

104<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# S. 707

To shift financial responsibility for providing welfare assistance and medical care to welfare-related medicaid individuals to the States in exchange for the Federal Government assuming financial responsibility for providing certain elderly low-income individuals and nonelderly low-income disabled individuals with benefits under the medicare program under title XVIII of the Social Security Act and long-term care benefits under a new Federal program established under title XIX of such Act, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

APRIL 6 (legislative day, APRIL 5), 1995

Mrs. KASSEBAUM (for herself and Mr. BROWN) introduced the following bill;  
which was read twice and referred to the Committee on Finance

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## A BILL

To shift financial responsibility for providing welfare assistance and medical care to welfare-related medicaid individuals to the States in exchange for the Federal Government assuming financial responsibility for providing certain elderly low-income individuals and nonelderly low-income disabled individuals with benefits under the medicare program under title XVIII of the Social Security Act and long-term care benefits under a new Federal program established under title XIX of such Act, and for other purposes.

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

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
 5 “Welfare and Medicaid Responsibility Exchange Act of  
 6 1995”.

7 (b) TABLE OF CONTENTS.—The table of contents for  
 8 this Act is as follows:

Sec. 1. Short title; table of contents.

Sec. 2. Purpose.

Sec. 3. Definitions.

DIVISION A—EXCHANGE OF RESPONSIBILITIES FOR PROVIDING  
 WELFARE ASSISTANCE AND MEDICAL CARE

TITLE I—FEDERAL AND STATE RESPONSIBILITIES DURING AND  
 AFTER THE TRANSITION PERIOD

Subtitle A—Transition Period

Sec. 101. Exchange of financial responsibilities for certain welfare programs  
 and part of the medicaid program.

Sec. 102. Payments to States.

Sec. 103. State responsibility for providing medical care during the transition  
 period for welfare-related medicaid individuals.

Sec. 104. Waiver of medicaid requirements during the transition period.

Sec. 105. Termination of certain Federal welfare programs.

Sec. 106. Conforming amendments to the medicaid program.

Subtitle B—Post-Transition Period

PART 1—FEDERAL AND STATE RESPONSIBILITIES

Sec. 111. Assumption of Federal responsibility for providing acute and long-  
 term care to nonwelfare-related medicaid individuals.

Sec. 112. State responsibility for providing medical care to welfare-related med-  
 icaid individuals.

PART 2—GRANT PROGRAM TO COMPENSATE DISADVANTAGED STATES

Sec. 121. Grant program.

Subtitle C—Legislative Proposals

Sec. 131. Legislative proposals.

Sec. 132. Congressional consideration of implementing bills.

Subtitle D—Health Benefits and Coverage Commission

- Sec. 141. Creation of Health Benefits and Coverage Commission; membership; termination.
- Sec. 142. Qualifications of Commission members.
- Sec. 143. Powers.
- Sec. 144. Funding.

TITLE II—ACUTE CARE BENEFITS UNDER THE MEDICARE PROGRAM FOR ELDERLY LOW-INCOME AND NONELDERLY LOW-INCOME DISABLED INDIVIDUALS

Subtitle A—Eligibility Criteria and Acute Care Benefits for Elderly Low-Income Individuals

- Sec. 201. Establishing a category of elderly low-income individuals.
- Sec. 202. Medicare benefits for elderly low-income individuals.

Subtitle B—Eligibility Criteria and Acute Care Benefits for Nonelderly Low-Income Disabled Individuals

- Sec. 211. Establishing a category of nonelderly low-income disabled individuals.
- Sec. 212. Medicare benefits for nonelderly low-income disabled individuals.

Subtitle C—Premiums, Coinsurance, and Deductibles Established Without Regard to Additional Costs

- Sec. 221. Establishment of premiums, coinsurance and deductibles.

TITLE III—ESTABLISHMENT OF THE LONG-TERM CARE PROGRAM

Subtitle A—Establishment

- Sec. 301. Establishment of program.

Subtitle B—Providing Long-Term Care

- Sec. 311. Eligibility determinations.
- Sec. 312. Authority to contract.
- Sec. 313. No contracts in an area.
- Sec. 314. Contract terms; powers and duties of the Secretary.

Subtitle C—Requirements for Long-Term Care Contractors

- Sec. 321. Other general requirements for long-term care contractors.
- Sec. 322. Needs assessment and plan of care.
- Sec. 323. Quality assurance.
- Sec. 324. Grievance procedures.
- Sec. 325. Monitoring and compliance.

Subtitle D—Establishing Long-Term Care Benefits for Certain Individuals

PART 1—ELIGIBILITY CRITERIA AND BENEFITS

- Sec. 331. Eligibility criteria for the long-term care program.
- Sec. 332. Long-term care benefits under the long-term care program.

PART 2—FINANCING FOR THE LONG-TERM CARE PROGRAM

- Sec. 341. Authorization of appropriations.

TITLE IV—ENSURING FINANCING FOR FEDERAL HEALTH CARE  
FOR CERTAIN ELDERLY LOW-INCOME AND NONELDERLY LOW-  
INCOME DISABLED INDIVIDUALS

Sec. 401. Ensuring financing for acute care benefits for elderly low-income individuals and nonelderly low-income disabled individuals and for the long-term care program.

TITLE V—MISCELLANEOUS PROVISIONS

Sec. 501. Separate eligibility requirements.  
Sec. 502. Encouraging integration of managed care and private health plans.  
Sec. 503. Reform of the supplemental security income program.  
Sec. 504. Annual report.  
Sec. 505. Study and report on integration of acute and long-term care.  
Sec. 506. Secretarial submission of legislative proposal for technical and conforming amendments.

DIVISION B—TAX INCENTIVES AND STANDARDS FOR LONG-TERM  
CARE INSURANCE

TITLE I—TAX TREATMENT OF LONG-TERM CARE INSURANCE

Sec. 1001. Amendment of 1986 Code.  
Sec. 1002. Qualified long-term care services treated as medical care.  
Sec. 1003. Treatment of long-term care insurance.  
Sec. 1004. Treatment of qualified long-term care plans.  
Sec. 1005. Tax treatment of accelerated death benefits under life insurance contracts.  
Sec. 1006. Tax treatment of companies issuing qualified accelerated death benefit riders.

TITLE II—STANDARDS FOR LONG-TERM CARE INSURANCE

Sec. 2001. Additional requirements for issuers of long-term care insurance policies.  
Sec. 2002. Coordination with State requirements.  
Sec. 2003. Uniform language and definitions.

TITLE III—INCENTIVES TO ENCOURAGE THE PURCHASE OF  
PRIVATE INSURANCE

Sec. 3001. Public information and education program.

1 **SEC. 2. PURPOSE.**

2 The purpose of this Act is—

3 (1) to shift financial responsibility for providing  
4 welfare assistance and medical care to welfare-relat-  
5 ed medicaid individuals to the States in exchange for  
6 the Federal Government assuming financial respon-

1 sibility for providing certain elderly low-income indi-  
2 viduals and nonelderly low-income disabled individ-  
3 uals with benefits under the medicare program  
4 under title XVIII of the Social Security Act and  
5 long-term care benefits under a new Federal pro-  
6 gram established under title XIX of such Act; and

7 (2) to establish the procedures by which—

8 (A) total financial responsibility for provid-  
9 ing health care to certain elderly low-income  
10 and nonelderly low-income disabled individuals  
11 shall be assumed by the Federal Government by  
12 repealing the medicaid program under title XIX  
13 of the Social Security Act (42 U.S.C. 1396 et  
14 seq.) and replacing it through—

15 (i) amendments to the medicare pro-  
16 gram that provide that such individuals  
17 may be eligible for acute care benefits  
18 under that program; and

19 (ii) the establishment of a long-term  
20 care program under which long-term care  
21 benefits may be provided to individuals  
22 who meet the eligibility criteria established  
23 for such program;

1 (B) the States can better coordinate and  
2 more effectively deliver health and welfare serv-  
3 ices for low-income individuals;

4 (C) the Federal Government can simplify  
5 the eligibility standards and better coordinate  
6 the provision of acute and long-term health care  
7 for low-income elderly and disabled individuals;

8 (D) the Federal Government can modify  
9 the criteria for determining the eligibility of  
10 children, alcoholics, and drug addicts for bene-  
11 fits under title XVI of the Social Security Act  
12 (42 U.S.C. 1381 et seq.); and

13 (E) the financial burden to both the States  
14 and the Federal Government is reduced by cre-  
15 ating incentives for individuals to purchase and  
16 enroll in private health plans.

