

110TH CONGRESS
1ST SESSION

S. 158

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

JANUARY 4, 2007

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—Elimination of SCHIP Funding Shortfalls

Sec. 206. Elimination of SCHIP funding shortfalls for fiscal year 2007.

Subtitle C—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. Sense of the Senate Regarding Authority To Use SCHIP Funds To Purchase Family Coverage.

Subtitle D—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.

Subtitle E—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 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 45M the following:

13 **“SEC. 45N. 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,

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

1 “(3) zero percent for any other employer.

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

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

9 “(2) \$4,000 in the case of family coverage (as
10 defined in section 223(c)(4)).

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

13 “(1) ELIGIBILITY FOR CREDIT.—No credit shall
14 be allowed under subsection (a) with respect to any
15 employer for any period if more than 20 percent of
16 the number of employees employed by the employer
17 during the period are highly compensated employees
18 (within the meaning of section 414(q)).

19 “(2) DETERMINATION OF EMPLOYMENT.—

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

years. For purposes of the preceding sentence, a preceding calendar year may be taken into account only if the employer was in existence throughout such year.

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

“(3) QUALIFIED EMPLOYEE HEALTH INSURANCE EXPENSES.—

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

“(i) is attributable to coverage provided to any employee while such employee is a qualified employee; and

“(ii) is at least 50 percent of the premium for such coverage.

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

1 No amount paid or incurred for health insur-
 2 ance coverage pursuant to a salary reduction
 3 arrangement shall be taken into account under
 4 subparagraph (A).

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

8 “(4) QUALIFIED EMPLOYEE.—

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

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

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

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

23 “(C) WAGES.—The term ‘wages’ has the
 24 meaning given such term by section 3121(a)

1 (determined without regard to any dollar limita-
 2 tion contained in such section).

3 “(e) CERTAIN RULES MADE APPLICABLE.—For pur-
 4 poses of this section, rules similar to the rules of section
 5 52 shall apply.

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

10 (b) CREDIT TO BE PART OF GENERAL BUSINESS
 11 CREDIT.—Section 38(b) of the Internal Revenue Code of
 12 1986 (relating to current year business credit) is amended
 13 by striking “plus” at the end of paragraph (29), by strik-
 14 ing the period at the end of paragraph (30) and inserting
 15 “, plus”, and by inserting after paragraph (30) the fol-
 16 lowing:

17 “(31) the employee health insurance expenses
 18 credit determined under section 45N.”.

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

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

23 (d) EFFECTIVE DATE.—The amendments made by
 24 this section shall apply to amounts paid or incurred in tax-
 25 able years beginning after December 31, 2007.

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 2008 through 2012.

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 nonprofit 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 2008 through 2012.

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 INDIV-
20 IDUALS.—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-

vidual is eligible to participate in any subsidized health plan (within the meaning of section 162(l)(2)) maintained by any employer of the taxpayer or of the spouse of the taxpayer.

“(ii) PREMIUMS TO NONSUBSIDIZED PLANS.—If an employer of the taxpayer or the spouse of the taxpayer maintains a health plan which is not a subsidized health plan (as so defined) and which constitutes qualified health insurance, employee contributions to the plan shall be treated as amounts paid for qualified health insurance.

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

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

“(ii) a benefit provided under a flexible 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 6050V the following:

10 **“SEC. 6050W. 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
13 7527A(e)) received by such person with respect
14 to the individual described in subparagraph (A),
15 and

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

18 “(c) CREDITABLE HEALTH INSURANCE.—For pur-
19 poses of this section, the term ‘creditable health insurance’
20 means qualified health insurance (as defined in section
21 36(c)).

22 “(d) STATEMENTS TO BE FURNISHED TO INDIVID-
23 UALS WITH RESPECT TO WHOM INFORMATION IS RE-
24 QUIRED.—Every person required to make a return under
25 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 striking “and” at the end
 7 of clause (xx) and by inserting after clause (xx)
 8 the following:

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

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

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

21 (3) CLERICAL AMENDMENT.—The table of sec-
 22 tions for subpart B of part III of subchapter A of
 23 chapter 61 of such Code is amended by inserting
 24 after the item relating to section 6050V the fol-
 25 lowing:

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

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

5 **“SEC. 7276. PENALTIES FOR OFFENSES RELATING TO**
 6 **HEALTH INSURANCE TAX CREDIT.**

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

15 (d) CONFORMING AMENDMENTS.—

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

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

23 (2) Paragraph (2) of section 1324(b) of title
 24 31, United States Code, is amended by inserting be-
 25 fore the period “, or from section 36 of such Code”.

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

“Sec. 36. Health insurance costs for uninsured eligible individuals.
 “Sec. 37. Overpayments of tax.”.

5 (4) The table of sections for subchapter B of
 6 chapter 75 of such Code is amended by adding at
 7 the end the following:

“Sec. 7276. Penalties for offenses relating to health insurance tax credit.”.

8 (e) EFFECTIVE DATES.—

9 (1) IN GENERAL.—Except as provided in para-
 10 graph (2), the amendments made by this section
 11 shall apply to taxable years beginning after Decem-
 12 ber 31, 2006, without regard to whether final regu-
 13 lations to carry out such amendments have been pro-
 14 mulgated by such date.

15 (2) PENALTIES.—The amendments made by
 16 subsections (c) and (d)(4) shall take effect on the
 17 date of the enactment of this Act.

18 **SEC. 202. ADVANCE PAYMENT OF CREDIT TO ISSUERS OF**
 19 **QUALIFIED HEALTH INSURANCE.**

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

1 **“SEC. 7527A. ADVANCE PAYMENT OF HEALTH INSURANCE**
 2 **CREDIT FOR PURCHASERS OF QUALIFIED**
 3 **HEALTH INSURANCE.**

4 “(a) GENERAL RULE.—Every plan sponsor of a
 5 group health plan providing, or qualified health insurance
 6 issuer of, qualified health insurance to an eligible indi-
 7 vidual shall—

8 “(1) make qualified premium payments with re-
 9 spect to such individual in an amount equal to the
 10 qualified health insurance credit advance amount,
 11 and

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

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

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

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

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

22 “(1) QUALIFIED HEALTH INSURANCE
 23 ISSUER.—The term ‘qualified health insurance
 24 issuer’ means a health insurance issuer described in
 25 section 9832(b)(2) (determined without regard to

1 the last sentence thereof) offering coverage in con-
 2 nection with a group health plan.

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

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

19 “(d) QUALIFIED HEALTH INSURANCE CREDIT ELI-
 20 GIBILITY CERTIFICATE.—For purposes of this section, a
 21 qualified health insurance credit eligibility certificate is a
 22 statement furnished by an individual to a plan sponsor
 23 of a group health plan or qualified health insurance issuer
 24 which—

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

4 “(2) estimates the amount of such credit for
5 such taxable year, and

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

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

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

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

1 “(2) the return relating to such individual
2 under section 6050W.

3 “(g) QUALIFIED PREMIUM PAYMENTS TO BE
4 TREATED AS PAYMENTS OF WITHHOLDING AMOUNTS
5 AND CERTAIN EMPLOYER TAX.—

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

11 “(A) shall not be treated as compensation,
12 and

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

15 “(i) amounts required to be deposited
16 by the taxpayer as estimated income tax
17 under section 6654 or 6655,

18 “(ii) amounts required to be deducted
19 and withheld under section 3401 (relating
20 to wage withholding),

21 “(iii) amounts of the taxes imposed
22 under section 3111(a) or 50 percent of
23 taxes imposed under section 1401(a) (re-
24 lating to FICA employer taxes), or

1 “(iv) amounts required to be deducted
 2 under section 3102 with respect to taxes
 3 imposed under section 3101(a) or 50 per-
 4 cent of taxes imposed under section
 5 1401(a) (relating to FICA employee
 6 taxes),

7 as if such sponsor, or such designated entity,
 8 had paid to the Secretary an amount equal to
 9 such payments.

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

17 “(3) FAILURE TO MAKE QUALIFIED PREMIUM
 18 PAYMENTS.—For purposes of this title (including
 19 penalties), failure to make a qualified premium pay-
 20 ment with respect to an eligible individual at the
 21 time provided therefor shall be treated as the failure
 22 at such time to deduct and withhold under chapter
 23 24 of such Code in an amount equal to the amount
 24 of such qualified premium payments.

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

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

“Sec. 7527A. Advance payment of health insurance credit for purchasers of
qualified health insurance.”.

8 (c) EFFECTIVE DATE.—The amendments made by
9 this section shall take effect on January 1, 2008, without
10 regard to whether final regulations to carry out such
11 amendments have been promulgated by such date.

