Act. Approval
14 of a plan may be withdrawn by the Office only after notice
15 and opportunity for hearing to the carrier concerned with-
16 out regard to subchapter II of chapter 5 and chapter 7
17 of title 5, United States Code.

18 (e) CONVERSION.—

19 (1) IN GENERAL.—A contract may not be made
20 or a plan approved under this section if the carrier
21 under such contract or plan does not offer to each
22 enrollee whose enrollment in the plan is ended, ex-
23 cept by a cancellation of enrollment, a temporary ex-
24 tension of coverage during which the individual may
25 exercise the option to convert, without evidence of

1 good health, to a nongroup contract providing health
2 benefits. An enrollee who exercises this option shall
3 pay the full periodic charges of the nongroup con-
4 tract.

5 (2) NONCANCELLABLE.—The benefits and cov-
6 erage made available under paragraph (1) may not
7 be canceled by the carrier except for fraud, over-in-
8 surance, or nonpayment of periodic charges.

9 (f) REQUIREMENT OF PAYMENT FOR OR PROVISION
10 OF HEALTH SERVICE.—Each contract entered into under
11 this Act shall require the carrier to agree to pay for or
12 provide a health service or supply in an individual case
13 if the Office finds that the employee, annuitant, family
14 member, former spouse, or person having continued cov-
15 erage under section 8905a of title 5, United States Code,
16 is entitled thereto under the terms of the contract.

17 **SEC. 5. ELIGIBILITY.**

18 An individual shall be eligible to enroll in a plan
19 under this Act if such individual—

20 (1) is an employee of an employer described in
21 section 2(b)(2), or is a self employed individual as
22 defined in section 401(c)(1)(B) of the Internal Rev-
23 enue Code of 1986; and

1 (2) is not otherwise enrolled or eligible for en-
2 rollment in a plan under chapter 89 of title 5,
3 United States Code.

4 **SEC. 6. ALTERNATIVE CONDITIONS TO FEDERAL EM-**
5 **EMPLOYEE PLANS.**

6 (a) TREATMENT OF EMPLOYEE.—For purposes of
7 enrollment in a health benefits plan under this Act, an
8 individual who had coverage under a health insurance plan
9 and is not a qualified beneficiary as defined under section
10 4980B(g)(1) of the Internal Revenue Code of 1986 shall
11 be treated in a similar manner as an individual who begins
12 employment as an employee under chapter 89 of title 5,
13 United States Code.

14 (b) PREEXISTING CONDITION EXCLUSIONS.—

15 (1) IN GENERAL.—Each contract under this
16 Act may include a preexisting condition exclusion as
17 defined under section 9801(b)(1) of the Internal
18 Revenue Code of 1986.

19 (2) EXCLUSION PERIOD.—A preexisting condi-
20 tion exclusion under this subsection shall provide for
21 coverage of a preexisting condition to begin not later
22 than 6 months after the date on which the coverage
23 of the individual under a health benefits plan com-
24 mences, reduced by the aggregate 1 day for each day
25 that the individual was covered under a health insur-

1 ance plan immediately preceding the date the indi-
2 vidual submitted an application for coverage under
3 this Act. This provision shall be applied notwith-
4 standing the applicable provision for the reduction of
5 the exclusion period provided for in section
6 701(a)(3) of the Employee Retirement Income Secu-
7 rity Act of 1974 (29 U.S.C. 1181(a)(3)).

8 (c) RATES AND PREMIUMS.—

9 (1) IN GENERAL.—Rates charged and pre-
10 miums paid for a health benefits plan under this
11 Act—

12 (A) shall be determined in accordance with
13 this subsection;

14 (B) may be annually adjusted subject to
15 paragraph (3);

16 (C) shall be negotiated in the same manner
17 as rates and premiums are negotiated under
18 such chapter 89; and

19 (D) shall be adjusted to cover the adminis-
20 trative costs of the Office under this Act.

21 (2) DETERMINATIONS.—In determining rates
22 and premiums under this Act, the following provi-
23 sions shall apply:

24 (A) IN GENERAL.—A carrier that enters
25 into a contract under this Act shall determine

1 that amount of premiums to assess for coverage
2 under a health benefits plan based on an com-
3 munity rate that may be annually adjusted—

4 (i) for the geographic area involved if
5 the adjustment is based on geographical
6 divisions that are not smaller than a met-
7 ropolitan statistical area and the carrier
8 provides evidence of geographic variation
9 in cost of services;

10 (ii) based on whether such coverage is
11 for an individual, two adults, one adult and
12 one or more children, or a family; and

13 (iii) based on the age of covered indi-
14 viduals (subject to subparagraph (C)).

