

## Calendar No. 2

109TH CONGRESS  
1ST SESSION

# S. 288

To extend Federal funding for operation of State high risk health insurance pools.

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### IN THE SENATE OF THE UNITED STATES

Mr. GREGG (for himself, Mr. BAUCUS, Mr. DEWINE, Mr. BINGAMAN, Mr. ROBERTS, Mr. LIEBERMAN, Mr. COCHRAN, and Mr. ENZI) introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

FEBRUARY 10, 2005

Reported by Mr. ENZI, with an amendment

[Strike out all after the enacting clause and insert the part printed in italic]

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## A BILL

To extend Federal funding for operation of State high risk health insurance pools.

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 “State High Risk Pool  
5 Funding Extension Act of 2005”.

1 **SEC. 2. EXTENSION OF FUNDING FOR OPERATION OF**  
 2 **STATE HIGH RISK HEALTH INSURANCE**  
 3 **POOLS.**

4 (a) **EXTENSION OF SEED GRANTS.**—Section 2745 of  
 5 the Public Health Service Act (42 U.S.C. 300gg-45) is  
 6 amended—

7 (1) in subsection (a), in the subsection heading  
 8 by inserting “**EXTENSION OF**” before “**SEED**”; and

9 (2) in subsection (c)(1), by striking  
 10 “\$20,000,000” and all that follows through “2003”  
 11 and inserting “\$15,000,000 for the period of fiscal  
 12 years 2005 and 2006”.

13 (b) **FUNDS FOR OPERATIONS.**—Section 2745 of the  
 14 Public Health Service Act (42 U.S.C. 300gg-45) is  
 15 amended—

16 (1) in subsection (b)—

17 (A) in the subsection heading by striking  
 18 “**MATCHING**”; and

19 (B) by striking paragraph (2) and insert-  
 20 ing the following:

21 “(2) **ALLOTMENT.**—The amounts appropriated  
 22 under subsection (c)(2) for a fiscal year shall be  
 23 made available to the States (or the entities that op-  
 24 erate the high risk pool under applicable State law)  
 25 as follows:

1           “(A) An amount equal to 50 percent of the  
2           appropriated amount for the fiscal year shall be  
3           allocated in equal amounts among each eligible  
4           State that applies for assistance under this sub-  
5           section.

6           “(B) An amount equal to 25 percent of the  
7           appropriated amount for the fiscal year shall be  
8           allocated among the States so that the amount  
9           provided to a State bears the same ratio to  
10          such available amount as the number of unin-  
11          sured individuals in the State bears to the total  
12          number of uninsured individuals in all States  
13          (as determined by the Secretary).

14          “(C) An amount equal to 25 percent of the  
15          appropriated amount for the fiscal year shall be  
16          allocated among the States so that the amount  
17          provided to a State bears the same ratio to  
18          such available amount as the number of individ-  
19          uals enrolled in health care coverage through  
20          the qualified high risk pool of the State bears  
21          to the total number of individuals so enrolled  
22          through qualified high risk pools in all States  
23          (as determined by the Secretary).”;

24          (2) in subsection (c)(2), by striking  
25          “\$40,000,000” and all that follows through the pe-

1 riod and inserting “\$75,000,000 for each of fiscal  
 2 years 2005 through 2009 to make allotments under  
 3 subsection (b)(2).”.

4 (e) DEFINITIONS.—Section 2745 of the Public  
 5 Health Service Act (42 U.S.C. 300gg-45) is amended—

6 (1) in subsection (d), by inserting after  
 7 “2744(e)(2)” the following: “, except that with re-  
 8 spect to subparagraph (A) of such section a State  
 9 may elect to provide for the enrollment of eligible in-  
 10 dividuals through an acceptable alternative mecha-  
 11 nism,”; and

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

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

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

19 “(2) that is established using reasonable actu-  
 20 arial techniques; and

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

23 **SECTION 1. SHORT TITLE.**

24 *This Act may be cited as the “State High Risk Pool*  
 25 *Funding Extension Act of 2005”.*

1 **SEC. 2. EXTENSION OF FUNDING FOR OPERATION OF**  
 2 **STATE HIGH RISK HEALTH INSURANCE**  
 3 **POOLS.**

4 *Section 2745 of the Public Health Service Act (42*  
 5 *U.S.C. 300gg-45) is amended to read as follows:*