12 **Subtitle B—Elimination of SCHIP** 13 **Funding Shortfalls**

14 **SEC. 206. ELIMINATION OF SCHIP FUNDING SHORTFALLS** 15 **FOR FISCAL YEAR 2007.**

16 (a) IN GENERAL.—Section 2104(h) of the Social Se-
17 curity Act (42 U.S.C. 1397dd(h)), as added by section 201
18 of the National Institutes of Health Reform Act of 2006,
19 is amended to read as follows:

20 “(h) SPECIAL RULE FOR REDISTRIBUTION OF
21 UNSPENT FISCAL YEAR 2004 ALLOTMENTS AND ADDI-
22 TIONAL ALLOTMENTS TO ELIMINATE FISCAL YEAR 2007
23 FUNDING SHORTFALLS.—

1 “(1) SPECIAL RULE FOR REDISTRIBUTION OF
2 FISCAL YEAR 2004 ALLOTMENTS.—

3 “(A) IN GENERAL.—In the case of a State
4 that expends all of its allotment under sub-
5 section (b) or (c) of this section for fiscal year
6 2004 by the end of fiscal year 2006 and is an
7 initial shortfall State described in subparagraph
8 (B), the Secretary shall redistribute to the
9 State under subsection (f) of this section (from
10 the fiscal year 2004 allotments of other States)
11 the following amount:

12 “(i) STATE.—In the case of one of the
13 50 States or the District of Columbia, the
14 amount specified in subparagraph (C)(i)
15 (less the total of the amounts under clause
16 (ii)), multiplied by the ratio of the amount
17 specified in subparagraph (C)(ii) for the
18 State to the amount specified in subpara-
19 graph (C)(iii).

20 “(ii) TERRITORY.—In the case of a
21 commonwealth or territory described in
22 subsection (c)(3), an amount that bears
23 the same ratio to 1.05 percent of the
24 amount specified in subparagraph (C)(i) as
25 the ratio of the commonwealth’s or terri-

1 tory’s fiscal year 2004 allotment under
 2 subsection (c) bears to the total of all such
 3 allotments for such fiscal year under such
 4 subsection.

5 “(B) INITIAL SHORTFALL STATE DE-
 6 SCRIBED.—For purposes of subparagraph (A),
 7 an initial shortfall State is a State with a State
 8 child health plan approved under this title for
 9 which the Secretary estimates, on the basis of
 10 the most recent data available to the Secretary
 11 as of the date of the enactment of this sub-
 12 section, that the projected Federal expenditures
 13 under such plan for such State for fiscal year
 14 2007 will exceed the sum of—

15 “(i) the amount of the State’s allot-
 16 ments for each of fiscal years 2005 and
 17 2006 that will not be expended by the end
 18 of fiscal year 2006; and

19 “(ii) the amount of the State’s allot-
 20 ment for fiscal year 2007.

21 “(C) AMOUNTS USED IN COMPUTING RE-
 22 DISTRIBUTIONS FOR FISCAL YEAR 2004 ALLOT-
 23 MENTS.—For purposes of subparagraph
 24 (A)(i)—

1 “(i) the amount specified in this
 2 clause is the total amount of unspent fiscal
 3 year 2004 allotments available for redis-
 4 tribution under subsection (f);

5 “(ii) the amount specified in this
 6 clause for an initial shortfall State is the
 7 amount the Secretary determines will
 8 eliminate the estimated shortfall described
 9 in subparagraph (B) for the State; and

10 “(iii) the amount specified in this
 11 clause is the total sum of the amounts
 12 specified in clause (ii) for all initial short-
 13 fall States.

14 “(2) ADDITIONAL ALLOTMENTS TO ELIMINATE
 15 FISCAL YEAR 2007 FUNDING SHORTFALLS REMAIN-
 16 ING AFTER REDISTRIBUTION OF UNSPENT FISCAL
 17 YEAR 2004 ALLOTMENTS.—

18 “(A) IN GENERAL.—In addition to the al-
 19 lotments provided under subsection (b) and (c)
 20 for fiscal year 2007, the Secretary shall allot to
 21 each remaining shortfall State described in sub-
 22 paragraph (B) such amount as the Secretary
 23 determines will eliminate the estimated shortfall
 24 described in such subparagraph for the State.

“(B) REMAINING SHORTFALL STATE DESCRIBED.—For purposes of subparagraph (A), a remaining shortfall State is a State (including a commonwealth or territory described in subsection (c)(3)) with a State child health plan approved under this title for which the Secretary estimates, on the basis of the most recent data available to the Secretary as of the date of the enactment of this subsection, that the projected Federal expenditures under such plan for such State for fiscal year 2007 will exceed the sum of—

“(i) the amount of the State’s allotments for each of fiscal years 2005 and 2006 that will not be expended by the end of fiscal year 2006;

“(ii) the amount of the State’s allotment for fiscal year 2007; and

“(iii) the amount, if any, of unspent allotments for fiscal year 2004 that are to be redistributed to the State during fiscal year 2007 in accordance with subsection (f) and paragraph (1).

“(C) 1-YEAR AVAILABILITY; NO REDISTRIBUTION OF UNEXPENDED ADDITIONAL AL-

LOTMENTS.—Notwithstanding subsections (e) and (f), amounts allotted to a remaining shortfall State pursuant to this paragraph shall only remain available for expenditure by the State through September 30, 2007. Any amounts of such allotments that remain unexpended as of such date shall not be subject to redistribution under subsection (f) and shall revert to the Treasury on October 1, 2007.

“(D) APPROPRIATION; ALLOTMENT AUTHORITY.—For the purpose of providing additional allotments to remaining shortfall States under this paragraph there is appropriated, out of any funds in the Treasury not otherwise appropriated, such sums as are necessary for fiscal year 2007.”.

(b) EFFECTIVE DATE.—The amendments made by this section apply to items and services furnished on or after October 1, 2006, without regard to whether or not regulations implementing such amendments have been issued.

(c) PERIOD OF EFFECTIVENESS.—Section 2104(h)(2) of the Social Security Act (as added by subsection (a)) shall terminate on September 30, 2007, and shall be considered to have expired notwithstanding sec-

tion 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 907).

(d) EFFECT ON PROVISIONS ADDED BY THE NATIONAL INSTITUTES OF HEALTH REFORM ACT OF 2006.—The Social Security Act shall be administered as if section 2104(h) of such Act, as added by section 201(a) of the National Institutes of Health Reform Act, had not been enacted.

Subtitle C—FamilyCare

SEC. 211. RENAMING OF TITLE XXI PROGRAM.

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

“TITLE XXI—FAMILYCARE PROGRAM”.

(b) PROGRAM REFERENCES.—Any reference in any provision of Federal law or regulation to “SCHIP” or “State children’s health insurance program” under title XXI of the Social Security Act shall be deemed a reference to the FamilyCare program under such title.

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

(a) INCENTIVES TO IMPLEMENT FAMILYCARE COVERAGE.—

(1) UNDER MEDICAID.—

1 (A) ESTABLISHMENT OF NEW OPTIONAL
 2 ELIGIBILITY CATEGORY.—Section
 3 1902(a)(10)(A)(ii) of the Social Security Act
 4 (42 U.S.C. 1396a(a)(10)(A)(ii)) is amended—

5 (i) by striking “or” at the end of sub-
 6 clause (XVIII);

7 (ii) by adding “or” at the end of sub-
 8 clause (XIX); and

9 (iii) by adding at the end the fol-
 10 lowing:

11 “(XX) who are individuals de-
 12 scribed in subsection (k)(1) (relating
 13 to parents of categorically eligible chil-
 14 dren);”.

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

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

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

1 “(ii) who are not otherwise eligible for medical
2 assistance under such subsection, under section
3 1931, or under a waiver approved under section
4 1115 or otherwise (except under subsection
5 (a)(10)(A)(ii)(XX)); and

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

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

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

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

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

6 (C) ENHANCED MATCHING FUNDS AVAIL-
 7 ABLE IF CERTAIN CONDITIONS MET.—Section
 8 1905 of the Social Security Act (42 U.S.C.
 9 1396d) is amended—

10 (i) in the fourth sentence of sub-
 11 section (b), by striking “or subsection
 12 (u)(3)” and inserting “, (u)(3), or (u)(4)”;
 13 and

14 (ii) in subsection (u)—

15 (I) by redesignating paragraph
 16 (4) as paragraph (6), and

17 (II) by inserting after paragraph
 18 (3) the following:

19 “(4) For purposes of subsection (b) and section
 20 2105(a)(1)—

21 “(A) FAMILYCARE PARENTS.—The expendi-
 22 tures described in this subparagraph are the expendi-
 23 tures described in the following clauses (i) and (ii):

24 “(i) PARENTS.—If the conditions described
 25 in clause (iii) are met, expenditures for medical

1 assistance for parents described in section
 2 1902(k)(1) and for parents who would be de-
 3 scribed in such section but for the fact that
 4 they are eligible for medical assistance under
 5 section 1931 or under a waiver approved under
 6 section 1115.

7 “(ii) CERTAIN PREGNANT WOMEN.—Ex-
 8 penditures for medical assistance for pregnant
 9 women under section 1902(l)(1)(A) in a family
 10 the income of which exceeds the income level
 11 applicable under section 1902(l)(2)(A) to a
 12 family of the size involved as of January 1,
 13 2007.

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

16 “(I) The State has a State child
 17 health plan under title XXI which (wheth-
 18 er implemented under such title or under
 19 this title) has an effective income level for
 20 children that is at least 200 percent of the
 21 poverty line.

22 “(II) Such State child health plan
 23 does not limit the acceptance of applica-
 24 tions, does not use a waiting list for chil-
 25 dren who meet eligibility standards to

1 qualify for assistance, and provides bene-
 2 fits to all children in the State who apply
 3 for and meet eligibility standards.

4 “(III) The State plans under this title
 5 and title XXI do not provide coverage for
 6 parents with higher family income without
 7 covering parents with a lower family in-
 8 come.