15 (B) LIMITATION.—Premium rates charged
16 for coverage under this Act shall not vary based
17 on health-status related factors, gender, class of
18 business, or claims experience

19 (C) AGE ADJUSTMENTS.—

20 (i) IN GENERAL.—With respect to
21 subparagraph (A)(iii), in making adjust-
22 ments based on age, the Office shall estab-
23 lish no more than 5 age brackets to be
24 used by the carrier in establishing rates.
25 The rates for any age bracket may not

1 vary by more than 50 percent above or
2 below the community rate on the basis of
3 attained age. Age-related premiums may
4 not vary within age brackets.

5 (ii) AGE 65 AND OLDER.—With re-
6 spect to subparagraph (A)(iii), a carrier
7 may develop separate rates for covered in-
8 dividuals who are 65 years of age or older
9 for whom medicare is the primary payor
10 for health benefits coverage which is not
11 covered under medicare.

12 “(3) READJUSTMENTS.—Any readjustment in
13 rates charged or premiums paid for a health benefits
14 plan under this Act shall be made in advance of the
15 contract term in which they will apply and on a
16 basis which, in the judgment of the Office, is con-
17 sistent with the practice of the Office for the Fed-
18 eral Employees Health Benefits Program.

19 (d) TERMINATION AND REENROLLMENT.—If an indi-
20 vidual who is enrolled in a health benefits plan under this
21 Act terminates the enrollment, the individual shall not be
22 eligible for reenrollment until the first open enrollment pe-
23 riod following the expiration of 6 months after the date
24 of such termination.

25 (e) CONTINUED APPLICABILITY OF STATE LAW.—

1 (1) HEALTH INSURANCE OR PLANS.—

2 (A) PLANS.—With respect to a contract
3 entered into under this Act under which a car-
4 rier will offer health benefits plan coverage,
5 State mandated benefit laws in effect in the
6 State in which the plan is offered shall continue
7 to apply.

8 (B) RATING RULES.—The rating require-
9 ments under subparagraphs (A) and (B) of sub-
10 section (c)(2) shall supercede State rating rules
11 for qualified plans under this Act, except with
12 respect to States that provide a rating variance
13 with respect to age that is less than the Federal
14 limit or that provide for some form of commu-
15 nity rating.

16 (2) LIMITATION.—Nothing in this subsection
17 shall be construed to preempt—

18 (A) any State or local law or regulation ex-
19 cept those laws and regulations described in
20 subparagraph (B) of paragraph (1);

21 (B) any State grievance, claims, and ap-
22 peals procedure law, except to the extent that
23 such law is preempted under section 514 of the
24 Employee Retirement Income Security Act of
25 1974; and

1 (C) State network adequacy laws.

2 (f) RULE OF CONSTRUCTION.—Nothing in this Act
3 shall be construed to limit the application of the service-
4 charge system used by the Office for determining profits
5 for participating carriers under chapter 89 of title 5,
6 United States Code.

7 **SEC. 7. ENCOURAGING PARTICIPATION BY CARRIERS**
8 **THROUGH ADJUSTMENTS FOR RISK.**

9 (a) APPLICATION OF RISK CORRIDORS.—

10 (1) IN GENERAL.—This section shall only apply
11 to carriers with respect to health benefits plans of-
12 fered under this Act during any of calendar years
13 2007 through 2009.

14 (2) NOTIFICATION OF COSTS UNDER THE
15 PLAN.—In the case of a carrier that offers a health
16 benefits plan under this Act in any of calendar years
17 2007 through 2009, the carrier shall notify the Of-
18 fice, before such date in the succeeding year as the
19 Office specifies, of the total amount of costs incurred
20 in providing benefits under the health benefits plan
21 for the year involved and the portion of such costs
22 that is attributable to administrative expenses.