17 **SEC. 3. DEFINITIONS.**

18 For purposes of this Act:

19 (1) ACUTE CARE BENEFITS.—The term “acute  
20 care benefits” means a health care service other  
21 than the following:

22 (A) Nursing facility services.

23 (B) Intermediate care facility for the men-  
24 tally retarded services.

25 (C) Personal care services.

1 (D) Homemaker and chore assistance.

2 (E) Respite services.

3 (F) Assistive devices.

4 (G) Adult day services.

5 (H) Habilitation and rehabilitation.

6 (I) Home health services.

7 (J) Home or community-based services.

8 (K) Case-management services that are  
9 furnished to an individual who has a condition  
10 or disability that qualifies the individual to re-  
11 ceive any of the services described in any other  
12 subparagraph of this paragraph.

13 (L) Services furnished in an institution for  
14 mental diseases.

15 (M) Any other care or assistive services  
16 (approved by the Secretary) that the Secretary  
17 determines will help individuals with disabilities  
18 to remain in their homes and communities.

19 (2) COMMISSION.—The term “Commission”  
20 means the Health Benefits and Coverage Commis-  
21 sion established under section 141.

22 (3) DISABLED INDIVIDUAL.—The term “dis-  
23 abled individual” means an individual determined to  
24 be disabled under section 1614(a)(3) of the Social  
25 Security Act (42 U.S.C. 1382c(a)(3)).

1           (4) ELDERLY.—The term “elderly” means an  
2 individual who is 65 years of age or older.

3           (5) LONG-TERM CARE BENEFITS.—The term  
4 “long-term care benefits” means the long-term care  
5 health benefits and services (as recommended by the  
6 Commission under section 332 and established in an  
7 implementing bill enacted under section 132) pro-  
8 vided under the long-term care program and may in-  
9 clude the following:

10                   (A) Nursing facility services.

11                   (B) Intermediate care facility for the men-  
12 tally retarded services.

13                   (C) Personal care services.

14                   (D) Homemaker and chore assistance.

15                   (E) Respite services.

16                   (F) Assistive devices.

17                   (G) Adult day services.

18                   (H) Habilitation and rehabilitation.

19                   (I) Home health services.

20                   (J) Home or community-based services.

21                   (K) Case-management services that are  
22 furnished to an individual who has a condition  
23 or disability that qualifies the individual to re-  
24 ceive any of the services described in any other  
25 subparagraph of this paragraph.

1 (L) Services furnished in an institution for  
2 mental diseases.

3 (M) Any other care or assistive services  
4 (approved by the Secretary) that the Secretary  
5 determines will help individuals with disabilities  
6 to remain in their homes and communities.

7 (6) LONG-TERM CARE PROGRAM.—The term  
8 “long-term care program” means the program estab-  
9 lished in accordance with the provisions of title III.

10 (7) MEDICARE COST-SHARING.—The term  
11 “medicare cost-sharing” includes all or any portion  
12 of the following costs incurred with respect to indi-  
13 viduals meeting the categories of elderly low-income  
14 individuals and nonelderly low-income disabled indi-  
15 viduals recommended by the Commission in accord-  
16 ance with sections 201 and 211 and established in  
17 an implementing bill enacted under section 132:

18 (A) Premiums under section—

19 (i) 1818 or 1818A of the Social Secu-  
20 rity Act (42 U.S.C. 1395i-2, 1395i-2a);  
21 and

22 (ii) 1839 of such Act (42 U.S.C.  
23 1395r).

1 (B) Coinsurance under title XVIII of such  
2 Act (including coinsurance described in section  
3 1813 of such Act (42 U.S.C. 1395e)).

4 (C) Deductibles established under title  
5 XVIII of such Act (including those described in  
6 sections 1813 and 1833(b) of such Act (42  
7 U.S.C. 1395e, 1395l(b)).

8 (D) The amount that would be payable by  
9 an individual under section 1833(a) of such Act  
10 (42 U.S.C. 1395l(a)).

11 (E) Premiums for the enrollment of an in-  
12 dividual with an eligible organization under sec-  
13 tion 1876 of such Act (42 U.S.C. 1395mm).

14 (8) MEDICARE PROGRAM.—The term “medicare  
15 program” means the health insurance program  
16 under title XVIII of the Social Security Act (42  
17 U.S.C. 1395 et seq.).

18 (9) POVERTY LINE.—The term “poverty line”  
19 means the income official poverty line (as defined by  
20 the Office of Management and Budget, and revised  
21 annually in accordance with section 673(2) of the  
22 Omnibus Budget Reconciliation Act of 1981) that is  
23 applicable to a family of the size involved.

24 (10) SECRETARY.—The term “Secretary”  
25 means the Secretary of Health and Human Services.

1           (11) STATE.—The term “State” means any of  
2 the 50 States, the District of Columbia, the Com-  
3 monwealth of Puerto Rico, the Virgin Islands,  
4 Guam, American Samoa, and the Commonwealth of  
5 the Northern Mariana Islands.

6           (12) TRANSITION PERIOD.—The term “transi-  
7 tion period” means the period beginning with fiscal  
8 year 1997, and ending with the fiscal year imme-  
9 diately before the fiscal year described in section  
10 121(b)(5)(A).

11           (13) WELFARE-RELATED MEDICAID INDIVID-  
12 UAL.—The term “welfare-related medicaid individ-  
13 ual” means an individual who—

14           (A) would have been eligible for medical  
15 assistance under the State plan for medical as-  
16 sistance under title XIX of the Social Security  
17 Act (42 U.S.C. 1396 et seq.) (as in effect on  
18 the day before the date of the enactment of this  
19 Act) solely by reason of the individual’s receipt  
20 of or eligibility for aid or assistance under the  
21 State plan approved under part A or E of title  
22 IV of such Act (as so in effect), including indi-  
23 viduals eligible for such medical assistance by  
24 reason of—

1 (i) section 402(a)(37), 406(h), or  
2 473(b) of such Act (42 U.S.C. 602(a)(37),  
3 606(h), or 673(b)); or

4 (ii) the fact that the individual was  
5 considered by a State to be receiving such  
6 aid as authorized under section 482(e)(6)  
7 of such Act (42 U.S.C. 682(e)(6));

8 (B) is a qualified pregnant woman or child,  
9 as defined in section 1905(n) of such Act (42  
10 U.S.C. 1396d(n));

11 (C) is a qualified family member, as de-  
12 fined in section 1905(m)(1) of such Act (42  
13 U.S.C. 1396d(m)(1));

14 (D) is described in subparagraph (A) or  
15 (B) of section 1902(l)(1) of such Act (42  
16 U.S.C. 1396a(l)(1)) and whose family income  
17 does not exceed the minimum income level the  
18 State is required to establish under section  
19 1902(l)(2)(A) of such Act (42 U.S.C.  
20 1396a(l)(2)(A)) for such a family;