6 **“SEC. 2745. PROMOTION OF QUALIFIED HIGH RISK POOLS.**

7 *“(a) EXTENSION OF SEED GRANTS TO STATES.—The*  
 8 *Secretary shall provide from the funds appropriated under*  
 9 *subsection (d)(1)(A) a grant of up to \$1,000,000 to each*  
 10 *State that has not created a qualified high risk pool as of*  
 11 *the date of enactment of this section for the State’s costs*  
 12 *of creation and initial operation of such a pool.*

13 *“(b) GRANTS FOR OPERATIONAL LOSSES.—*

14 *“(1) IN GENERAL.—In the case of a State that*  
 15 *has established a qualified high risk pool that—*

16 *“(A) restricts premiums charged under the*  
 17 *pool to no more than 150 percent of the premium*  
 18 *for applicable standard risk rates;*

19 *“(B) offers a choice of two or more coverage*  
 20 *options through the pool; and*

21 *“(C) has in effect a mechanism reasonably*  
 22 *designed to ensure continued funding of losses in-*  
 23 *curring by the State after the end of fiscal year*  
 24 *2004 in connection with operation of the pool;*

25 *the Secretary shall provide, from the funds appro-*  
 26 *propriated under subsection (d)(1)(B)(i) and allotted to*

1        *the State under paragraph (2), a grant for the losses*  
2        *incurred by the State in connection with the oper-*  
3        *ation of the pool.*

4            “(2) *ALLOTMENT.—The amounts appropriated*  
5        *under subsection (d)(1)(B)(i) for a fiscal year shall be*  
6        *made available to the States (or the entities that oper-*  
7        *ate the high risk pool under applicable State law) as*  
8        *follows:*

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

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

22            “(C) *An amount equal to 25 percent of the*  
23        *appropriated amount for the fiscal year shall be*  
24        *allocated among the States so that the amount*  
25        *provided to a State bears the same ratio to such*

1           *available amount as the number of individuals*  
 2           *enrolled in health care coverage through the*  
 3           *qualified high risk pool of the State bears to the*  
 4           *total number of individuals so enrolled through*  
 5           *qualified high risk pools in all States (as deter-*  
 6           *mined by the Secretary).*

7           “(c) *BONUS GRANTS FOR SUPPLEMENTAL CONSUMER*  
 8 *BENEFITS.—*

9           “(1) *IN GENERAL.—In the case of a State that*  
 10          *has established a qualified high risk pool, the Sec-*  
 11          *retary shall provide, from the funds appropriated*  
 12          *under subsection (d)(1)(B)(ii) and allotted to the*  
 13          *State under paragraph (3), a grant to be used to pro-*  
 14          *vide supplemental consumer benefits to enrollees or*  
 15          *potential enrollees (or defined subsets of such enrollees*  
 16          *or potential enrollees) in qualified high risk pools.*

17          “(2) *BENEFITS.—A State shall use amounts re-*  
 18          *ceived under a grant under this subsection to provide*  
 19          *one or more of the following benefits:*

20                 “(A) *Low-income premium subsidies.*

21                 “(B) *A reduction in premium trends, actual*  
 22                 *premiums, or other cost-sharing requirements.*

23                 “(C) *An expansion or broadening of the*  
 24                 *pool of individuals eligible for coverage, includ-*  
 25                 *ing eliminating waiting lists, increasing enroll-*

1           *ment caps, or providing flexibility in enrollment*  
2           *rules.*

3           “(D) *Less stringent rules, or additional*  
4           *waiver authority, with respect to coverage of pre-*  
5           *existing conditions.*

6           “(E) *Increased benefits.*

7           “(F) *The establishment of disease manage-*  
8           *ment programs.*

9           “(3) *LIMITATION.—In allotting amounts under*  
10          *this subsection, the Secretary shall ensure that no*  
11          *State receives an amount that exceeds 10 percent of*  
12          *the amount appropriated for the fiscal year involved*  
13          *under subsection (d)(1)(B)(ii).*

14          “(4) *RULE OF CONSTRUCTION.—Nothing in this*  
15          *subsection shall be construed to prohibit States that,*  
16          *on the date of enactment of the State High Risk Pool*  
17          *Funding Extension Act of 2005, are in the process of*  
18          *implementing programs to provide benefits of the type*  
19          *described in paragraph (2), from being eligible for a*  
20          *grant under this subsection.*

21          “(d) *FUNDING.—*

22                 “(1) *IN GENERAL.—Out of any money in the*  
23                 *Treasury of the United States not otherwise appro-*  
24                 *priated, there are authorized and appropriated—*

1           “(A) \$15,000,000 for the period of fiscal  
2 years 2005 and 2006 to carry out subsection (a);  
3 and

4           “(B) \$75,000,000 for each of fiscal years  
5 2005 through 2009, of which—

6           “(i) two-thirds of the amount appro-  
7 priated for a fiscal year shall be made  
8 available for allotments under subsection  
9 (b)(2); and

10          “(ii) one-third of the amount appro-  
11 priated for a fiscal year shall be made  
12 available for allotments under subsection  
13 (c)(2).