9 “(IV) The State does not apply an in-
 10 come level for parents that is lower than
 11 the effective income level (expressed as a
 12 percent of the poverty line) that has been
 13 specified under the State plan under title
 14 XIX (including under a waiver authorized
 15 by the Secretary or under section
 16 1902(r)(2)), as of January 1, 2007, to be
 17 eligible for medical assistance as a parent
 18 under this title.

19 “(iv) DEFINITIONS.—For purposes of this
 20 subsection:

21 “(I) The term ‘parent’ has the mean-
 22 ing given such term for purposes of section
 23 1902(k)(1).

1 “(II) The term ‘poverty line’ has the
 2 meaning given such term in section
 3 2110(c)(5).”.

4 (D) APPROPRIATION FROM TITLE XXI AL-
 5 LOTMENT FOR CERTAIN MEDICAID EXPANSION
 6 COSTS.—Section 2105(a)(1) of the Social Secu-
 7 rity Act is amended by striking “and” at the
 8 end of subparagraph (C), by striking the period
 9 at the end of subparagraph (D) and inserting
 10 “; and”, and by adding at the end the fol-
 11 lowing:

12 “(E) for making expenditures for medical
 13 assistance that is attributable to expenditures
 14 described in section 1905(u)(4)(A).”.

15 (E) ONLY COUNTING ENHANCED PORTION
 16 FOR COVERAGE OF ADDITIONAL PREGNANT
 17 WOMEN.—Section 1905 of the Social Security
 18 Act (42 U.S.C. 1396d) is amended—

19 (i) in the fourth sentence of sub-
 20 section (b), by inserting “(except in the
 21 case of expenditures described in sub-
 22 section (u)(5))” after “do not exceed”; and
 23 (ii) in subsection (u), by inserting
 24 after paragraph (4) (as inserted by sub-
 25 paragraph (C)), the following:

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

5 “(A) REGULAR FMAP FOR EXPENDITURES FOR
 6 PREGNANT WOMEN WITH INCOME ABOVE JANUARY
 7 1, 2007 INCOME LEVEL AND BELOW 185 PERCENT OF
 8 POVERTY.—The portion of the payments made for
 9 expenditures described in paragraph (4)(A)(ii) that
 10 represents the amount that would have been paid if
 11 the enhanced FMAP had not been substituted for
 12 the Federal medical assistance percentage.”.

13 (2) UNDER TITLE XXI.—

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

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

20 “(a) OPTIONAL COVERAGE.—Notwithstanding any
 21 other provision of this title, a State child health plan may
 22 provide for coverage, through an amendment to its State
 23 child health plan under section 2102, of FamilyCare as-
 24 sistance for individuals who are targeted low-income par-
 25 ents in accordance with this section, but only if—

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

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

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

16 “(1) FAMILYCARE ASSISTANCE.—The term
17 ‘FamilyCare assistance’ has the meaning given the
18 term child health assistance in section 2110(a) as if
19 any reference to targeted low-income children were
20 a reference to targeted low-income parents.

21 “(2) TARGETED LOW-INCOME PARENT.—The
22 term ‘targeted low-income parent’ has the meaning
23 given the term targeted low-income child in section
24 2110(b) as if the reference to a child were deemed

1 a reference to a parent (as defined in paragraph (3))
 2 of the child; except that in applying such section—

3 “(A) there shall be substituted for the in-
 4 come level described in paragraph (1)(B)(ii)(I)
 5 the applicable income level in effect for a tar-
 6 geted low-income child;

7 “(B) in paragraph (3), January 1, 2007,
 8 shall be substituted for July 1, 1997; and

9 “(C) in paragraph (4), January 1, 2007,
 10 shall be substituted for March 31, 1997.

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

14 “(4) OPTIONAL TREATMENT OF PREGNANT
 15 WOMEN AS PARENTS.—A State child health plan
 16 may treat a pregnant woman who is not otherwise
 17 a parent as a targeted low-income parent for pur-
 18 poses of this section but only if the State has estab-
 19 lished an income level under section 1902(l)(2)(A)(i)
 20 for pregnant women that is at least 185 percent of
 21 the income official poverty line described in such sec-
 22 tion.

23 “(c) REFERENCES TO TERMS AND SPECIAL
 24 RULES.—In the case of, and with respect to, a State pro-
 25 viding for coverage of FamilyCare assistance to targeted

1 low-income parents under subsection (a), the following
2 special rules apply:

3 “(1) Any reference in this title (other than sub-
4 section (b)) to a targeted low-income child is deemed
5 to include a reference to a targeted low-income par-
6 ent.

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

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

14 “(4) In applying section 2110(b)(4), any ref-
15 erence to ‘section 1902(l)(2) or 1905(n)(2) (as se-
16 lected by a State)’ is deemed a reference to the in-
17 come level applicable to parents under section 1931
18 or under a waiver approved under section 1115, or,
19 in the case of a pregnant woman described in sub-
20 section (b)(4), the income level established under
21 section 1902(l)(2)(A).

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

1 (B) ADDITIONAL ALLOTMENT FOR STATES
 2 PROVIDING FAMILYCARE.—

3 (i) IN GENERAL.—Section 2104 of the
 4 Social Security Act (42 U.S.C. 1397dd), as
 5 amended by this Act, is amended by insert-
 6 ing after subsection (h) the following:

7 “(i) ADDITIONAL ALLOTMENTS FOR STATE PRO-
 8 VIDING FAMILYCARE.—

9 “(1) APPROPRIATION; TOTAL ALLOTMENT.—
 10 For the purpose of providing additional allotments
 11 to States to provide FamilyCare coverage under sec-
 12 tion 2111, there is appropriated, out of any money
 13 in the Treasury not otherwise appropriated—

14 “(A) such sums as may be necessary to
 15 provide such coverage for fiscal year 2008, and

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

23 “(2) STATE AND TERRITORIAL ALLOTMENTS.—

24 “(A) IN GENERAL.—In addition to the al-
 25 lotments provided under subsections (b), (c),

1 (d), and (h), subject to paragraphs (3) and (4),
2 of the amount available for the additional allot-
3 ments under paragraph (1) for a fiscal year,
4 the Secretary shall allot to each State with a
5 State child health plan approved under this
6 title—

7 “(i) in the case of such a State other
8 than a commonwealth or territory de-
9 scribed in clause (ii), the same proportion
10 as the proportion of the State’s allotment
11 under subsection (b) (determined without
12 regard to subsection (f)) to 98.95 percent
13 of the total amount of the allotments
14 under such section for such States eligible
15 for an allotment under this subparagraph
16 for such fiscal year; and

17 “(ii) in the case of a commonwealth or
18 territory described in subsection (c)(3), the
19 same proportion as the proportion of the
20 commonwealth’s or territory’s allotment
21 under subsection (c) (determined without
22 regard to subsection (f)) to 1.05 percent of
23 the total amount of the allotments under
24 such section for commonwealths and terri-

1 tories eligible for an allotment under this
2 subparagraph for such fiscal year.

3 “(B) AVAILABILITY AND REDISTRIBUTION
4 OF UNUSED ALLOTMENTS.—In applying sub-
5 sections (e) and (f) with respect to additional
6 allotments made available under this subsection,
7 the procedures established under such sub-
8 sections shall ensure such additional allotments
9 are only made available to States which have
10 elected to provide coverage under section 2111.

11 “(3) USE OF ADDITIONAL ALLOTMENT.—Addi-
12 tional allotments provided under this subsection are
13 not available for amounts expended before October
14 1, 2007. Such amounts are available for amounts ex-
15 pended on or after such date for child health assist-
16 ance for targeted low-income children, as well as for
17 FamilyCare assistance.

18 “(4) REQUIRING ELECTION TO PROVIDE
19 FAMILYCARE COVERAGE.—No payments may be
20 made to a State under this title from an allotment
21 provided under this subsection unless the State has
22 made an election to provide FamilyCare assist-
23 ance.”.

1 (ii) CONFORMING AMENDMENTS.—

2 Section 2104 of the Social Security Act
3 (42 U.S.C. 1397dd) is amended—

4 (I) in subsection (a), by inserting
5 “or subsection (i),” after “subsection
6 (d),”;

7 (II) in subsection (b)(1), by
8 striking “subsection (d)” and insert-
9 ing “subsections (d) and (i)”; and

10 (III) in subsection (c)(1), by in-
11 serting “or subsection (i),” after
12 “subsection (d)”.

13 (C) NO COST-SHARING FOR PREGNANCY-
14 RELATED BENEFITS.—Section 2103(e)(2) of
15 the Social Security Act (42 U.S.C.
16 1397cc(e)(2)) is amended—

17 (i) in the heading, by inserting “**AND**
18 **PREGNANCY-RELATED SERVICES**” after
19 “**PREVENTIVE SERVICES**”; and

20 (ii) by inserting before the period at
21 the end the following: “and for pregnancy-
22 related services”.

23 (3) EFFECTIVE DATE.—The amendments made
24 by this subsection apply to items and services fur-
25 nished on or after October 1, 2007, whether or not

1 regulations implementing such amendments have
2 been issued.