21 (E) is described in section 1902(l)(1)(C) of  
22 such Act (42 U.S.C. 1396a(l)(1)(C)) and whose  
23 family income does not exceed the minimum in-  
24 come level the State is required to establish

1 under section 1902(l)(2)(B) of such Act (42  
2 U.S.C. 1396a(l)(2)(B)) for such a family;

3 (F) is—

4 (i) described in section 1902(l)(1)(D)  
5 of such Act (42 U.S.C. 1396a(l)(1)(D));

6 (ii) between the ages of 6 and 12  
7 years of age; and

8 (iii) whose family income does not ex-  
9 ceed the minimum income level the State is  
10 required to establish under section  
11 1902(l)(2)(C) of such Act (42 U.S.C.  
12 1396a(l)(2)(C)) for such a family; or

13 (G) if such an individual were covered  
14 under the State plan for medical assistance  
15 under title XIX of the Social Security Act (42  
16 U.S.C. 1396 et seq.) on the day before the date  
17 of the enactment of this Act, is an individual  
18 described in the optional group of individuals  
19 described in section 1902(a)(10)(A)(ii) of such  
20 Act (42 U.S.C. 1396a(a)(10)(A)(ii)), other than  
21 an individual who would be eligible for such  
22 medical assistance by reason of such individ-  
23 ual's meeting, or being deemed to have met, the  
24 eligibility requirements for aid or assistance  
25 under the supplemental security income pro-

1           gram under title XVI of such Act (42 U.S.C.  
 2           1381 et seq.), or under an agreement between  
 3           the Commissioner of Social Security and the  
 4           State to provide State supplementary payments  
 5           under section 1616 of such Act (42 U.S.C.  
 6           1382e).

7   **DIVISION A—EXCHANGE OF RE-**  
 8       **SPONSIBILITIES FOR PROVID-**  
 9       **ING WELFARE ASSISTANCE**  
 10      **AND MEDICAL CARE**

11 **TITLE I—FEDERAL AND STATE**  
 12      **RESPONSIBILITIES DURING**  
 13      **AND AFTER THE TRANSITION**  
 14      **PERIOD**

15      **Subtitle A—Transition Period**

16 **SEC. 101. EXCHANGE OF FINANCIAL RESPONSIBILITIES**  
 17                      **FOR CERTAIN WELFARE PROGRAMS AND**  
 18                      **PART OF THE MEDICAID PROGRAM.**

19           (a) IN GENERAL.—In exchange for the Federal funds  
 20 received by a State under section 102 during the transi-  
 21 tion period, such State shall provide cash and noncash as-  
 22 sistance to low-income individuals in accordance with sub-  
 23 section (b).

24           (b) REQUIREMENT TO PROVIDE A CERTAIN LEVEL  
 25 OF LOW INCOME ASSISTANCE.—

1           (1) IN GENERAL.—Except as provided in para-  
2 graph (4), the amount of cash and noncash assist-  
3 ance provided to low-income individuals by a State  
4 for any fiscal year quarter during the transition pe-  
5 riod shall not be less than the sum of—

6                   (A) the amount determined under para-  
7 graph (2); and

8                   (B) the amount determined under para-  
9 graph (3).

10           (2) MAINTENANCE OF EFFORT WITH RESPECT  
11 TO FEDERAL PROGRAMS TERMINATED.—

12                   (A) IN GENERAL.—The amount deter-  
13 mined under this paragraph is an amount equal  
14 to one-quarter of the base expenditures deter-  
15 mined under subparagraph (B) for the State.

16                   (B) DETERMINATION OF BASE AMOUNT.—  
17 The Secretary, in cooperation with the Sec-  
18 retary of Agriculture, shall calculate for each  
19 State an amount equal to the total State ex-  
20 penditures for administering and providing—

21                           (i) aid to families with dependent chil-  
22 dren under a State plan under parts A and  
23 F of title IV of the Social Security Act (42  
24 U.S.C. 601 et seq.);

1 (ii) benefits under the food stamp pro-  
2 gram under the Food Stamp Act of 1977  
3 (7 U.S.C. 2011 et seq.), including benefits  
4 provided under section 19 of such Act (7  
5 U.S.C. 2028); and

6 (iii) benefits under the special supple-  
7 mental program for women, infants, and  
8 children established under section 17 of  
9 the Child Nutrition Act of 1966 (42  
10 U.S.C. 1786),

11 for the State during the 12-month period begin-  
12 ning on July 1, 1995.

13 (3) MAINTENANCE OF EFFORT WITH RESPECT  
14 TO MEDICAL ASSISTANCE FOR WELFARE-RELATED  
15 MEDICAID INDIVIDUALS.—

16 (A) IN GENERAL.—The amount deter-  
17 mined under this paragraph is an amount equal  
18 to one-quarter of the base expenditures deter-  
19 mined under subparagraph (B) for the State.

20 (B) DETERMINATION OF BASE AMOUNT.—  
21 The Secretary shall calculate for each State an  
22 amount equal to the total State expenditures  
23 for administering and providing medical assist-  
24 ance to welfare-related medicaid individuals  
25 under the State plan for medical assistance

1 under title XIX of the Social Security Act (42  
2 U.S.C. 1396 et seq.) (as in effect on the day be-  
3 fore the date of the enactment of this Act) in  
4 each State during the 12-month period begin-  
5 ning on July 1, 1995.

6 (4) STATE OPTION TO REDUCE MAINTENANCE  
7 OF EFFORT WITH RESPECT TO STATE SHARE OF  
8 FEDERAL PROGRAMS TERMINATED.—During any fis-  
9 cal year occurring during the transition period, a  
10 State may reduce the total amount of State expendi-  
11 tures for cash and noncash assistance to low-income  
12 individuals determined under paragraph (2) by not  
13 more than 15 percent in any such fiscal year, and  
14 may use the funds resulting from such reduction for  
15 any purpose.

16 **SEC. 102. PAYMENTS TO STATES.**

17 (a) IN GENERAL.—The Secretary shall make quar-  
18 terly payments to each State during each fiscal year occur-  
19 ring during the transition period in an amount equal to  
20 one-quarter of the amount determined under subsection  
21 (b) for the applicable fiscal year and such amount shall  
22 be used for the purposes described in subsection (c).

23 (b) PAYMENT EQUIVALENT TO FEDERAL WELFARE  
24 SAVINGS.—

1           (1) IN GENERAL.—The amount available to be  
2           paid to a State for a fiscal year shall be an amount  
3           equal to the sum of the amounts calculated under  
4           paragraphs (2) and (3) for the State.

5           (2) AMOUNT BASED ON FEDERAL SHARE OF  
6           TERMINATED WELFARE PROGRAMS.—

7           (A) FISCAL YEAR 1997.—In fiscal year  
8           1997, the amount available under this para-  
9           graph for a State is equal to the sum of—

10                   (i) the base amount determined under  
11                   subparagraph (C) for the State;

12                   (ii) the product of the amount deter-  
13                   mined under clause (i) and the increase in  
14                   the Consumer Price Index (for all urban  
15                   consumers, United States city average) for  
16                   the 12-month period described in subpara-  
17                   graph (C); and

18                   (iii) the amount that the Federal Gov-  
19                   ernment and the State would have ex-  
20                   pended in the State in fiscal year 1997  
21                   under the programs terminated under sec-  
22                   tion 105 solely by reason of the increase in  
23                   recipients which the Secretary and the Sec-  
24                   retary of Agriculture estimate would have

1           occurred if such programs had not been  
2           terminated.