23 (3) ALLOWABLE COSTS DEFINED.—For pur-
24 poses of this section, the term “allowable costs”
25 means, with respect to a health benefits plan offered

1 by a carrier under this Act, for a year, the total
2 amount of costs described in paragraph (2) for the
3 plan and year, reduced by the portion of such costs
4 attributable to administrative expenses incurred in
5 providing the benefits described in such paragraph.

6 (b) ADJUSTMENT OF PAYMENT.—

7 (1) NO ADJUSTMENT IF ALLOWABLE COSTS
8 WITHIN 3 PERCENT OF TARGET AMOUNT.—If the al-
9 lowable costs for the carrier with respect to the
10 health benefits plan involved for a calendar year are
11 at least 97 percent, but do not exceed 103 percent,
12 of the target amount for the plan and year involved,
13 there shall be no payment adjustment under this
14 section for the plan and year.

15 (2) INCREASE IN PAYMENT IF ALLOWABLE
16 COSTS ABOVE 103 PERCENT OF TARGET AMOUNT.—

17 (A) COSTS BETWEEN 103 AND 108 PER-
18 CENT OF TARGET AMOUNT.—If the allowable
19 costs for the carrier with respect to the health
20 benefits plan involved for the year are greater
21 than 103 percent, but not greater than 108
22 percent, of the target amount for the plan and
23 year, the Office shall reimburse the carrier for
24 such excess costs through payment to the car-
25 rier of an amount equal to 75 percent of the

1 difference between such allowable costs and 103
2 percent of such target amount.

3 (B) COSTS ABOVE 108 PERCENT OF TAR-
4 GET AMOUNT.—If the allowable costs for the
5 carrier with respect to the health benefits plan
6 involved for the year are greater than 108 per-
7 cent of the target amount for the plan and
8 year, the Office shall reimburse the carrier for
9 such excess costs through payment to the car-
10 rier in an amount equal to the sum of—

11 (i) 3.75 percent of such target
12 amount; and

13 (ii) 90 percent of the difference be-
14 tween such allowable costs and 108 percent
15 of such target amount.

16 (3) REDUCTION IN PAYMENT IF ALLOWABLE
17 COSTS BELOW 97 PERCENT OF TARGET AMOUNT.—

18 (A) COSTS BETWEEN 92 AND 97 PERCENT
19 OF TARGET AMOUNT.—If the allowable costs for
20 the carrier with respect to the health benefits
21 plan involved for the year are less than 97 per-
22 cent, but greater than or equal to 92 percent,
23 of the target amount for the plan and year, the
24 carrier shall be required to pay into the contin-
25 gency reserve fund maintained under section

1 8909(b)(2) of title 5, United States Code, an
2 amount equal to 75 percent of the difference
3 between 97 percent of the target amount and
4 such allowable costs.

5 (B) COSTS BELOW 92 PERCENT OF TARGET
6 AMOUNT.—If the allowable costs for the carrier
7 with respect to the health benefits plan involved
8 for the year are less than 92 percent of the tar-
9 get amount for the plan and year, the carrier
10 shall be required to pay into the stabilization
11 fund under section 8909(b)(2) of title 5, United
12 States Code, an amount equal to the sum of—

13 (i) 3.75 percent of such target
14 amount; and

15 (ii) 90 percent of the difference be-
16 tween 92 percent of such target amount
17 and such allowable costs.

18 (4) TARGET AMOUNT DESCRIBED.—

19 (A) IN GENERAL.—For purposes of this
20 subsection, the term “target amount” means,
21 with respect to a health benefits plan offered by
22 a carrier under this Act in any of calendar
23 years 2007 through 2011, an amount equal
24 to—

1 (i) the total of the monthly premiums
 2 estimated by the carrier and approved by
 3 the Office to be paid for enrollees in the
 4 plan under this Act for the calendar year
 5 involved; reduced by

6 (ii) the amount of administrative ex-
 7 penses that the carrier estimates, and the
 8 Office approves, will be incurred by the
 9 carrier with respect to the plan for such
 10 calendar year.

11 (B) SUBMISSION OF TARGET AMOUNT.—
 12 Not later than December 31, 2006, and each
 13 December 31 thereafter through calendar year
 14 2010, a carrier shall submit to the Office a de-
 15 scription of the target amount for such carrier
 16 with respect to health benefits plans provided
 17 by the carrier under this Act.