3 (b) OPTIONAL APPLICATION OF PRESUMPTIVE ELI-
4 GIBILITY PROVISIONS TO PARENTS.—Section 1920A of
5 the Social Security Act (42 U.S.C. 1396r–1a) is amended
6 by adding at the end the following:

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

12 (c) CONFORMING AMENDMENTS.—

13 (1) ELIGIBILITY CATEGORIES.—Section
14 1905(a) of the Social Security Act (42 U.S.C.
15 1396d(a)) is amended, in the matter before para-
16 graph (1)—

17 (A) by striking “or” at the end of clause
18 (xii);

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

21 (C) by inserting after clause (xiii) the fol-
22 lowing:

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

1 (2) INCOME LIMITATIONS.—Section 1903(f)(4)
 2 of the Social Security Act (42 U.S.C. 1396b(f)(4))
 3 is amended by inserting “1902(a)(10)(A)(ii)(XX),”
 4 after “1902(a)(10)(A)(ii)(XVIII),”.

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

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

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

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

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

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

21 (a) MEDICAID.—

22 (1) IN GENERAL.—Section 1902(l)(1)(D) of the
 23 Social Security Act (42 U.S.C. 1396a(l)(1)(D)) is
 24 amended by inserting “(or, at the election of a

1 State, 20 or 21 years of age)” after “19 years of
2 age”.

3 (2) CONFORMING AMENDMENTS.—

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

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

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

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

24 (E) Section 1932(a)(2)(A) of the Social
25 Security Act (42 U.S.C. 1396u-2(a)(2)(A)) is

1 amended by inserting “(or such higher age as
 2 the State has elected under section
 3 1902(l)(1)(D))” after “19 years of age”.

4 (b) TITLE XXI.—Section 2110(c)(1) of the Social
 5 Security Act (42 U.S.C. 1397jj(c)(1)) is amended by in-
 6 serting “(or such higher age as the State has elected under
 7 section 1902(l)(1)(D))”.

8 (c) EFFECTIVE DATE.—The amendments made by
 9 this section take effect on October 1, 2007, and apply to
 10 medical assistance and child health assistance provided on
 11 or after such date, whether or not regulations imple-
 12 menting such amendments have been issued.

13 **SEC. 214. SENSE OF THE SENATE REGARDING AUTHORITY**
 14 **TO USE SCHIP FUNDS TO PURCHASE FAMILY**
 15 **COVERAGE.**

16 It is the sense of the Senate that section 2105(c)(3)
 17 of the Social Security Act (42 U.S.C. 1397ee(c)(3)) per-
 18 mits States to use funds provided under the State chil-
 19 dren’s health insurance program established under title
 20 XXI of that Act (42 U.S.C. 1397aa et seq.) to help low-
 21 income working families and pregnant women eligible for
 22 assistance under that program pay their share of em-
 23 ployer-sponsored health insurance coverage.

1 **Subtitle D—Simplified Enrollment**

2 **SEC. 221. AUTOMATIC ENROLLMENT OF CHILDREN BORN** 3 **TO TITLE XXI PARENTS.**

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

7 “(C) AUTOMATIC ELIGIBILITY OF CHIL-
 8 DREN BORN TO A PARENT BEING PROVIDED
 9 FAMILYCARE.—Such eligibility standards shall
 10 provide for automatic coverage of a child born
 11 to an individual who is provided assistance
 12 under this title in the same manner as medical
 13 assistance would be provided under section
 14 1902(e)(4) to a child described in such sec-
 15 tion.”.

16 **SEC. 222. APPLICATION OF SIMPLIFIED TITLE XXI PROCE-** 17 **DURES UNDER THE MEDICAID PROGRAM.**

18 (a) APPLICATION UNDER MEDICAID.—

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

21 (A) in paragraph (3), by inserting “subject
 22 to paragraph (5),”, after “Notwithstanding
 23 subsection (a)(17),”; and

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

1 “(5) With respect to determining the eligibility of in-
2 dividuals under 19 years of age (or such higher age as
3 the State has elected under paragraph (1)(D)) for medical
4 assistance under subsection (a)(10)(A) and, separately,
5 with respect to determining the eligibility of individuals
6 for medical assistance under subsection
7 (a)(10)(A)(ii)(XX), notwithstanding any other provision
8 of this title, if the State has established a State child
9 health plan under title XXI—

10 “(A) the State may not apply a resource stand-
11 ard;

12 “(B) the State shall use the same simplified eli-
13 gibility form (including, if applicable, permitting ap-
14 plication other than in person) as the State uses
15 under such State child health plan with respect to
16 such individuals;

17 “(C) the State shall provide for initial eligibility
18 determinations and redeterminations of eligibility
19 using verification policies, forms, and frequency that
20 are no less restrictive than the policies, forms, and
21 frequency the State uses for such purposes under
22 such State child health plan with respect to such in-
23 dividuals; and

24 “(D) the State shall not require a face-to-face
25 interview for purposes of initial eligibility determina-

1 tions and redeterminations unless the State requires
 2 such an interview for such purposes under such child
 3 health plan with respect to such individuals.”.

4 (2) EFFECTIVE DATE.—The amendments made
 5 by paragraph (1) apply to determinations of eligi-
 6 bility made on or after the date that is 1 year after
 7 the date of enactment of this Act, whether or not
 8 regulations implementing such amendments have
 9 been issued.

10 (b) PRESUMPTIVE ELIGIBILITY.—

11 (1) IN GENERAL.—Section 1920A(b)(3)(A)(i) of
 12 the Social Security Act (42 U.S.C. 1396r–
 13 1a(b)(3)(A)(i)) is amended by inserting “a child care
 14 resource and referral agency,” after “a State or trib-
 15 al child support enforcement agency,”.

16 (2) APPLICATION TO PRESUMPTIVE ELIGIBILITY
 17 FOR PREGNANT WOMEN UNDER MEDICAID.—Section
 18 1920(b) of the Social Security Act (42 U.S.C.
 19 1396r–1(b)) is amended by adding at the end after
 20 and below paragraph (2) the following flush sen-
 21 tence:

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

24 (3) APPLICATION UNDER TITLE XXI.—

1 (A) IN GENERAL.—Section 2107(e)(1)(D)
 2 of the Social Security Act (42 U.S.C.
 3 1397gg(e)(1)) is amended to read as follows:

4 “(D) Sections 1920 and 1920A (relating to
 5 presumptive eligibility).”.

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

9 (i) by striking “and resources (includ-
 10 ing any standards relating to spenddowns
 11 and disposition of resources)”;

12 (ii) by adding at the end the fol-
 13 lowing: “Effective 1 year after the date of
 14 enactment of the Access to Affordable
 15 Health Care Act, such standards may not
 16 include the application of a resource stand-
 17 ard or test.”.

18 (c) AUTOMATIC REASSESSMENT OF ELIGIBILITY FOR
 19 TITLE XXI AND MEDICAID BENEFITS FOR CHILDREN
 20 LOSING MEDICAID OR TITLE XXI ELIGIBILITY.—

21 (1) LOSS OF MEDICAID ELIGIBILITY.—Section
 22 1902(a) of the Social Security Act (42 U.S.C.
 23 1396a(a)) is amended—

24 (A) by striking “and” at the end of para-
 25 graph (69),

1 (B) by striking the period at the end of
 2 paragraph (70) and inserting “; and”, and

3 (C) by inserting after paragraph (70) the
 4 following:

5 “(71) provide, in the case of a State with a
 6 State child health plan under title XXI, that before
 7 medical assistance to a child (or a parent of a child)
 8 is discontinued under this title, a determination of
 9 whether the child (or parent) is eligible for benefits
 10 under title XXI shall be made and, if determined to
 11 be so eligible, the child (or parent) shall be auto-
 12 matically enrolled in the program under such title
 13 without the need for a new application.”.

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

17 (A) in paragraph (3), by redesignating
 18 subparagraphs (D) and (E) as subparagraphs
 19 (E) and (F), respectively, and by inserting after
 20 subparagraph (C) the following:

21 “(D) that before health assistance to a
 22 child (or a parent of a child) is discontinued
 23 under this title, a determination of whether the
 24 child (or parent) is eligible for benefits under
 25 title XIX is made and, if determined to be so

1 eligible, the child (or parent) is automatically
 2 enrolled in the program under such title with-
 3 out the need for a new application;”;

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

6 (C) by inserting after paragraph (3) the
 7 following new paragraph:

8 “(4) COORDINATION WITH MEDICAID.—The
 9 State shall coordinate the screening and enrollment
 10 of individuals under this title and under title XIX
 11 consistent with the following:

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

1 “(B) If a State does not use a joint appli-
2 cation under this title and such title, the State
3 shall—

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

8 “(ii) provide the family with an appli-
9 cation for medical assistance under such
10 title and offer information about what (if
11 any) further information, documentation,
12 or other steps are needed to complete such
13 application process;

14 “(iii) offer assistance in completing
15 such application process; and

16 “(iv) promptly transmit the separate
17 application under this title or the informa-
18 tion obtained through such application,
19 and all other relevant information and doc-
20 umentation, including the results of the
21 screening process, to the State agency
22 under title XIX for a final determination
23 on eligibility under such title.

24 “(C) Applicants are notified in writing
25 of—

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

3 “(ii) eligibility rules that prohibit chil-
4 dren who have been screened eligible for
5 medical assistance under such title from
6 being enrolled under this title, other than
7 provisional temporary enrollment while a
8 final eligibility determination is being made
9 under such title.

10 “(D) If the agency administering this title
11 is different from the agency administering a
12 State plan under title XIX, such agencies shall
13 coordinate the screening and enrollment of ap-
14 plicants for such coverage under both titles.