3           (B) SUCCEEDING FISCAL YEARS.—In any  
4           succeeding fiscal year during the transition pe-  
5           riod, the amount available under this paragraph  
6           for a State is equal to the sum of—

7                   (i) the amount determined under this  
8                   paragraph for the State in the previous fis-  
9                   cal year;

10                   (ii) the product of the amount deter-  
11                   mined under clause (i) and the estimated  
12                   increase in the Consumer Price Index (for  
13                   all urban consumers, United States city av-  
14                   erage) during the previous fiscal year; and

15                   (iii) the amount that the Federal Gov-  
16                   ernment and the State would have ex-  
17                   pended in the State in the fiscal year  
18                   under the programs terminated under sec-  
19                   tion 105 solely by reason of the increase in  
20                   recipients which the Secretary and the Sec-  
21                   retary of Agriculture estimate would have  
22                   occurred if such programs had not been  
23                   terminated.

24           (C) DETERMINATION OF BASE AMOUNT.—  
25           The Secretary, in cooperation with the Sec-

1           retary of Agriculture, shall calculate the  
2           amount that the Federal Government expended  
3           for administering and providing—

4                   (i) aid to families with dependent chil-  
5                   dren under a State plan under parts A and  
6                   F of title IV of the Social Security Act (42  
7                   U.S.C. 601 et seq.);

8                   (ii) benefits under the food stamp pro-  
9                   gram under the Food Stamp Act of 1977  
10                  (7 U.S.C. 2011 et seq.), including benefits  
11                  provided under section 19 of such Act (7  
12                  U.S.C. 2028); and

13                  (iii) benefits under the special supple-  
14                  mental program for women, infants, and  
15                  children established under section 17 of  
16                  the Child Nutrition Act of 1966 (42  
17                  U.S.C. 1786),

18           in each State during the 12-month period be-  
19           ginning on July 1, 1995.

20           (3) AMOUNT BASED ON FEDERAL SHARE OF  
21           WELFARE-RELATED MEDICAID.—

22                   (A) FISCAL YEAR 1997.—In fiscal year  
23                   1997, the amount available under this para-  
24                   graph for a State is equal to the sum of—

1 (i) the base amount determined under  
2 subparagraph (C) for the State;

3 (ii) the product of the amount deter-  
4 mined under clause (i) and 5 percent; and

5 (iii) the amount that the Federal Gov-  
6 ernment and the State would have ex-  
7 pended in the State in fiscal year 1997 to  
8 provide medical assistance to welfare-relat-  
9 ed medicaid individuals under title XIX of  
10 the Social Security Act (42 U.S.C. 1396 et  
11 seq.) (as in effect on the day before the  
12 date of the enactment of this Act) solely by  
13 reason of the increase in such recipients  
14 which the Secretary estimates would have  
15 occurred if total financial and administra-  
16 tive responsibility for providing medical as-  
17 sistance to such individuals had not been  
18 shifted to the State as a result of this Act.

19 (B) SUCCEEDING FISCAL YEARS.—In any  
20 succeeding fiscal year, the amount available  
21 under this paragraph for a State is equal to the  
22 sum of—

23 (i) the amount determined under this  
24 paragraph for the State in the previous fis-  
25 cal year;

1           (ii) the product of the amount deter-  
2           mined under clause (i) and 5 percent; and  
3           (iii) the amount that the Federal Gov-  
4           ernment and the State would have ex-  
5           pended in the State in the fiscal year to  
6           provide medical assistance to welfare-relat-  
7           ed medicaid individuals under title XIX of  
8           the Social Security Act (42 U.S.C. 1396 et  
9           seq.) (as in effect on the day before the  
10          date of the enactment of this Act) solely by  
11          reason of the increase in recipients which  
12          the Secretary estimates would have oc-  
13          curred if total financial and administrative  
14          responsibility for providing medical assist-  
15          ance to such individuals had not been  
16          shifted to the State as a result of this Act.

17          (C) DETERMINATION OF BASE AMOUNT.—  
18          The Secretary shall calculate the amount that  
19          the Federal Government expended for admin-  
20          istering and providing medical assistance to  
21          welfare-related medicaid individuals under the  
22          State plan for medical assistance under title  
23          XIX of the Social Security Act (as in effect on  
24          the day before the date of the enactment of this

1 Act) in each State during the 12-month period  
2 beginning on July 1, 1995.

3 (c) AMOUNTS TO BE EXPENDED TO PROVIDE MEDI-  
4 CAL ASSISTANCE TO NONWELFARE-RELATED MEDICAID  
5 INDIVIDUALS.—Notwithstanding any other provision of  
6 law, during the transition period, a State shall—

7 (1) provide medical assistance under title XIX  
8 of the Social Security Act (42 U.S.C. 1396 et seq.)  
9 to individuals who—

10 (A) meet the eligibility criteria for receiv-  
11 ing medical assistance in accordance with the  
12 terms of the State’s plan under title XIX of  
13 such Act (as in effect on the day before the  
14 date of the enactment of this Act); and

15 (B) are not welfare-related medicaid indi-  
16 viduals; and

17 (2) use the funds it receives under this section  
18 toward the State’s financial participation for expend-  
19 itures made under such State plan in order to pro-  
20 vide medical assistance to such individuals.

21 (d) EXCESS.—A State that receives funds under this  
22 section that are in excess of the State’s financial participa-  
23 tion for expenditures required to be made under sub-  
24 section (c) under the State plan for medical assistance  
25 under title XIX of the Social Security Act shall use such

1 excess funds to provide cash and noncash assistance for  
 2 low-income families.

3 (e) DENIAL OF PAYMENTS FOR FAILURE TO MAIN-  
 4 TAIN EFFORT.—No payment shall be made under sub-  
 5 section (a) for a fiscal year quarter if a State fails to com-  
 6 ply with the requirements of section 101(b) for the preced-  
 7 ing quarter of such fiscal year.

8 (f) ENTITLEMENT.—This section constitutes budget  
 9 authority in advance of appropriations Acts, and rep-  
 10 resents the obligation of the Federal Government to pro-  
 11 vide the payments described in subsection (a).

12 **SEC. 103. STATE RESPONSIBILITY FOR PROVIDING MEDI-**  
 13 **CAL CARE DURING THE TRANSITION PERIOD**  
 14 **FOR WELFARE-RELATED MEDICAID INDIVID-**  
 15 **UALS.**

16 (a) IN GENERAL.—Subject to subsection (b), during  
 17 the transition period, a State may provide medical care  
 18 to any welfare-related medicaid individual in any manner  
 19 that the State deems appropriate, including—

20 (1) providing a voucher to such an individual  
 21 for the purchase of private insurance;

22 (2) enrolling such an individual in a health plan  
 23 licensed, operated, or under contract with the State;

24 (3) modifying the benefits provided to such an  
 25 individual by the State;

1 (4) modifying the payment rates for providers  
2 of medical services to such an individual; and

3 (5) modifying the eligibility requirements with  
4 respect to such an individual.

5 (b) SPECIAL RULES FOR CHILDREN.—During the  
6 transition period, a State shall continue to provide at least  
7 the care and services listed in paragraphs (1) through (5),  
8 (17), and (21) of section 1905(a) of the Social Security  
9 Act (42 U.S.C. 1396d(a)), as in effect on the day before  
10 the date of the enactment of this Act, to any child residing  
11 in the State—

12 (1) who is a welfare-related medicaid individual;  
13 and

14 (2) who is—

15 (A) under the age of 6 and has a family  
16 income which does not exceed 133 percent of  
17 the poverty line; or

18 (B) between the ages of 6 and 12 and has  
19 a family income which does not exceed 100 per-  
20 cent of the poverty line.