18 (c) DISCLOSURE OF INFORMATION.—

19 (1) IN GENERAL.—Each contract under this
 20 Act shall provide—

21 (A) that a carrier offering a health benefits
 22 plan under this Act shall provide the Office
 23 with such information as the Office determines
 24 is necessary to carry out this subsection includ-
 25 ing the notification of costs under subsection

1 (a)(2) and the target amount under subsection
2 (b)(4)(B); and

3 (B) that the Office has the right to inspect
4 and audit any books and records of the organi-
5 zation that pertain to the information regarding
6 costs provided to the Office under such sub-
7 sections.

8 (2) RESTRICTION ON USE OF INFORMATION.—
9 Information disclosed or obtained pursuant to the
10 provisions of this subsection may be used by officers,
11 employees, and contractors of the Office only for the
12 purposes of, and to the extent necessary in, carrying
13 out this section.

14 **SEC. 8. ENCOURAGING PARTICIPATION BY CARRIERS**
15 **THROUGH REINSURANCE.**

16 (a) ESTABLISHMENT.—The Office shall establish a
17 reinsurance fund to provide payments to carriers that ex-
18 perience one or more catastrophic claims during a year
19 for health benefits provided to individuals enrolled in a
20 health benefits plan under this Act.

21 (b) ELIGIBILITY FOR PAYMENTS.—To be eligible for
22 a payment from the reinsurance fund for a plan year, a
23 carrier under this Act shall submit to the Office an appli-
24 cation that contains—

1 (1) a certification by the carrier that the carrier
2 paid for at least one episode of care during the year
3 for covered health benefits for an individual in an
4 amount that is in excess of \$50,000; and

5 (2) such other information determined appro-
6 priate by the Office.

7 (c) PAYMENT.—

8 (1) IN GENERAL.—The amount of a payment
9 from the reinsurance fund to a carrier under this
10 section for a catastrophic episode of care shall be de-
11 termined by the Office but shall not exceed an
12 amount equal to 80 percent of the applicable cata-
13 strophic claim amount.

14 (2) APPLICABLE CATASTROPHIC CLAIM
15 AMOUNT.—For purposes of paragraph (1), the appli-
16 cable catastrophic episode of care amount shall be
17 equal to the difference between—

18 (A) the amount of the catastrophic claim;

19 and

20 (B) \$50,000.

21 (3) LIMITATION.—In determining the amount
22 of a payment under paragraph (1), if the amount of
23 the catastrophic claim exceeds the amount that
24 would be paid for the healthcare items or services in-
25 volved under title XVIII of the Social Security Act

1 (42 U.S.C. 1395 et seq.), the Office shall use the
2 amount that would be paid under such title XVIII
3 for purposes of paragraph (2)(A).

4 (d) DEFINITION.—In this section, the term “cata-
5 strophic claim” means a claim submitted to a carrier, by
6 or on behalf of an enrollee in a health benefits plan under
7 this Act, that is in excess of \$50,000.

8 (e) TERMINATION OF FUND.—The reinsurance fund
9 established under subsection (a) shall terminate on the
10 date that is 2 years after the date on which the first con-
11 tract period becomes effective under this Act.

12 **SEC. 9. CONTINGENCY RESERVE FUND.**

13 Beginning on October 1, 2010, the Office may use
14 amounts appropriated under section 14(a) that remain un-
15 obligated to establish a contingency reserve fund to pro-
16 vide assistance to carriers offering health benefits plans
17 under this Act that experience unanticipated financial
18 hardships (as determined by the Office).

19 **SEC. 10. EMPLOYER PARTICIPATION.**

20 (a) REGULATIONS.—The Office shall prescribe regu-
21 lations providing for employer participation under this
22 Act, including the offering of health benefits plans under
23 this Act to employees.

24 (b) ENROLLMENT AND OFFERING OF OTHER COV-
25 ERAGE.—

1 (1) ENROLLMENT.—A participating employer
2 shall ensure that each eligible employee has an op-
3 portunity to enroll in a plan under this Act.

4 (2) PROHIBITION ON OFFERING OTHER COM-
5 PREHENSIVE HEALTH BENEFIT COVERAGE.—A par-
6 ticipating employer may not offer a health insurance
7 plan providing comprehensive health benefit coverage
8 to employees other than a health benefits plan
9 that—

10 (A) meets the requirements described in
11 section 4(a); and

12 (B) is offered only through the enrollment
13 process established by the Office under section
14 3.