14          “(2) AVAILABILITY.—Funds appropriated under  
15 this subsection for a fiscal year shall remain available  
16 for obligation through the end of the following fiscal  
17 year.

18          “(3) REALLOTMENT.—If, on June 30 of each fis-  
19 cal year, the Secretary determines that all amounts  
20 appropriated under paragraph (1)(B)(ii) for the fis-  
21 cal year are not allotted, such remaining amounts  
22 shall be allotted among States receiving grants under  
23 subsection (b) for the fiscal year in amounts deter-  
24 mined appropriate by the Secretary.

1           “(4) *NO ENTITLEMENT.*—*Nothing in this section*  
 2           *shall be construed as providing a State with an enti-*  
 3           *tlement to a grant under this section.*

4           “(e) *APPLICATIONS.*—*To be eligible for a grant under*  
 5           *this section, a State shall submit to the Secretary an appli-*  
 6           *cation at such time, in such manner, and containing such*  
 7           *information as the Secretary may require.*

8           “(f) *DEFINITIONS.*—*In this section:*

9           “(1) *QUALIFIED HIGH RISK POOL.*—

10           “(A) *IN GENERAL.*—*The term ‘qualified*  
 11           *high risk pool’ has the meaning given such term*  
 12           *in section 2744(c)(2), except that with respect to*  
 13           *subparagraph (A) of such section a State may*  
 14           *elect to provide for the enrollment of eligible in-*  
 15           *dividuals through—*

16           “(i) *a combination of a qualified high*  
 17           *risk pool and an acceptable alternative*  
 18           *mechanism; or*

19           “(ii) *other health insurance coverage*  
 20           *described in subparagraph (B).*

21           “(B) *HEALTH INSURANCE COVERAGE.*—  
 22           *Health insurance coverage described in this sub-*  
 23           *paragraph is individual health insurance cov-*  
 24           *erage—*

1                   “(i) that meets the requirements of sec-  
2                   tion 2741;

3                   “(ii) that is subject to limits on the  
4                   rates charged to individuals;

5                   “(iii) that is available to all individ-  
6                   uals eligible for health insurance coverage  
7                   under this title who are not able to partici-  
8                   pate in a qualified high risk pool; and

9                   “(iv) the defined rate limit of which  
10                  does not exceed the limit allowed for a  
11                  qualified risk pool that is otherwise eligible  
12                  to receive assistance under a grant under  
13                  this section.

14                 “(C) OTHER COVERAGE.—In addition to  
15                 coverage described in subparagraph (B), a State  
16                 may provide for the offering of health insurance  
17                 coverage that provides first dollar coverage, lim-  
18                 its on cost-sharing, and comprehensive medical,  
19                 hospital and surgical coverage, if the limits on  
20                 rates for such coverage do not exceed 125 percent  
21                 of the limit described in subparagraph (B)(iv).

22                 “(2) STANDARD RISK RATE.—The term ‘standard  
23                 risk rate’ means a rate—

24                         “(A) determined under the State high risk  
25                         pool by considering the premium rates charged

1           *by other health insurers offering health insurance*  
2           *coverage to individuals in the insurance market*  
3           *served;*

4                   *“(B) that is established using reasonable ac-*  
5                   *tuarial techniques; and*

6                   *“(C) that reflects anticipated claims experi-*  
7                   *ence and expenses for the coverage involved.*

8                   *“(3) STATE.—The term ‘State’ means any of the*  
9                   *50 States and the District of Columbia.”.*



**Calendar No. 2**

109<sup>TH</sup> CONGRESS  
1<sup>ST</sup> Session

**S. 288**

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**A BILL**

To extend Federal funding for operation of State  
high risk health insurance pools.

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FEBRUARY 10, 2005

Reported with an amendment