21 **SEC. 104. WAIVER OF MEDICAID REQUIREMENTS DURING**  
22 **THE TRANSITION PERIOD.**

23 (a) FOR WELFARE-RELATED MEDICAID CHIL-  
24 DREN.—The Secretary may grant a waiver of the require-  
25 ments under section 103(b), in accordance with section

1 1115 or 1915(b) of the Social Security Act (42 U.S.C.  
2 1315, 1396n(b)), or any other applicable law, if a State  
3 makes an adequate showing of need in a waiver applica-  
4 tion submitted in such manner as the Secretary deter-  
5 mines appropriate.

6 (b) FOR NONWELFARE-RELATED MEDICAID INDI-  
7 VIDUALS.—The Secretary may grant a waiver of the re-  
8 quirements under section 102(c) in accordance with the  
9 requirements of section 1115 or 1915(b) of the Social Se-  
10 curity Act (42 U.S.C. 1315, 1396n(b)) or any other appli-  
11 cable law.

12 (c) APPROVAL.—Notwithstanding any other provision  
13 of law, if not later than 90 days after the receipt of a  
14 completed waiver request submitted in accordance with  
15 subsection (a) or (b), the Secretary has not notified the  
16 State that submitted the request that the request has been  
17 approved or denied, such request shall be deemed ap-  
18 proved.

19 **SEC. 105. TERMINATION OF CERTAIN FEDERAL WELFARE**  
20 **PROGRAMS.**

21 (a) TERMINATION.—

22 (1) AFDC.—Part A of title IV of the Social Se-  
23 curity Act (42 U.S.C. 601 et seq.) is amended by  
24 adding at the end the following new section:

1                   “TERMINATION OF AUTHORITY

2           “SEC. 418. The authority provided by this part shall  
3 terminate on October 1, 1996.”.

4           (2) JOBS.—Part F of title IV of the Social Se-  
5 curity Act (42 U.S.C. 681 et seq.) is amended by  
6 adding at the end the following new section:

7                   “TERMINATION OF AUTHORITY

8           “SEC. 488. The authority provided by this part shall  
9 terminate on October 1, 1996.”.

10           (3) SPECIAL SUPPLEMENTAL FOOD PROGRAM  
11 FOR WOMEN, INFANTS, AND CHILDREN (WIC).—Sec-  
12 tion 17 of the Child Nutrition Act of 1966 (42  
13 U.S.C. 1786) is amended by adding at the end the  
14 following new subsection:

15           “(q) The authority provided by this section shall ter-  
16minate on October 1, 1996.”.

17           (4) FOOD STAMP PROGRAM.—The Food Stamp  
18 Act of 1977 (7 U.S.C. 2011 et seq.) is amended by  
19 adding at the end the following new section:

20 **“SEC. 24. TERMINATION OF AUTHORITY.**

21           “The authority provided by this Act shall terminate  
22 on October 1, 1996.”.

23           (b) REFERENCES IN OTHER LAWS.—

24           (1) IN GENERAL.—Any reference in any law,  
25 regulation, document, paper, or other record of the  
26 United States to any provision that has been termi-

1 nated by reason of the amendments made in sub-  
2 section (a) shall, unless the context otherwise re-  
3 quires, be considered to be a reference to such provi-  
4 sion, as in effect immediately before the date of the  
5 enactment of this Act.

6 (2) STATE PLANS.—Any reference in any law,  
7 regulation, document, paper, or other record of the  
8 United States to a State plan that has been termi-  
9 nated by reason of the amendments made in sub-  
10 section (a), shall, unless the context otherwise re-  
11 quires, be considered to be a reference to such plan  
12 as in effect immediately before the date of the enact-  
13 ment of this Act.

14 **SEC. 106. CONFORMING AMENDMENTS TO THE MEDICAID**  
15 **PROGRAM.**

16 (a) REMOVAL OF WELFARE-RELATED MEDICAID IN-  
17 DIVIDUALS FROM STATE PLAN REQUIREMENTS.—

18 (1) IN GENERAL.—Section 1902(a)(10)(A) of  
19 the Social Security Act (42 U.S.C. 1396a(a)(10)(A))  
20 is amended—

21 (A) in clause (i)—

22 (i) in subclause (I), by striking “or  
23 part A” and all that follows through  
24 “482(e)(6))”; and

1 (ii) by striking subclauses (III)  
2 through (VII); and

3 (B) in clause (ii), striking subclauses  
4 (VIII) and (IX).

5 (2) EFFECTIVE DATE.—The amendments made  
6 by paragraph (1) shall become effective on October  
7 1, 1996.

8 (b) TERMINATION OF PROGRAM.—Title XIX of the  
9 Social Security Act (42 U.S.C. 1396 et seq.) is amended  
10 by adding at the end the following new section:

11 “TERMINATION OF AUTHORITY

12 “SEC. 1932. The authority provided by this title shall  
13 terminate on the date described in section 121(b)(5)(A)  
14 of the Welfare and Medicaid Responsibility Exchange Act  
15 of 1995.”.

## 16 **Subtitle B—Post-Transition Period**

### 17 **PART 1—FEDERAL AND STATE**

#### 18 **RESPONSIBILITIES**

#### 19 **SEC. 111. ASSUMPTION OF FEDERAL RESPONSIBILITY FOR** 20 **PROVIDING ACUTE AND LONG-TERM CARE TO** 21 **NONWELFARE-RELATED MEDICAID INDIVID-** 22 **UALS.**

23 (a) ASSUMPTION OF FEDERAL RESPONSIBILITY.—In  
24 the case of any fiscal year beginning after the transition  
25 period—

1 (1) the Federal Government shall assume re-  
2 sponsibility for providing—

3 (A) acute care benefits under the medicare  
4 program under title XVIII of the Social Secu-  
5 rity Act (42 U.S.C. 1395 et seq.) to elderly low-  
6 income individuals and nonelderly low-income  
7 disabled individuals in accordance with an im-  
8 plementing bill enacted by Congress pursuant  
9 to section 132; and

10 (B) long-term care benefits under the long-  
11 term care program to individuals meeting the  
12 eligibility criteria for such program established  
13 in an implementing bill enacted by Congress  
14 pursuant to section 132; and

15 (2) no Federal funds shall be available for pro-  
16 viding medical assistance under any State plan for  
17 medical assistance approved under title XIX of the  
18 Social Security Act (42 U.S.C. 1396 et seq.).

19 **SEC. 112. STATE RESPONSIBILITY FOR PROVIDING MEDI-**  
20 **CAL CARE TO WELFARE-RELATED MEDICAID**  
21 **INDIVIDUALS.**

22 In the case of any fiscal year beginning after the  
23 transition period, each State may provide medical care to  
24 a welfare-related medicaid individual in any manner that  
25 the State deems appropriate.

1       **PART 2—GRANT PROGRAM TO COMPENSATE**

2                       **DISADVANTAGED STATES**

3       **SEC. 121. GRANT PROGRAM.**

4           (a) IN GENERAL.—The Commission established  
5 under section 141 shall develop a legislative proposal rec-  
6 ommending the grant program described in subsection (b).

7           (b) GRANT PROGRAM DESCRIBED.—

8               (1) IN GENERAL.—The grant program de-  
9 scribed in this subsection shall be designed to ensure  
10 that grant funds are awarded to States that—

11                       (A) are among those States that experience  
12 the greatest loss of Federal funds as a result of  
13 the programs terminated in section 105 and the  
14 amendments made by section 106(a); and

15                       (B) contain cities or counties that—

16                               (i) are among the least affluent (as  
17 determined by the Commission) of all cities  
18 or counties in the United States; and

19                               (ii) have the greatest need (as deter-  
20 mined by the Commission) for public serv-  
21 ices for low-income and disadvantaged in-  
22 dividuals.

