110TH CONGRESS
1ST SESSION

S. 1198

To determine successful methods to provide protection from catastrophic health expenses for individuals who have exceeded health insurance lifetime limits, to provide catastrophic health insurance coverage for uninsured individuals, and for other purposes.

IN THE SENATE OF THE UNITED STATES

APRIL 24, 2007

Mr. SMITH (for himself and Mr. WYDEN) introduced the following bill; which was read twice and referred to the Committee on Finance

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A BILL

To determine successful methods to provide protection from catastrophic health expenses for individuals who have exceeded health insurance lifetime limits, to provide catastrophic health insurance coverage for uninsured individuals, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Catastrophic Health Coverage Promotion Act''.

SEC. 2. DEMONSTRATION PROJECTS.

(a) IN GENERAL.—Not later than 6 months after the date of enactment of this Act, the Secretary of Health and Human Services (referred to in this Act as the ''Secretary'') shall establish not more than 6 demonstration projects in accordance with the provisions of this section to provide—

(1) in conjunction with the program under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.), health insurance coverage for individuals who—

(A) are not eligible for benefits under Medicare or Medicaid program and who have exceeded $10,500 in out-of-pocket health care costs in a year, or an adjusted amount based on the average out-of-pocket costs of individuals with catastrophic illnesses in a State for the year, but in no case less than $8,000 and not more than $15,000 in out-of-pocket health care costs during such year; or

(B) were receiving benefits under Medicare or Medicaid but who have exhausted their eligibility for such benefits and any additional private health insurance coverage; and

(2) in conjunction with the program under title XIX of the Social Security Act (42 U.S.C. 1396 et

seq.), health insurance coverage for catastrophic health care expenses, including prevention benefits, to individuals who do not have health insurance coverage.

(b) DESIGN OF DEMONSTRATION PROJECTS.—The Secretary shall ensure that the demonstration projects carried out under this section are conducted in a manner that will, to the greatest extent practicable, allow for comparisons of the information resulting from the evaluations of such programs under subsection (e).

(c) NUMBER AND REQUIREMENTS FOR DEMONSTRATION PROJECTS.—

(1) NUMBER.—The Secretary shall establish, in accordance with this subsection—

(A) not less than 2 demonstration projects to provide health insurance coverage under subsection (a)(1);

(B) not less than 2 demonstration projects to provide catastrophic coverage under subsection (a)(2); and

(C) if funds remain available after complying with subparagraphs (A) and (B), additional demonstration projects under subsection (a).

(2) REQUIREMENTS FOR PROJECTS UNDER SUBSECTION (a)(1).—In designing the demonstration projects under subsection (a)(1), the Secretary shall—

(A) use State risk pools;

(B) use reinsurance mechanisms for small businesses;

(C) use public or private arrangements for the provision of affordable health insurance coverage to cover catastrophic health care expenses; and

(D) use any combination of such arrangements.

(3) REQUIREMENTS FOR PROJECTS UNDER SUBSECTION (a)(2).—

(A) IN GENERAL.—In designing the demonstration projects under subsection (a)(2) the Secretary shall—

(i) use a catastrophic health insurance product administered by private health plans that shall—

(I) be sold in both the individual and small group insurance markets;

(II) offer a deductible of not less than $5,000 for an individual and

$7,500 for a family, a deductible that is indexed to the individual's or family's income level, or an adjusted deductible amount based on the average out-of-pocket costs of individuals or families, but in no case lower than $2,500 for an individual and $5,000 for a family;

(III) include preventive health services based on recommendations made by the United States Preventive Task Force, including not less than 1 primary care provider's office visit; and

(IV) require reasonable co-insurance as determined by the State administering the demonstration project, in consultation with the Secretary;

(ii) subsidize such catastrophic coverage to provide an affordable product and may provide subsidies on sliding scale, to offer a more affordable product for individuals in the individual and group market earning below 200 percent of the Federal poverty level; and

(iii) consider subsidizing the cost of such catastrophic coverage for small businesses that do not offer employer-sponsored insurance by using reinsurance mechanisms or other public and private partnerships.