15 (3) OFFER OF SUPPLEMENTAL COVERAGE OP-
16 TIONS.—

17 (A) IN GENERAL.—A participating em-
18 ployer may offer supplementary coverage op-
19 tions to employees.

20 (B) DEFINITION.—In subparagraph (A),
21 the term “supplementary coverage” means ben-
22 efits described as “excepted benefits” under
23 section 2791(c) of the Public Health Service
24 Act (42 U.S.C. 300gg–91(c)).

1 (c) RULE OF CONSTRUCTION.—Except as provided in
2 section 15, nothing in this Act shall be construed to re-
3 quire that an employer make premium contributions on
4 behalf of employees.

5 **SEC. 11. ADMINISTRATION THROUGH REGIONAL ADMINIS-**
6 **TRATIVE ENTITIES.**

7 (a) IN GENERAL.—In order to provide for the admin-
8 istration of the benefits under this Act with maximum effi-
9 ciency and convenience for participating employers and
10 health care providers and other individuals and entities
11 providing services to such employers, the Office is author-
12 ized to enter into contracts with eligible entities to per-
13 form, on a regional basis, one or more of the following:

14 (1) Collect and maintain all information relat-
15 ing to individuals, families, and employers partici-
16 pating in the program under this Act in the region
17 served.

18 (2) Receive, disburse, and account for payments
19 of premiums to participating employers by individ-
20 uals in the region served, and for payments by par-
21 ticipating employers to carriers.

22 (3) Serve as a channel of communication be-
23 tween carriers, participating employers, and individ-
24 uals relating to the administration of this Act.

1 (4) Otherwise carry out such activities for the
2 administration of this Act, in such manner, as may
3 be provided for in the contract entered into under
4 this section.

5 (5) The processing of grievances and appeals.

6 (b) APPLICATION.—To be eligible to receive a con-
7 tract under subsection (a), an entity shall prepare and
8 submit to the Office an application at such time, in such
9 manner, and containing such information as the Office
10 may require.

11 (c) PROCESS.—

12 (1) COMPETITIVE BIDDING.—All contracts
13 under this section shall be awarded through a com-
14 petitive bidding process on a bi-annual basis.

15 (2) REQUIREMENT.—No contract shall be en-
16 tered into with any entity under this section unless
17 the Office finds that such entity will perform its ob-
18 ligations under the contract efficiently and effec-
19 tively and will meet such requirements as to finan-
20 cial responsibility, legal authority, and other matters
21 as the Office finds pertinent.

22 (3) PUBLICATION OF STANDARDS AND CRI-
23 TERIA.—The Office shall publish in the Federal
24 Register standards and criteria for the efficient and
25 effective performance of contract obligations under

1 this section, and opportunity shall be provided for
2 public comment prior to implementation. In estab-
3 lishing such standards and criteria, the Office shall
4 provide for a system to measure an entity's perform-
5 ance of responsibilities.

6 (4) TERM.—Each contract under this section
7 shall be for a term of at least 1 year, and may be
8 made automatically renewable from term to term in
9 the absence of notice by either party of intention to
10 terminate at the end of the current term, except that
11 the Office may terminate any such contract at any
12 time (after such reasonable notice and opportunity
13 for hearing to the entity involved as the Office may
14 provide in regulations) if the Office finds that the
15 entity has failed substantially to carry out the con-
16 tract or is carrying out the contract in a manner in-
17 consistent with the efficient and effective adminis-
18 tration of the program established by this Act.

19 (d) TERMS OF CONTRACT.—A contract entered into
20 under this section shall include—

21 (1) a description of the duties of the con-
22 tracting entity;

23 (2) an assurance that the entity will furnish to
24 the Office such timely information and reports as
25 the Office determines appropriate;

1 (3) an assurance that the entity will maintain
2 such records and afford such access thereto as the
3 Office finds necessary to assure the correctness and
4 verification of the information and reports under
5 paragraph (2) and otherwise to carry out the pur-
6 poses of this Act;

7 (4) an assurance that the entity shall comply
8 with such confidentiality and privacy protection
9 guidelines and procedures as the Office may require;
10 and

11 (5) such other terms and conditions not incon-
12 sistent with this section as the Office may find nec-
13 essary or appropriate.