15 “(E) The coordination procedures estab-
16 lished between the program under this title and
17 under title XIX shall apply not only to the ini-
18 tial eligibility determination of a family but also
19 to any renewals or redeterminations of such eli-
20 gibility.”.

21 (3) EFFECTIVE DATE.—The amendments made
22 by paragraphs (1) and (2) apply to individuals who
23 lose eligibility under the medicaid program under
24 title XIX, or under a State child health insurance
25 plan under title XXI, respectively, of the Social Se-

1 curity Act on or after October 1, 2007 (or, if later,
 2 60 days after the date of enactment of this Act),
 3 whether or not regulations implementing such
 4 amendments have been issued.

5 (d) PROVISION OF MEDICAID AND CHIP APPLICA-
 6 TIONS AND INFORMATION UNDER THE SCHOOL LUNCH
 7 PROGRAM.—Section 9(b)(2)(B)(iii) of the Richard B.
 8 Russell National School Lunch Act (42 U.S.C.
 9 1758(b)(2)(B)(iii)) is amended by adding at the end the
 10 following:

11 “(III) NOTICE OF AVAILABILITY
 12 OF HEALTH BENEFITS UNDER MED-
 13 ICAID AND CHIP.—Descriptive mate-
 14 rial distributed in accordance with
 15 clause (i) shall also contain informa-
 16 tion (provided on a form separate
 17 from the application form for free and
 18 reduced price lunches) on the avail-
 19 ability of medical assistance under
 20 title XIX of the Social Security Act
 21 (42 U.S.C. 1396 et seq.) and of child
 22 health and FamilyCare assistance
 23 under title XXI of such Act, including
 24 information on how to obtain an ap-

1 plication for assistance under such
2 programs.”.

3 (e) 12 MONTHS OF CONTINUOUS ELIGIBILITY.—

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

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

9 (B) by striking “an age specified by the
10 State (not to exceed 19 years of age)” and in-
11 serting “19 years of age (or such higher age as
12 the State has elected under subsection
13 (1)(1)(D)) or, at the option of the State, who is
14 eligible for medical assistance as the parent of
15 such a child”; and

16 (C) in subparagraph (A), by striking “a
17 period (not to exceed 12 months)” and insert-
18 ing “the 12-month period beginning on the
19 date”.

20 (2) TITLE XXI.—Section 2102(b)(2) of such
21 Act (42 U.S.C. 1397bb(b)(2)) is amended by adding
22 at the end the following: “Such methods shall pro-
23 vide 12 months of continuous eligibility for children
24 under this title in the same manner that section
25 1902(e)(12) provides 12 months of continuous eligi-

bility for children described in such section under title XIX. If a State has elected to apply section 1902(e)(12) to parents, such methods may provide 12 months of continuous eligibility for parents under this title in the same manner that such section provides 12 months of continuous eligibility for parents described in such section under title XIX.”.

(3) EFFECTIVE DATE.—

(A) IN GENERAL.—The amendments made by this subsection take effect on October 1, 2007 (or, if later, 60 days after the date of enactment of this Act), whether or not regulations implementing such amendments have been issued.

**Subtitle E—State Option To Extend
Medicaid Coverage to Certain
Low-Income Individuals**

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

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

(1) by striking “or” at the end of subclause (XIX);

1 (2) by adding “or” at the end of subclause
2 (XX); and

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

4 “(XXI) who are individuals who
5 are not otherwise eligible for medical
6 assistance under this subparagraph,
7 or under a waiver approved under sec-
8 tion 1115, or otherwise, as of the date
9 of enactment of this subclause and
10 whose family income does not exceed
11 125 percent of the income official pov-
12 erty line (as defined by the Office of
13 Management and Budget and revised
14 annually in accordance with section
15 673(2) of the Omnibus Budget Rec-
16 onciliation Act of 1981) applicable to
17 a family of the size involved;”.

18 (b) CONFORMING AMENDMENTS.—

19 (1) MEDICAL ASSISTANCE ELIGIBILITY CAT-
20 EGORIES.—Section 1905(a) of such Act (42 U.S.C.
21 1396d(a)), as amended by section 212(e)(1), is
22 amended in the matter preceding paragraph (1)—

23 (A) by striking “or” at the end of clause
24 (xiii);

1 (B) by adding “or” at the end of clause
 2 (xiv); and

3 (C) by inserting after clause (xiv) the fol-
 4 lowing:

5 “(xv) who are individuals described in section
 6 1902(a)(10)(A)(ii)(XX),”.

7 (2) EXEMPTION FROM UPPER INCOME LIMITA-
 8 TION.—Section 1903(f)(4) of such Act (42 U.S.C.
 9 1396b(f)(4)), as amended by section 212(e)(2)(B), is
 10 amended by inserting “1902(a)(10)(A)(ii)(XXI),”
 11 after “1902(a)(10)(A)(ii)(XX),”.

12 (c) EFFECTIVE DATES.—The amendments made by
 13 this subsection take effect on October 1, 2007.

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

18 **SEC. 251. GRANTS TO PROMOTE INNOVATIVE OUTREACH**
 19 **AND ENROLLMENT UNDER MEDICAID AND**
 20 **SCHIP.**

21 (a) GRANTS FOR EXPANDED OUTREACH ACTIVI-
 22 TIES.—Title XXI of the Social Security Act (42 U.S.C.
 23 1397aa et seq.), as amended by section 212(a)(2), is
 24 amended by adding at the end the following:

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

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

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

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

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

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

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

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

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

1 “(A) Federal health safety net organiza-
2 tions; or

3 “(B) faith-based organizations or con-
4 sortia.

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

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

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

15 “(A) conduct an assessment of the effec-
16 tiveness of such activities against such perform-
17 ance measures; and

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

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

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

5 “(2) submit an annual report to Congress on
 6 the outreach activities funded by grants awarded
 7 under this section.

8 “(e) DEFINITIONS.—In this section:

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

11 “(A) A State.

12 “(B) A Federal health safety net organiza-
 13 tion.

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

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

22 “(E) An elementary or secondary school.

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

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

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

7 “(C) a hospital defined as a dispropor-
8 tionate share hospital for purposes of section
9 1923;

10 “(D) a covered entity described in section
11 340B(a)(4) of the Public Health Service Act
12 (42 U.S.C. 256b(a)(4)); and

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

24 “(3) INDIANS; INDIAN TRIBE; TRIBAL ORGANI-
25 ZATION; URBAN INDIAN ORGANIZATION; SERVICE

1 UNIT.—The terms ‘Indian’, ‘Indian tribe’, ‘tribal or-
 2 ganization’, ‘urban Indian organization’, and ‘Serv-
 3 ice Unit’ have the meanings given such terms in sec-
 4 tion 4 of the Indian Health Care Improvement Act
 5 (25 U.S.C. 1603).

6 “(f) APPROPRIATION.—There is appropriated, out of
 7 any money in the Treasury not otherwise appropriated,
 8 \$50,000,000 for each of fiscal years 2008 and 2009 for
 9 the purpose of awarding grants under this section.
 10 Amounts appropriated and paid under the authority of
 11 this section shall be in addition to amounts appropriated
 12 under section 2104 and paid to States in accordance with
 13 section 2105.”.

14 (b) EXTENDING USE OF OUTSTATIONED WORKERS
 15 TO ACCEPT TITLE XXI APPLICATIONS.—Section
 16 1902(a)(55) of the Social Security Act (42 U.S.C.
 17 1396a(a)(55)) is amended by inserting “, and applications
 18 for child health assistance under title XXI” after
 19 “(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

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

“(i) the agency has fiscal liabilities or responsibilities affected or potentially affected by such determination; and

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

“(B) Nothing in subparagraph (A) shall be construed—

“(i) to authorize the denial of medical assistance under this title or of child health assistance under title XXI to an individual who, without the application of this paragraph, would qualify for such assistance;

“(ii) to relieve a State of the obligation under subsection (a)(8) to furnish medical assistance with reasonable promptness after the submission of an initial application that is evaluated or for which evaluation is requested pursuant to this paragraph; or

“(iii) to relieve a State of the obligation to 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 rel-
 13 ative 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, 2007.

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) SCHIP.—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 A of title
2 IV of the Social Security Act (42 U.S.C. 601 et
3 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 2008,
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 2008.

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 2008 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 2006 TAKEN INTO
2 ACCOUNT.—Only coverage for periods after Decem-
3 ber 31, 2006, 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 contracts.

“Sec. 225. Cross reference.”.

18 (d) EFFECTIVE DATE.—The amendments made by
 19 this section shall apply to taxable years beginning after
 20 December 31, 2006.

21 **SEC. 502. CREDIT FOR TAXPAYERS WITH LONG-TERM CARE**
 22 **NEEDS.**

23 (a) IN GENERAL.—Subpart A of part IV of sub-
 24 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 (relating to nonrefundable personal credits) is
 2 amended by inserting after section 25D the following new
 3 section:

4 **“SEC. 25E. CREDIT FOR TAXPAYERS WITH LONG-TERM**
 5 **CARE NEEDS.**

6 “(a) ALLOWANCE OF CREDIT.—

7 “(1) IN GENERAL.—There shall be allowed as a
 8 credit against the tax imposed by this chapter for
 9 the taxable year an amount equal to the applicable
 10 credit amount multiplied by the number of applica-
 11 ble individuals with respect to whom the taxpayer is
 12 an eligible caregiver for the taxable year.