(B) ELIGIBILITY.—An individual or small business shall be eligible to participate in a demonstration project under subsection (a)(2) only if—

(i) such individual did not have health insurance coverage within the 1-year period immediately prior to applying for coverage under the demonstration project; or

(ii) such small business did not offer employer-sponsored health insurance coverage within such 1-year period.

(d) DURATION; EVALUATION.—

(1) DURATION.—The Secretary shall complete the demonstration projects established under this section not later than 6 and ½ years after the date of enactment of this Act.

(2) EVALUATION.—During the 18-month period beginning after the date that is 5 years after the date the demonstration projects have all been estab-

lished under this section, the Secretary shall complete an evaluation of such demonstration projects established to determine—

(A) the ability of individuals and small businesses to access health insurance coverage;

(B) the length of time individuals participated in and maintained such coverage;

(C) with respect to each geographic area of a demonstration project—

(i) the impact on the amount of charity or other uncompensated care provided by health care providers who participated in the demonstration projects;

(ii) the impact on insurance rates in the commercial market; and

(iii) the impact on the number of medical related bankruptcies; and

(D) if additional information is needed and whether the projects should be continued or modified, as the Secretary determines appropriate.

(e) APPLICATION; SITE SELECTION.—

(1) APPLICATION.—A State may submit an application to the Secretary to participate in any of the demonstration projects established under this section

at such time, in such manner, and containing such information as the Secretary may require.

(2) IN GENERAL.—In selecting States to participate in a demonstration project, the Secretary shall—

(A) consider the current structure of a State's programs to assist individuals with catastrophic health care costs and individuals that do not have health insurance coverage;

(B) determine what parameters for the demonstration project will be least intrusive to the State's existing such structures; and

(C) consider the overall health status of the State, the age demographics of individuals with high health care costs and of individuals who do not have health insurance coverage, and the historical health care costs and efficiency of the State's health care system.

(3) SPECIFIC SITE.—The Secretary shall select as a demonstration project site the State in which (according to the Hospital Referral Region of Residence, 1994–1995, as listed in the Dartmouth Atlas of Health Care 1998) the largest metropolitan areas of the State had the lowest percentage of Medicare beneficiary deaths in a hospital when compared to

the largest metropolitan areas of each other State and the percentage of enrollees who experienced intensive care during the last 6 months of life was 21.5 percent.

(f) FUNDING.—

(1) IN GENERAL.—Notwithstanding sections 1901, 1903(a)(1) and 1923 of the Social Security Act (42 U.S.C. 1396, 1396a(a)(13)(A)(iv), 1396b(a)(1), 1396r–4), the Secretary shall expend not less than $50,000,000 of the total amount of unexpended State DSH allotments under section 1923 of such Act for each of fiscal years 2008 through 2013 for purposes of carrying out the demonstration projects authorized under this section.

(2) USE OF OTHER FUNDING SOURCES.—A State may contribute other public funds (other than otherwise obligated Federal funds), and an employer may contribute private funds, to a demonstration project funded under this section.

(g) REPORTS TO CONGRESS.—

(1) PRELIMINARY REPORT.—Not later than 3 years after the date of enactment of this Act, the Secretary shall submit to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives a prelimi-

nary report on the progress made in the demonstration projects established under this section.

(2) INTERIM REPORT.—Not later than 30 months after the implementation of the demonstration projects established under this section, the Secretary, in consultation with the participants in such demonstration projects, shall submit to the Committees described in paragraph (1), an interim report on such demonstration projects.

(3) FINAL REPORT.—Not later than the date on which all demonstration projects established under this section end, the Secretary shall submit to the Committees described in paragraph (1) a final report on such demonstration projects that includes the results of the evaluation conducted under subsection (f) and recommendations for appropriate legislative changes.

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