14 **SEC. 12. COORDINATION WITH SOCIAL SECURITY BENE-**
15 **FITS.**

16 Benefits under this Act shall, with respect to an indi-
17 vidual who is entitled to benefits under part A of title
18 XVIII of the Social Security Act, be offered (for use in
19 coordination with those medicare benefits) to the same ex-
20 tent and in the same manner as if coverage were under
21 chapter 89 of title 5, United States Code.

22 **SEC. 13. PUBLIC EDUCATION CAMPAIGN.**

23 (a) IN GENERAL.—In carrying out this Act, the Of-
24 fice shall develop and implement an educational campaign
25 to provide information to employers and the general public

1 concerning the health insurance program developed under
2 this Act.

3 (b) ANNUAL PROGRESS REPORTS.—Not later than 1
4 year and 2 years after the implementation of the campaign
5 under subsection (a), the Office shall submit to the appro-
6 priate committees of Congress a report that describes the
7 activities of the Office under subsection (a), including a
8 determination by the office of the percentage of employers
9 with knowledge of the health benefits programs provided
10 for under this Act.

11 (c) PUBLIC EDUCATION CAMPAIGN.—There is au-
12 thorized to be appropriated to carry out this section, such
13 sums as may be necessary for each of fiscal years 2007
14 and 2008.

15 **SEC. 14. APPROPRIATIONS.**

16 There are authorized to be appropriated to the Office,
17 such sums as may be necessary in each fiscal year for the
18 development and administration of the program under this
19 Act.

20 **SEC. 15. REFUNDABLE CREDIT FOR SMALL BUSINESS EM-**
21 **PLOYEE HEALTH INSURANCE EXPENSES.**

22 (a) IN GENERAL.—Subpart C of part IV of sub-
23 chapter A of chapter 1 of the Internal Revenue Code of
24 1986 (relating to refundable credits) is amended by reded-

1 ignating section 36 as section 37 and inserting after sec-
 2 tion 35 the following new section:

3 **“SEC. 36. SMALL BUSINESS EMPLOYEE HEALTH INSURANCE**
 4 **EXPENSES.**

5 “(a) DETERMINATION OF AMOUNT.—In the case of
 6 a qualified small employer, there shall be allowed as a
 7 credit against the tax imposed by this subtitle for the tax-
 8 able year an amount equal to the sum of—

9 “(1) the expense amount described in sub-
 10 section (b), and

11 “(2) the expense amount described in sub-
 12 section (c), paid by the taxpayer during the taxable
 13 year.

14 “(b) SUBSECTION (b) EXPENSE AMOUNT.—For pur-
 15 poses of this section—

16 “(1) IN GENERAL.—The expense amount de-
 17 scribed in this subsection is the applicable percent-
 18 age of the amount of qualified employee health in-
 19 surance expenses of each qualified employee.

20 “(2) APPLICABLE PERCENTAGE.—For purposes
 21 of paragraph (1)—

22 “(A) IN GENERAL.—The applicable per-
 23 centage is equal to—

24 “(i) 25 percent in the case of self-only
 25 coverage,

1 “(ii) 35 percent in the case of family
2 coverage (as defined in section 220(c)(5)),
3 and

4 “(iii) 30 percent in the case of cov-
5 erage for two adults or one adult and one
6 or more children.

7 “(B) BONUS FOR PAYMENT OF GREATER
8 PERCENTAGE OF PREMIUMS.—The applicable
9 percentage otherwise specified in subparagraph
10 (A) shall be increased by 5 percentage points
11 for each additional 10 percent of the qualified
12 employee health insurance expenses of each
13 qualified employee exceeding 60 percent which
14 are paid by the qualified small employer.

15 “(c) SUBSECTION (c) EXPENSE AMOUNT.—For pur-
16 poses of this section—

17 “(1) IN GENERAL.—The expense amount de-
18 scribed in this subsection is, with respect to the first
19 credit year of a qualified small employer which is an
20 eligible employer, 10 percent of the qualified em-
21 ployee health insurance expenses of each qualified
22 employee.

23 “(2) FIRST CREDIT YEAR.—For purposes of
24 paragraph (1), the term ‘first credit year’ means the
25 taxable year which includes the date that the health

1 insurance coverage to which the qualified employee
2 health insurance expenses relate becomes effective.