13 “(2) APPLICABLE CREDIT AMOUNT.—For pur-
 14 poses of paragraph (1), the applicable credit amount
 15 shall be determined in accordance with the following
 16 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.

17 “(b) LIMITATION BASED ON ADJUSTED GROSS IN-
 18 COME.—

19 “(1) IN GENERAL.—The amount of the credit
 20 allowable under subsection (a) shall be reduced (but
 21 not below zero) by \$100 for each \$1,000 (or fraction
 22 thereof) by which the taxpayer’s modified adjusted

gross income exceeds the threshold amount. For purposes of the preceding sentence, the term ‘modified adjusted gross income’ means adjusted gross income increased by any amount excluded from gross income under section 911, 931, or 933.

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

“(A) \$150,000 in the case of a joint return, and

“(B) \$75,000 in any other case.

“(3) INDEXING.—In the case of any taxable year beginning in a calendar year after 2007, each dollar amount contained in paragraph (2) shall be increased by an amount equal to the product of—

“(A) such dollar amount, and

“(B) the medical care cost adjustment determined under section 213(d)(10)(B)(ii) for the calendar year in which the taxable year begins, determined by substituting ‘August 2006’ for ‘August 1996’ in subclause (II) thereof.

If any increase determined under the preceding sentence is not a multiple of \$50, such increase shall be rounded to the next lowest multiple of \$50.

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

“(1) APPLICABLE INDIVIDUAL.—

“(A) IN GENERAL.—The term ‘applicable individual’ means, with respect to any taxable year, any individual who has been certified, before the due date for filing the return of tax for the taxable year (without extensions), by a physician (as defined in section 1861(r)(1) of the Social Security Act) as being an individual with long-term care needs described in subparagraph (B) for a period—

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

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

Such term shall not include any individual otherwise meeting the requirements of the preceding sentence unless within the 39½-month period ending on such due date (or such other period as the Secretary prescribes) a physician (as so defined) has certified that such individual meets such requirements.

“(B) INDIVIDUALS WITH LONG-TERM CARE NEEDS.—An individual is described in this subparagraph if the individual meets any of the following requirements:

1 “(i) The individual is at least 6 years
2 of age and—

3 “(I) is unable to perform (with-
4 out substantial assistance from an-
5 other individual) at least 3 activities
6 of daily living (as defined in section
7 7702B(c)(2)(B)) due to a loss of
8 functional capacity, or

9 “(II) requires substantial super-
10 vision to protect such individual from
11 threats to health and safety due to se-
12 vere cognitive impairment and is un-
13 able to perform, without reminding or
14 cuing assistance, at least 1 activity of
15 daily living (as so defined) or to the
16 extent provided in regulations pre-
17 scribed by the Secretary (in consulta-
18 tion with the Secretary of Health and
19 Human Services), is unable to engage
20 in age appropriate activities.

21 “(ii) The individual is at least 2 but
22 not 6 years of age and is unable due to a
23 loss of functional capacity to perform
24 (without substantial assistance from an-

other individual) at least 2 of the following activities: eating, transferring, or mobility.

“(iii) The individual is under 2 years of age and requires specific durable medical equipment by reason of a severe health condition or requires a skilled practitioner trained to address the individual’s condition to be available if the individual’s parents or guardians are absent.

“(2) ELIGIBLE CAREGIVER.—

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

“(i) The taxpayer.

“(ii) The taxpayer’s spouse.

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

“(iv) An individual who would be described in clause (iii) for the taxable year if section 151(c)(1)(A) were applied by substituting for the exemption amount an amount equal to the sum of the exemption amount, the standard deduction under section 63(c)(2)(C), and any additional stand-

ard deduction under section 63(c)(3) which would be applicable to the individual if clause (iii) applied.

“(v) An individual who would be described in clause (iii) for the taxable year if—

“(I) the requirements of clause (iv) are met with respect to the individual, and

“(II) the requirements of subparagraph (B) are met with respect to the individual in lieu of the support test of section 152(a).

“(B) RESIDENCY TEST.—The requirements of this subparagraph are met if an individual has as his principal place of abode the home of the taxpayer and—

“(i) in the case of an individual who is an ancestor or descendant of the taxpayer or the taxpayer’s spouse, is a member of the taxpayer’s household for over half the taxable year, or

“(ii) in the case of any other individual, is a member of the taxpayer’s household for the entire taxable year.

1 “(C) SPECIAL RULES WHERE MORE THAN
2 1 ELIGIBLE CAREGIVER.—

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

15 “(ii) NO AGREEMENT.—If each indi-
16 vidual required under clause (i) to file a
17 written declaration under clause (i) does
18 not do so, the individual with the highest
19 modified adjusted gross income (as defined
20 in section 32(c)(5)) shall be treated as the
21 eligible caregiver.

22 “(iii) MARRIED INDIVIDUALS FILING
23 SEPARATELY.—In the case of married indi-
24 viduals filing separately, the determination
25 under this subparagraph as to whether the

1 husband or wife is the eligible caregiver
 2 shall be made under the rules of clause (ii)
 3 (whether or not one of them has filed a
 4 written declaration under clause (i)).

5 “(d) IDENTIFICATION REQUIREMENT.—No credit
 6 shall be allowed under this section to a taxpayer with re-
 7 spect to any applicable individual unless the taxpayer in-
 8 cludes the name and taxpayer identification number of
 9 such individual, and the identification number of the phy-
 10 sician certifying such individual, on the return of tax for
 11 the taxable year.

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

17 (b) CONFORMING AMENDMENTS.—

18 (1) Section 6213(g)(2) of the Internal Revenue
 19 Code of 1986 is amended by striking “and” at the
 20 end of subparagraph (L), by striking the period at
 21 the end of subparagraph (M) and inserting “, and”,
 22 and by inserting after subparagraph (M) the fol-
 23 lowing new subparagraph:

24 “(N) an omission of a correct TIN or phy-
 25 sician identification required under section

1 25E(d) (relating to credit for taxpayers with
2 long-term care needs) to be included on a re-
3 turn.”.

4 (2) The table of sections for subpart A of part
5 IV of subchapter A of chapter 1 of such Code is
6 amended by inserting after the item relating to sec-
7 tion 25D the following new item:

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

8 (c) EFFECTIVE DATES.—The amendments made by
9 this section shall apply to taxable years beginning after
10 December 31, 2006.

11 **SEC. 503. ADDITIONAL CONSUMER PROTECTIONS FOR**
12 **LONG-TERM CARE INSURANCE.**

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

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

21 “(i) MODEL REGULATION.—The fol-
22 lowing requirements of the model regula-
23 tion:

24 “(I) Section 6A (relating to guar-
25 anteed renewal or noncancellability),

1 and the requirements of section 6B of
2 the model Act relating to such section
3 6A.

4 “(II) Section 6B (relating to pro-
5 hibitions on limitations and exclu-
6 sions).

7 “(III) Section 6C (relating to ex-
8 tension of benefits).

9 “(IV) Section 6D (relating to
10 continuation or conversion of cov-
11 erage).

12 “(V) Section 6E (relating to dis-
13 continuance and replacement of poli-
14 cies).

15 “(VI) Section 7 (relating to unin-
16 tentional lapse).

17 “(VII) Section 8 (relating to dis-
18 closure), other than section 8F there-
19 of.

20 “(VIII) Section 11 (relating to
21 prohibitions against post claims un-
22 derwriting).

23 “(IX) Section 12 (relating to
24 minimum standards).

1 “(X) Section 13 (relating to re-
2 quirement to offer inflation protec-
3 tion), except that any requirement for
4 a signature on a rejection of inflation
5 protection shall permit the signature
6 to be on an application or on a sepa-
7 rate form.

8 “(XI) Section 25 (relating to pro-
9 hibition against preexisting conditions
10 and probationary periods in replace-
11 ment policies or certificates).

12 “(XII) The provisions of section
13 26 relating to contingent nonforfeiture
14 benefits, if the policyholder declines
15 the offer of a nonforfeiture provision
16 described in paragraph (4).

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

19 “(I) Section 6C (relating to pre-
20 existing conditions).

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

23 “(III) The provisions of section 8
24 relating to contingent nonforfeiture
25 benefits, if the policyholder declines

1 the offer of a nonforfeiture provision
2 described in paragraph (4).

3 “(B) DEFINITIONS.—For purposes of this
4 paragraph—

5 “(i) MODEL PROVISIONS.—The terms
6 ‘model regulation’ and ‘model Act’ mean
7 the long-term care insurance model regula-
8 tion, and the long-term care insurance
9 model Act, respectively, promulgated by
10 the National Association of Insurance
11 Commissioners (as adopted as of Sep-
12 tember 2000).

13 “(ii) COORDINATION.—Any provision
14 of the model regulation or model Act listed
15 under clause (i) or (ii) of subparagraph
16 (A) shall be treated as including any other
17 provision of such regulation or Act nec-
18 essary to implement the provision.

19 “(iii) DETERMINATION.—For pur-
20 poses of this section and section 4980C,
21 the determination of whether any require-
22 ment of a model regulation or the model
23 Act has been met shall be made by the
24 Secretary.”.