23               (2) USE OF FUNDS.—The grant program shall  
24 provide that grant funds shall only be used to pro-  
25 vide cash and noncash assistance to low-income indi-

1       viduals (as determined by a State awarded a grant  
2       under the program).

3               (3) ADMINISTRATION OF PROGRAM.—The grant  
4       program shall provide that the Secretary shall—

5                       (A) award grants on not less than an an-  
6       nual basis; and

7                       (B) administer the program.

8               (4) FINANCING.—

9                       (A) AUTHORIZATION OF APPROPRIA-  
10       TIONS.—The grant program shall provide that  
11       there are to be authorized to be appropriated  
12       an amount equal to the estimated amount de-  
13       termined under subparagraph (B) for carrying  
14       out the program.

15                      (B) ESTIMATE OF SAVINGS.—The grant  
16       program shall provide that the Secretary shall  
17       estimate for each fiscal year that the grant pro-  
18       gram is in effect the amount of total Federal  
19       funds that would have been spent in such fiscal  
20       year but for the enactment of this Act and the  
21       legislative proposals described in paragraphs  
22       (1), (2), and (3) of section 131(a).

23               (5) COMMENCEMENT AND TERMINATION.—

24                      (A) COMMENCEMENT.—The grant pro-  
25       gram shall become effective on the later of—

1 (i) October 1, 2001; or

2 (ii) October 1 of the first fiscal year  
3 beginning after the date of the enactment  
4 of the implementing bill described in sec-  
5 tion 131(b)(2) and enacted in accordance  
6 with section 132.

7 (B) TERMINATION.—The grant program  
8 shall terminate on the date that is 5 years after  
9 the date the program becomes effective under  
10 subparagraph (A).

## 11 **Subtitle C—Legislative Proposals**

### 12 **SEC. 131. LEGISLATIVE PROPOSALS.**

13 (a) PROPOSALS DESCRIBED.—The Commission shall  
14 develop the following legislative proposals:

15 (1) A legislative proposal recommending the eli-  
16 gibility criteria and acute care benefits to be pro-  
17 vided under the medicare program for elderly low-in-  
18 come individuals and nonelderly low-income disabled  
19 individuals in accordance with title II.

20 (2) A legislative proposal recommending, in ac-  
21 cordance with subtitle D of title III, the eligibility  
22 criteria and long-term care benefits to be provided  
23 under the long-term care program established under  
24 subtitles A, B, and C of title III.

1           (3) A legislative proposal recommending, in ac-  
2 cordance with section 503, modifications to the cri-  
3 teria for determining the eligibility of children, alco-  
4 holics, and drug addicts for benefits under title XVI  
5 of the Social Security Act (42 U.S.C. 1381 et seq.).

6           (4) A legislative proposal recommending, in ac-  
7 cordance with section 121, a grant program to com-  
8 pensate States which are financially disadvantaged  
9 as a result of the enactment and implementation of  
10 this Act.

11 (b) FORM AND SUBMISSION OF PROPOSALS.—

12           (1) ADDITION TO MEDICARE; ELIGIBILITY CRI-  
13 TERIA AND BENEFITS FOR THE LONG-TERM CARE;  
14 SUPPLEMENTAL SECURITY INCOME PROGRAM RE-  
15 FORMS.—Not later than 2 years after the date of  
16 the enactment of this Act, the Commission shall—

17           (A) submit the legislative proposals de-  
18 scribed in paragraphs (1) through (3) of sub-  
19 section (a) to Congress in the form of imple-  
20 menting bills which contain the statutory provi-  
21 sions necessary or appropriate to implement the  
22 proposals; and

23           (B) submit a report accompanying each  
24 such legislative proposal which describes alter-  
25 native provisions for each proposal.

1           (2) GRANT PROGRAM.—Not later than 4 years  
2 after the date of the enactment of this Act, the  
3 Commission shall submit the legislative proposal de-  
4 scribed in subsection (a)(4) to Congress in the form  
5 of an implementing bill which contain the statutory  
6 provisions necessary or appropriate to implement the  
7 proposal.

8           (c) CONSIDERATION BY CONGRESS.—Any implement-  
9 ing bill submitted under subsection (b) shall be considered  
10 by Congress in accordance with the provisions of section  
11 132.

12 **SEC. 132. CONGRESSIONAL CONSIDERATION OF IMPLE-**  
13 **MENTING BILLS.**

14           (a) IN GENERAL.—Any implementing bill described  
15 in section 131(b) shall be considered by Congress under  
16 the procedures for consideration described in subsection  
17 (b).

18           (b) CONGRESSIONAL CONSIDERATION.—

19               (1) RULES OF HOUSE OF REPRESENTATIVES  
20 AND SENATE.—This subsection is enacted by Con-  
21 gress—

22                   (A) as an exercise of the rulemaking power  
23 of the House of Representatives and the Sen-  
24 ate, respectively, and as such is deemed a part  
25 of the rules of each House, respectively, but ap-

1 plicable only with respect to the procedure to be  
2 followed in that House in the case of an imple-  
3 menting bill described in subsection (a), and su-  
4 persedes other rules only to the extent that  
5 such rules are inconsistent therewith; and

6 (B) with full recognition of the constitu-  
7 tional right of either House to change the rules  
8 (so far as relating to the procedure of that  
9 House) at any time, in the same manner, and  
10 to the same extent as in the case of any other  
11 rule of that House.

12 (2) INTRODUCTION AND REFERRAL.—On the  
13 day on which an implementing bill described in sub-  
14 section (a) is transmitted to the House of Represent-  
15 atives and the Senate, such bill shall be introduced  
16 (by request) in the House of Representatives by the  
17 Majority Leader of the House, for himself or herself  
18 and the Minority Leader of the House, or by Mem-  
19 bers of the House designated by the Majority Leader  
20 and Minority Leader of the House and shall be in-  
21 troduced (by request) in the Senate by the Majority  
22 Leader of the Senate, for himself or herself and the  
23 Minority Leader of the Senate, or by Members of  
24 the Senate designated by the Majority Leader and  
25 Minority Leader of the Senate. If either House is

1 not in session on the day on which the implementing  
2 bill is transmitted, the bill shall be introduced in  
3 that House, as provided in the preceding sentence,  
4 on the first day thereafter on which that House is  
5 in session. If the implementing bill is not introduced  
6 within 5 days of its transmission, any Member of  
7 the House and of the Senate may introduce such  
8 bill. The implementing bill introduced in the House  
9 of Representatives and the Senate shall be referred  
10 to the appropriate committees of each House.

11 (3) PERIOD FOR COMMITTEE CONSIDER-  
12 ATION.—If the committee or committees of either  
13 House to which an implementing bill has been re-  
14 ferred have not reported it at the close of the 45th  
15 day after its introduction, such committee or com-  
16 mittees shall be automatically discharged from fur-  
17 ther consideration of the implementing bill and it  
18 shall be placed on the appropriate calendar. A vote  
19 on final passage of the implementing bill shall be  
20 taken in each House on or before the close of the  
21 45th day after the implementing bill is reported by  
22 the committees or committee of that House to which  
23 it was referred, or after such committee or commit-  
24 tees have been discharged from further consideration  
25 of the implementing bill. If prior to the passage by

1 one House of an implementing bill of that House,  
2 that House receives the same implementing bill from  
3 the other House then—

4 (A) the procedure in that House shall be  
5 the same as if no implementing bill had been  
6 received from the other House; but

7 (B) the vote on final passage shall be on  
8 the implementing bill of the other House.