3 “(d) LIMITATION BASED ON WAGES.— With respect
4 to a qualified employee whose wages at an annual rate
5 during the taxable year exceed \$25,000, the percentage
6 which would (but for this section) be taken into account
7 as the percentage for purposes of subsection (b)(2) or
8 (c)(1) for the taxable year shall be reduced by an amount
9 equal to the product of such percentage and the percent-
10 age that such qualified employee’s wages in excess of
11 \$25,000 bears to \$5,000.

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

13 “(1) QUALIFIED SMALL EMPLOYER.—The term
14 ‘qualified small employer’ means any employer (as
15 defined in section 2(b)(2) of the Small Employers
16 Health Benefits Program Act of 2006) which—

17 “(A) is a participating employer (as de-
18 fined in section 2(b)(5) of such Act),

19 “(B) pays or incurs at least 60 percent of
20 the qualified employee health insurance ex-
21 penses of each qualified employee for self-only
22 coverage, and

23 “(C) pays or incurs at least 50 percent of
24 the qualified employee health insurance ex-

1 penses of each qualified employee for all other
2 categories of coverage.

3 “(2) QUALIFIED EMPLOYEE HEALTH INSUR-
4 ANCE EXPENSES.—

5 “(A) IN GENERAL.—The term ‘qualified
6 employee health insurance expenses’ means any
7 amount paid by an employer for health insur-
8 ance coverage under such Act to the extent
9 such amount is attributable to coverage pro-
10 vided to any employee while such employee is a
11 qualified employee.

12 “(B) EXCEPTION FOR AMOUNTS PAID
13 UNDER SALARY REDUCTION ARRANGEMENTS.—
14 No amount paid or incurred for health insur-
15 ance coverage pursuant to a salary reduction
16 arrangement shall be taken into account under
17 subparagraph (A).

18 “(3) QUALIFIED EMPLOYEE.—

19 “(A) DEFINITION.—

20 “(i) IN GENERAL.—The term ‘quali-
21 fied employee’ means, with respect to any
22 period, an employee (as defined in section
23 2(b)(1) of such Act) of an employer if the
24 total amount of wages paid or incurred by
25 such employer to such employee at an an-

1 nual rate during the taxable year exceeds
2 \$5,000 but does not exceed \$30,000.

3 “(ii) ANNUAL ADJUSTMENT.—For
4 each taxable year after 2007, the dollar
5 amounts specified for the preceding taxable
6 year (after the application of this subpara-
7 graph) shall be increased by the same per-
8 centage as the average percentage increase
9 in premiums under the Federal Employees
10 Health Benefits Program under chapter 89
11 of title 5, United States Code for the cal-
12 endar year in which such taxable year be-
13 gins over the preceding calendar year.

14 “(B) WAGES.—The term ‘wages’ has the
15 meaning given such term by section 3121(a)
16 (determined without regard to any dollar limita-
17 tion contained in such section).

18 “(f) CERTAIN RULES MADE APPLICABLE.—For pur-
19 poses of this section, rules similar to the rules of section
20 52 shall apply.

21 “(g) CREDITS FOR NONPROFIT ORGANIZATIONS.—
22 Any credit which would be allowable under subsection (a)
23 with respect to a qualified small business if such qualified
24 small business were not exempt from tax under this chap-

1 ter shall be treated as a credit allowable under this sub-
2 part to such qualified small business.”.

3 (b) CONFORMING AMENDMENTS.—

4 (1) Paragraph (2) of section 1324(b) of title
5 31, United States Code, is amended by inserting be-
6 fore the period “, or from section 36 of such Code”.

7 (2) The table of sections for subpart C of part
8 IV of subchapter A of chapter 1 of the Internal Rev-
9 enue Code of 1986 is amended by striking the last
10 item and inserting the following new items:

“Sec. 36. Small business employee health insurance expenses.

“Sec. 37. Overpayments of tax.”.

11 (c) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to amounts paid or incurred in tax-
13 able years beginning after December 31, 2006.

14 **SEC. 16. EFFECTIVE DATE.**

15 Except as provided in section 10(e), this Act shall
16 take effect on the date of enactment of this Act and shall
17 apply to contracts that take effect with respect to calendar
18 year 2007 and each calendar year thereafter.

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