1 (b) EXCISE TAX.—Paragraph (1) of section
 2 4980C(c) of the Internal Revenue Code of 1986 (relating
 3 to requirements of model provisions) is amended to read
 4 as follows:

5 “(1) REQUIREMENTS OF MODEL PROVISIONS.—

6 “(A) MODEL REGULATION.—The following
 7 requirements of the model regulation must be
 8 met:

9 “(i) Section 9 (relating to required
 10 disclosure of rating practices to consumer).

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

13 “(iii) Section 15 (relating to reporting
 14 requirements), except that the issuer shall
 15 also report at least annually the number of
 16 claims denied during the reporting period
 17 for each class of business (expressed as a
 18 percentage of claims denied), other than
 19 claims denied for failure to meet the wait-
 20 ing period or because of any applicable
 21 preexisting condition.

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

24 “(v) Section 23 (relating to standards
 25 for marketing), including inaccurate com-

1 pletion of medical histories, other than
 2 paragraphs (1), (6), and (9) of section
 3 23C, except that—

4 “(I) in addition to such require-
 5 ments, no person shall, in selling or
 6 offering to sell a qualified long-term
 7 care insurance contract, misrepresent
 8 a material fact; and

9 “(II) no such requirements shall
 10 include a requirement to inquire or
 11 identify whether a prospective appli-
 12 cant or enrollee for long-term care in-
 13 surance has accident and sickness in-
 14 surance.

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

17 “(vii) Section 29 (relating to standard
 18 format outline of coverage).

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

21 The requirements referred to in clause (vi) shall
 22 not include those portions of the personal work-
 23 sheet described in Appendix B relating to con-
 24 sumer protection requirements not imposed by
 25 section 4980C or 7702B.

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

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

8 “(ii) Section 6G (relating to outline of
9 coverage).

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

12 “(iv) Section 6I (relating to policy
13 summary).

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

16 “(vi) Section 7 (relating to incontest-
17 ability period).

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

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

**TITLE VI—PROMOTING
HEALTHIER LIFESTYLES**

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

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

(b) ELIGIBILITY.—

(1) STATE.—To be eligible to receive a grant under subsection (a), a State shall prepare and submit to the Secretary an application at such time, in such manner and containing such information as the Secretary may require.

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

(A) be a partnership consisting of one or more public and private organizations (such as hospitals, health centers, other health care providers, employers, local educational agencies, community organizations, and public health organizations); and

1 (B) prepare and submit to the State an
2 application at such time, in such manner and
3 containing such information as the State may
4 require, including a description of the activities
5 that the partnership will carry out with assist-
6 ance provided under this section.

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

11 (1) activities to reduce the primary risk factors
12 for diseases, such as smoking, obesity, and sedentary
13 lifestyles;

14 (2) implementing employee health promotion
15 programs in the workplace using best practices to
16 improve health access, education, and prevention
17 promotion and disease management;

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

20 (4) the development of programs relating to
21 mental health and substance abuse.

22 (d) AUTHORIZATION OF APPROPRIATIONS.—There
23 are authorized to be appropriated to carry out this section,
24 such sums as may be necessary for each of fiscal years
25 2008 through 2012.

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

2 (a) GRANTS.—The Secretary shall award grants to
3 States (through State health departments or other State
4 agencies working in consultation with the State health
5 agency) to enable such States to provide assistance to em-
6 ployers that employ not to exceed 100 employees to enable
7 such employers to establish and operate worksite wellness
8 programs for their employees.

9 (b) APPLICATION.—To be eligible to receive a grant
10 under subsection (a), a State shall prepare and submit to
11 the Secretary an application at such time, in such manner,
12 and containing such information as the Secretary may re-
13 quire, including—

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

17 (2) assurances that the State will only use
18 amounts provided under such grant to provide as-
19 sistance to employers that can demonstrate that they
20 are in compliance with minimum program character-
21 istics (relative to scope and regularity of services of-
22 fered) that are developed by the Secretary in con-
23 sultation with experts in public health and represent-
24 atives of small employers.

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

4 (d) PROGRAM CHARACTERISTICS.—In developing
5 minimum program characteristics under subsection (b)(2),
6 the Secretary shall ensure that all activities established or
7 enhanced under a grant under this section have clearly
8 defined goals and objectives and demonstrate how receipt
9 of such assistance will help to achieve established State
10 or local health objectives based on the National Health
11 Promotion and Disease Prevention Objectives.

12 (e) USE OF FUNDS.—Amounts received under a
13 grant awarded under subsection (a) shall be used by a
14 State to provide grants to employers (as described in sub-
15 section (a)), nonprofit organizations, or public authorities,
16 or to operate State-based worksite wellness programs.

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

20 (1) the development of joint wellness programs
21 between employers;

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

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

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

6 (g) 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 2008 through 2012.

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

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

17 (b) SPECIFIED USE OF FUNDS.—In meeting the re-
 18 quirement of subsection (a), the Secretary shall expand
 19 the number of children receiving planned, sequential kin-
 20 dergarten through 12th grade comprehensive school edu-
 21 cation as a component of comprehensive programs of
 22 school health, including—

23 (1) physical education programs that provide
 24 lifelong physical activity;

25 (2) healthy school food service selections;

1 (3) programs that promote a healthy and safe
2 school environment;

3 (4) schoolsite health promotion for faculty and
4 staff;

5 (5) integrated school and community health
6 promotion efforts; and

7 (6) school nursing disease prevention and
8 health promotion services.

9 (c) COORDINATION OF EXISTING PROGRAMS.—The
10 Secretary of Health and Human Services, the Secretary
11 of Education, and the Secretary of Agriculture, shall work
12 cooperatively to coordinate existing school health edu-
13 cation programs within the jurisdiction of their respective
14 Departments in a manner that maximizes the efficiency
15 and effectiveness of Federal expenditures for such pro-
16 grams.

17 (d) AUTHORIZATION OF APPROPRIATIONS.—There
18 are authorized to be appropriated to carry out this section,
19 such sums as may be necessary for each of fiscal years
20 2008 through 2012.

21 **TITLE VII—MEDICARE FAIRNESS**
22 **Subtitle A—Medicare Value and**
23 **Quality Demonstration**

24 **SEC. 701. FINDINGS.**

25 The Senate makes the following findings:

1 (1) The United States Government should re-
2 ward physicians, hospitals, and other health care
3 providers that provide high-quality, cost-effective
4 health care to beneficiaries under the medicare pro-
5 gram.

6 (2) The Journal of the American Medical Asso-
7 ciation has published quality indicators in an article
8 entitled “Quality of Medical Care Delivered to Medi-
9 care Beneficiaries: A Profile at State and National
10 Levels”.

11 (3) The cost of health care is—

12 (A) reflected in the type and volume of
13 physicians’ services and in physician ordering
14 and prescribing behavior; and

15 (B) reflected in the amount of the average
16 payment to hospitals under the medicare pro-
17 gram for each medicare beneficiary in each
18 State.

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

22 (5) The original medicare fee-for-service pro-
23 gram under parts A and B of title XVIII of the So-
24 cial Security Act does not include a mechanism to
25 pay for interventions designed to improve quality of

1 care. While the framework for payments to managed
 2 care organizations under the Medicare+Choice pro-
 3 gram under part C of such title allows for the re-
 4 allocation of capitation revenues to cover such things
 5 as disease state management and quality improve-
 6 ment infrastructure, even the most optimistic projec-
 7 tions for managed care enrollment leave the majority
 8 of medicare beneficiaries in the original medicare
 9 fee-for-service program.

10 **SEC. 702. DEMONSTRATION PROJECT TO ENCOURAGE THE**
 11 **PROVISION OF HIGH-QUALITY, COST-EFFEC-**
 12 **TIVE INPATIENT HOSPITAL SERVICES.**

13 (a) PURPOSE.—The purpose of the demonstration
 14 project conducted under this section is to encourage the
 15 provision of high-quality, cost-effective health care to
 16 beneficiaries under the Medicare program under title
 17 XVIII of the Social Security Act (42 U.S.C. 1395 et seq.)
 18 by providing incentive payments to hospitals located in
 19 States in which high-quality and cost-effective services are
 20 being provided in order to finance further quality improve-
 21 ments.

22 (b) DEMONSTRATION PROJECT.—

23 (1) ESTABLISHMENT.—Not later than 6
 24 months after the date of enactment of this Act, the

1 Secretary shall establish a demonstration project
2 under which—

3 (A) the Secretary provides bonus payments
4 to providers of inpatient hospital services that
5 deliver high-quality health care at low costs in
6 accordance with the methodology established by
7 the Agency for Healthcare Research and Qual-
8 ity under paragraph (2); and

9 (B) the Secretary funds a plan at each site
10 to increase the number of providers of inpatient
11 hospital services that provide high-quality, low-
12 cost health care to beneficiaries under the Medi-
13 care program under title XVIII of the Social
14 Security Act.

15 (2) VALUE AND QUALITY RANKING METHOD-
16 OLOGY.—

17 (A) IN GENERAL.—The Agency for
18 Healthcare Research and Quality shall establish
19 a value and quality ranking methodology under
20 which the Secretary awards bonus payments to
21 providers of inpatient hospital services located
22 in those States that demonstrate that such pro-
23 viders in the State are providing high value be-
24 cause of the high-quality, cost-effective health

1 care services being provided to medicare bene-
2 ficiaries.

3 (B) BASIS.—The methodology established
4 under subparagraph (A) shall be based on the
5 Medicare quality indicators determined by the
6 Secretary to be appropriate.