9 (4) FLOOR CONSIDERATION IN THE SENATE.—

10 (A) IN GENERAL.—Within 5 days after the  
11 implementing bill is placed on the calendar, the  
12 Majority Leader, at a time to be determined by  
13 the Majority Leader in consultation with the  
14 Minority Leader, shall proceed to the consider-  
15 ation of the bill. If on the 6th day after the bill  
16 is placed on the calendar, the Senate has not  
17 proceeded to consideration of the bill, then the  
18 presiding officer shall automatically place the  
19 bill before the Senate for consideration. A mo-  
20 tion in the Senate to proceed to the consider-  
21 ation of an implementing bill shall be privileged  
22 and not debatable. An amendment to the mo-  
23 tion shall not be in order, nor shall it be in  
24 order to move to reconsider the vote by which  
25 the motion is agreed to or disagreed to.

1 (B) TIME LIMITATION ON CONSIDERATION  
2 OF BILL.—

3 (i) IN GENERAL.—Debate in the Sen-  
4 ate on an implementing bill, and all  
5 amendments and debatable motions and  
6 appeals in connection therewith, shall be  
7 limited to not more than 40 hours. The  
8 time shall be equally divided between, and  
9 controlled by, the Majority Leader and the  
10 Minority Leader or their designees.

11 (ii) DEBATE OF AMENDMENTS, MO-  
12 TIONS, POINTS OF ORDER, AND AP-  
13 PEALS.—In the Senate, no amendment  
14 which is not relevant to the bill shall be in  
15 order. Debate in the Senate on any amend-  
16 ment, debatable motion or appeal, or point  
17 of order in connection with an implement-  
18 ing bill shall be limited to—

19 (I) not more than 2 hours for  
20 each first degree relevant amendment;

21 (II) 1 hour for each second de-  
22 gree relevant amendment; and

23 (III) 30 minutes for each debat-  
24 able motion or appeal, or point of  
25 order submitted to the Senate;

1 to be equally divided between, and con-  
2 trolled by, the mover and the manager of  
3 the implementing bill, except that in the  
4 event the manager of the implementing bill  
5 is in favor of any such amendment, mo-  
6 tion, appeal, or point of order, the time in  
7 opposition thereto, shall be controlled by  
8 the Minority Leader or designee of the Mi-  
9 nority Leader. The Majority Leader and  
10 Minority Leader, or either of them, may,  
11 from time under their control on the pas-  
12 sage of an implementing bill, allot addi-  
13 tional time to any Senator during the con-  
14 sideration of any amendment, debatable  
15 motion or appeal, or point of order.

16 (C) OTHER MOTIONS.—A motion to recom-  
17 mit an implementing bill is not in order.

18 (D) FINAL PASSAGE.—Upon the expiration  
19 of the 40 hours available for consideration of  
20 the implementing bill, it shall not be in order to  
21 offer or vote on any amendment to, or motion  
22 with respect to, such bill. Immediately following  
23 the conclusion of debate in the Senate on an  
24 implementing bill that was introduced in the  
25 Senate, such bill shall be deemed to have been

1 read a third time and the vote on final passage  
2 of such bill shall occur without any intervening  
3 action or debate.

4 (E) DEBATE ON DIFFERENCES BETWEEN  
5 THE HOUSES.—Debate in the Senate on mo-  
6 tions and amendments appropriate to resolve  
7 the differences between the Houses, at any par-  
8 ticular stage of the proceedings, shall be limited  
9 to not more than 10 hours.

10 (F) DEBATE ON CONFERENCE REPORT.—  
11 Debate in the Senate on the conference report  
12 shall be limited to not more than 20 hours.

13 (5) FLOOR CONSIDERATION IN THE HOUSE OF  
14 REPRESENTATIVES.—

15 (A) PROCEED TO CONSIDERATION.—On  
16 the 6th day after the implementing bill is  
17 placed on the calendar, it shall be privileged for  
18 any Member to move without debate that the  
19 House resolve itself into the Committee of the  
20 Whole House on the State of the Union, for the  
21 consideration of the bill, and the first reading  
22 of the bill shall be dispensed with.

23 (B) GENERAL DEBATE.—After general de-  
24 bate, which shall be confined to the implement-  
25 ing bill and which shall not exceed 4 hours, to

1 be equally divided and controlled by the chair-  
2 man and Ranking Minority Member of the com-  
3 mittee or committees to which the bill had been  
4 referred, the bill shall be considered for amend-  
5 ment by title under the 5-minute rule and each  
6 title shall be considered as having been read.  
7 The total time for considering all amendments  
8 shall be limited to 40 hours of which the total  
9 time for debating each amendment under the 5-  
10 minute rule shall not exceed 1 hour.

11 (C) RISE AND REPORT.—At the conclusion  
12 of the consideration of the implementing bill for  
13 amendment, the Committee of the Whole on the  
14 State of the Union shall rise and report the bill  
15 to the House with such amendments as may  
16 have been adopted, and the previous question  
17 shall be considered as ordered on the bill and  
18 the amendments thereto, and the House shall  
19 proceed to vote on final passage without inter-  
20 vening motion except 1 motion to recommit.

21 (6) COMPUTATION OF DAYS.—For purposes of  
22 this subsection, in computing a number of days in  
23 either House, there shall be excluded—

24 (A) the days on which either House is not  
25 in session because of an adjournment of more

1 than 3 days to a day certain, or an adjourn-  
2 ment of the Congress sine die; and

3 (B) any Saturday and Sunday not ex-  
4 cluded under subparagraph (A) when either  
5 House is not in session.

6 (c) RESUBMISSIONS.—

7 (1) IN GENERAL.—If a legislative proposal de-  
8 scribed in section 131 is not approved by Congress  
9 under this section or is vetoed by the President (and  
10 such veto is not overridden by the Congress), the  
11 Commission shall resubmit a new legislative proposal  
12 (as described in paragraph (1), (2), (3), or (4) of  
13 section 131(a) (as the case may be) in such form as  
14 described in paragraph (1) or (2) of section 131(b)  
15 (as the case may be) not later than 90 days after  
16 Congress failed to approve such legislative proposal  
17 or failed to override the President's veto, and such  
18 new legislative proposal shall be subject to congres-  
19 sional consideration as provided in subsection (b).

20 (2) LIMITATION.—Not more than 2 legislative  
21 proposals described in paragraphs (1) through (4) of  
22 section 131(a) may be resubmitted in accordance  
23 with paragraph (1).

1       **Subtitle D—Health Benefits and**  
2                   **Coverage Commission**

3       **SEC. 141. CREATION OF HEALTH BENEFITS AND COVERAGE**

4                   **COMMISSION; MEMBERSHIP; TERMINATION.**

5           (a) **IN GENERAL.**—There is hereby established the  
6 Health Benefits and Coverage Commission.

7           (b) **COMPOSITION.**—The Commission is composed of  
8 7 members appointed by the President, by and with the  
9 advice and consent of the Senate. Not more than 4 mem-  
10 bers of the Commission may be affiliated with the same  
11 political party. Members shall be appointed not later than  
12 90 days after the date of the enactment of this Act.

13          (c) **CHAIR.**—The President shall designate one of the  
14 members of the Commission as chair.

15          (d) **VACANCIES.**—

16           (1) **IN GENERAL.**—If a vacancy occurs, other  
17 than by expiration of term, a successor shall be ap-  
18 pointed by the President, by and with the consent of  
19 the Senate, to fill such vacancy. The appointment  
20 shall be for the remainder of the term of the prede-  
21 cessor.