7 (3) SITES.—The Secretary shall select 2 States
8 in which to conduct the demonstration project—

9 (A) from among the top 25 States (as
10 ranked using the methodology established under
11 paragraph (2)) that are also among the group
12 of 25 States with the lowest per capita cost to
13 the Medicare program under title XVIII of the
14 Social Security Act during the most recent 12-
15 month period for which data are available; and

16 (B) based upon information contained in
17 applications submitted to the Secretary by such
18 States at such time, in such form and manner,
19 and containing such information as the Sec-
20 retary may require.

21 (4) DURATION OF PROJECT.—The demonstra-
22 tion project shall be conducted over a 5-year period.

23 (c) REPORTS.—The Secretary shall submit to the ap-
24 propriate committees of Congress interim reports on the
25 demonstration project and a final report on the project

1 within 6 months after the conclusion of the project to-
2 gether with recommendations for such legislative or ad-
3 ministrative action as the Secretary determines appro-
4 priate.

5 (d) WAIVER.—The Secretary shall waive such provi-
6 sions of titles XI and XVIII of the Social Security Act
7 (42 U.S.C. 1301 et seq. and 1395 et seq.) as may be nec-
8 essary to conduct the demonstration project under this
9 section.

10 (e) DEFINITIONS.—In this section:

11 (1) PROVIDER OF INPATIENT HOSPITAL SERV-
12 ICES.—The term “provider of inpatient hospital
13 services” means any individual or entity that re-
14 ceives payment under the Medicare program under
15 title XVIII of the Social Security Act (42 U.S.C.
16 1395 et seq.) for providing an inpatient hospital
17 service (as defined in section 1861(b) of such Act
18 (42 U.S.C. 1395x(b))).

19 (2) SECRETARY.—The term “Secretary” means
20 the Secretary of Health and Human Services.

21 (f) FUNDING.—There are appropriated from the Fed-
22 eral Hospital Insurance Trust Fund under section 1817
23 of the Social Security Act (42 U.S.C. 1395i) such sums
24 as the Secretary determines are necessary to conduct the
25 demonstration project under this section.

1 **SEC. 703. DEMONSTRATION PROJECT TO ENCOURAGE THE**
2 **PROVISION OF HIGH-QUALITY, COST-EFFEC-**
3 **TIVE PHYSICIANS' SERVICES.**

4 (a) PURPOSE.—The purpose of the demonstration
5 project conducted under this section is to encourage the
6 provision of high-quality, cost-effective health care to
7 beneficiaries under the Medicare program under title
8 XVIII of the Social Security Act (42 U.S.C. 1395 et seq.)
9 by providing incentive payments to physicians located in
10 States in which high-quality and cost-effective services are
11 being provided in order to finance further quality improve-
12 ments.

13 (b) DEMONSTRATION PROJECT.—

14 (1) ESTABLISHMENT.—Not later than 6
15 months after the date of enactment of this Act, the
16 Secretary shall establish a demonstration project
17 under which—

18 (A) the Secretary provides bonus payments
19 to providers of physicians' services that deliver
20 high-quality, cost-effective health care in ac-
21 cordance with the methodology established by
22 the Agency for Healthcare Research and Qual-
23 ity under paragraph (2); and

24 (B) the Secretary funds a plan in each
25 State to increase the number of providers of
26 physicians' services that provide high-quality,

1 cost-effective health care to beneficiaries under
 2 the medicare program under title XVIII of the
 3 Social Security Act.

4 (2) VALUE AND QUALITY RANKING METHOD-
 5 OLOGY.—

6 (A) IN GENERAL.—The Agency for
 7 Healthcare Research and Quality shall establish
 8 a value and quality ranking methodology under
 9 which the Secretary awards bonus payments to
 10 providers of physicians' services located in those
 11 States that demonstrate that such providers in
 12 the State are providing high value because of
 13 the high-quality, cost-effective health care serv-
 14 ices being provided to Medicare beneficiaries.

15 (B) BASIS.—The methodology established
 16 under subparagraph (A) shall be based on the
 17 Medicare quality indicators determined by the
 18 Secretary to be appropriate.

19 (3) SITES.—The Secretary shall select 2 States
 20 in which to conduct the demonstration project—

21 (A) from among the top 25 States (as
 22 ranked using the methodology established under
 23 paragraph (2)) that are also among the 25
 24 States with the lowest per capita cost to the
 25 Medicare program under title XVIII of the So-

1 cial Security Act during the most recent 12-
2 month period for which data are available; and

3 (B) based upon information contained in
4 applications submitted to the Secretary by such
5 States at such time, in such form and manner,
6 and containing such information as the Sec-
7 retary may require.

8 (4) DURATION OF PROJECT.—The demonstra-
9 tion project shall be conducted over a 5-year period.

10 (c) REPORTS.—The Secretary shall submit to the ap-
11 propriate committees of Congress interim reports on the
12 demonstration project and a final report on the project
13 within 6 months after the conclusion of the project to-
14 gether with recommendations for such legislative or ad-
15 ministrative action as the Secretary determines appro-
16 priate.

17 (d) WAIVER.—The Secretary shall waive such provi-
18 sions of titles XI and XVIII of the Social Security Act
19 (42 U.S.C. 1301 et seq. and 1395 et seq.) as may be nec-
20 essary to conduct the demonstration project under this
21 section.

22 (e) DEFINITIONS.—In this section:

23 (1) PROVIDER OF PHYSICIANS' SERVICES.—The
24 term “provider of physicians’ services” means any
25 individual or entity that receives payment under the

1 Medicare program under title XVIII of the Social
 2 Security Act (42 U.S.C. 1395 et seq.) for providing
 3 physicians' services (as defined in section 1861(q) of
 4 such Act (42 U.S.C. 1395x(q))).

5 (2) SECRETARY.—The term “Secretary” means
 6 the Secretary of Health and Human Services.

7 (f) FUNDING.—There are appropriated from the Fed-
 8 eral Supplementary Medical Insurance Trust Fund under
 9 section 1841 of the Social Security Act (42 U.S.C. 1395t)
 10 such sums as the Secretary determines are necessary to
 11 conduct the demonstration project under this section.

12 **Subtitle B—Graduate Medical** 13 **Education Demonstration**

14 **SEC. 711. CLINICAL ROTATION DEMONSTRATION PROJECT.**

15 (a) ESTABLISHMENT.—Not later than 6 months after
 16 the date of enactment of this Act, the Secretary shall es-
 17 tablish a demonstration project that provides for dem-
 18 onstration grants designed to provide financial or other
 19 incentives to hospitals to attract educators and clinical
 20 practitioners so that hospitals that serve beneficiaries
 21 under the Medicare program under title XVIII of the So-
 22 cial Security Act (42 U.S.C. 1395 et seq.) who are resi-
 23 dents of underserved areas may host clinical rotations.

24 (b) DURATION OF PROJECT.—The demonstration
 25 project shall be conducted over a 5-year period.

1 (c) FUNDING.—

2 (1) IN GENERAL.—Subject to paragraph (2),
 3 the Secretary shall pay the costs of the demonstra-
 4 tion project conducted under this section from the
 5 Federal Hospital Insurance Trust Fund under sec-
 6 tion 1817 of the Social Security Act (42 U.S.C.
 7 1395i).

8 (2) CAP ON FUNDING.—The Secretary may not
 9 expend more than \$20,000,000 to conduct the dem-
 10 onstration project under this section.

11 (3) BUDGET NEUTRALITY FOR DEMONSTRA-
 12 TION PROJECT.—Notwithstanding any other provi-
 13 sion of law, the Secretary shall provide for an appro-
 14 priate reduction in the aggregate amount of addi-
 15 tional payments made under subsection (d)(5)(B) of
 16 section 1886 of the Social Security Act (42 U.S.C.
 17 1395ww) for the indirect costs of medical education
 18 and for direct graduate medical education costs
 19 under subsection (h) of such section to reflect any
 20 increase in amounts expended from the Federal Hos-
 21 pital Insurance Trust Fund as a result of the dem-
 22 onstration project conducted under this section.

23 (d) REPORTS.—The Secretary shall submit to the ap-
 24 propriate committees of Congress interim reports on the
 25 demonstration project and a final report on such project

1 within 6 months after the conclusion of the project to-
 2 gether with recommendations for such legislative or ad-
 3 ministrative action as the Secretary determines appro-
 4 priate.

5 (e) WAIVER.—The Secretary shall waive such provi-
 6 sions of titles XI and XVIII of the Social Security Act
 7 (42 U.S.C. 1301 et seq. and 1395 et seq.) as may be nec-
 8 essary to conduct the demonstration project under this
 9 section.

10 (f) DEFINITIONS.—In this section:

11 (1) HOSPITAL.—The term “hospital” means
 12 any subsection (d) hospital (as defined in section
 13 1886(d)(1)(B) of the Social Security Act (42 U.S.C.
 14 1395ww(d)(1)(B)) that had indirect or direct costs
 15 of medical education during the most recent cost re-
 16 porting period preceding the date of enactment of
 17 this Act.

18 (2) SECRETARY.—The term “Secretary” means
 19 the Secretary of Health and Human Services.

20 (3) UNDERSERVED AREA.—The term “under-
 21 served area” means such medically underserved
 22 urban areas and medically underserved rural areas
 23 as the Secretary may specify.