22           (2) **NO IMPAIRMENT OF FUNCTION.**—A vacancy  
23 in the membership of the Commission does not im-  
24 pair the authority of the remaining members to exer-  
25 cise all of the powers of the Commission.

1           (3) ACTING CHAIR.—The Commission may des-  
2           ignate a member to act as chair during any period  
3           in which there is no chair designated by the Presi-  
4           dent.

5           (e) MEETINGS; QUORUM.—

6           (1) MEETINGS.—The chair shall preside at  
7           meetings of the Commission, and in the absence of  
8           the chair, the Commission shall elect a member to  
9           act as chair pro tempore.

10          (2) FREQUENCY.—The Commission shall meet  
11          not less frequently than 4 times each year.

12          (3) QUORUM.—Four members of the Commis-  
13          sion shall constitute a quorum thereof.

14          (f) SUNSET.—The Commission shall terminate 6  
15          years after the date of the enactment of this Act.

16   **SEC. 142. QUALIFICATIONS OF COMMISSION MEMBERS.**

17          (a) CITIZENSHIP.—Each member of the Commission  
18          shall be a citizen of the United States.

19          (b) BASIS OF SELECTION.—Commission members  
20          shall be selected on the basis of their experience and exper-  
21          tise in relevant subjects, including the practice of medi-  
22          cine, nursing, or other clinical practices, health care fi-  
23          nancing and delivery, health insurance, State health sys-  
24          tems, consumer protection, business, law, and delivery of  
25          care to vulnerable populations.

1 (c) PAY AND TRAVEL EXPENSES.—

2 (1) PAY.—

3 (A) CHAIR.—The chair of the Commission  
4 shall be paid at a rate equal to the daily equiva-  
5 lent of the minimum annual rate of basic pay  
6 payable for level II of the Executive Schedule  
7 under section 5315 of title 5, United States  
8 Code, for each day (including travel time) dur-  
9 ing which the chair is engaged in the actual  
10 performance of duties vested in the Commis-  
11 sion.

12 (B) MEMBERS.—Each member of the  
13 Commission shall be paid at a rate equal to the  
14 daily equivalent of the minimum annual rate of  
15 basic pay payable for level III of the Executive  
16 Schedule under section 5315 of title 5, United  
17 States Code, for each day (including travel  
18 time) during which the member is engaged in  
19 the actual performance of duties vested in the  
20 Commission.

21 (2) TRAVEL EXPENSES.—Members of the Com-  
22 mission shall receive travel expenses, including per  
23 diem in lieu of subsistence, in accordance with sec-  
24 tions 5702 and 5703 of title 5, United States Code.

1 **SEC. 143. POWERS.**

2 (a) EXECUTIVE DIRECTOR; STAFF.—

3 (1) EXECUTIVE DIRECTOR.—

4 (A) IN GENERAL.—The Commission shall,  
5 without regard to section 5311(b) of title 5,  
6 United States Code, appoint an Executive Di-  
7 rector.

8 (B) PAY.—The Executive Director shall be  
9 paid at a rate equivalent to a rate for the Sen-  
10 ior Executive Service.

11 (2) STAFF.—

12 (A) IN GENERAL.—Subject to subpara-  
13 graphs (B) and (C), the Executive Director,  
14 with the approval of the Commission, may ap-  
15 point and fix the pay of additional personnel.

16 (B) PAY.—The Executive Director may  
17 make such appointments without regard to the  
18 provisions of title 5, United States Code, gov-  
19 erning appointments in the competitive service,  
20 and any personnel so appointed may be paid  
21 without regard to the provisions of chapter 51  
22 and subchapter III of chapter 53 of such title,  
23 relating to classification and General Schedule  
24 pay rates, except that an individual so ap-  
25 pointed may not receive pay in excess of 120

1           percent of the annual rate of basic pay payable  
2           for GS-15 of the General Schedule.

3           (C) DETAILED PERSONNEL.—Upon re-  
4           quest of the Executive Director, the head of any  
5           Federal department or agency may detail any  
6           of the personnel of that department or agency  
7           to the Commission to assist the Commission in  
8           carrying out its duties under this Act.

9           (b) CONTRACT AUTHORITY.—To the extent provided  
10          in advance in appropriations Acts, the Commission may  
11          contract with any person (including an agency of the Fed-  
12          eral Government) for studies, analyses, or other functions  
13          as required to execute its functions.

14          (c) CONSULTATIONS WITH EXPERTS.—The Commis-  
15          sion may consult with any outside expert individuals or  
16          groups that the Commission determines appropriate in  
17          performing its duties under this Act. The Commission may  
18          establish advisory committees.

19          (d) ACCESS TO INFORMATION.—The Commission  
20          may secure directly from any department or agency of the  
21          United States information necessary to enable it to carry  
22          out its functions, to the extent such information is other-  
23          wise available to a department or agency of the United  
24          States. Upon request of the chair, the head of that depart-

1 ment or agency shall furnish that information to the Com-  
2 mission.

3 (e) DELEGATION OF AUTHORITY.—Except as other-  
4 wise provided, the Commission may delegate any function  
5 to such officers and employees as the Commission may  
6 designate and may authorize such successive redelegations  
7 of such functions with the Commission as the Commission  
8 deems to be necessary or appropriate. No delegation of  
9 functions by the Commission shall relieve the Commission  
10 of responsibility for the administration of such functions.

11 **SEC. 144. FUNDING.**

12 (a) AUTHORIZATION OF APPROPRIATIONS.—There  
13 are authorized to be appropriated to the Commission  
14 \$2,000,000 for each of fiscal years 1996 through 2001.

15 (b) SUBMISSION OF BUDGET.—Under the procedures  
16 of chapter 11 of title 31, United States Code, the budget  
17 for the Commission for a fiscal year shall be reviewed by  
18 the Director of the Office of Management and Budget and  
19 submitted to Congress as part of the President's submis-  
20 sion of the Budget of the United States for the fiscal year.

1 **TITLE II—ACUTE CARE BENE-**  
2 **FITS UNDER THE MEDICARE**  
3 **PROGRAM FOR ELDERLY**  
4 **LOW-INCOME AND NON- EL-**  
5 **DERLY LOW-INCOME DIS-**  
6 **ABLED INDIVIDUALS**

7 **Subtitle A—Eligibility Criteria and**  
8 **Acute Care Benefits for Elderly**  
9 **Low-Income Individuals**

10 **SEC. 201. ESTABLISHING A CATEGORY OF ELDERLY LOW-**  
11 **INCOME INDIVIDUALS.**

12 (a) IN GENERAL.—The legislative proposal developed  
13 by the Commission under section 131(a)(1) shall rec-  
14 ommend a category of elderly low-income individuals, in  
15 accordance with subsection (b), who will be eligible for  
16 benefits under the medicare program (as such program  
17 is amended in accordance with the amendments developed  
18 under section 202), subject to the availability of appro-  
19 priations.

20 (b) GUIDELINES FOR DEVELOPING CATEGORY.—

21 (1) IN GENERAL.—Subject to paragraphs (2)  
22 and (3), the category of elderly low-income individ-  
23 uals recommended by the Commission shall include  
24 only the following categories of individuals:

1 (A) Elderly individuals who are eligible for  
2 supplemental security income benefits under  
3 title XVI of the Social Security Act (42 U.S.C.  
4 1381 et seq.).

5 (B) Elderly individuals who meet a Federal  
6 medically needy standard (determined by the  
7 Commission) that may be based on—

8 (i) an individual having income (as de-  
9 termined under section 1612 of such Act  
10 (42 U.S.C. 1382a)) that has been reduced  
11 through spending on medical care to a per-  
12 centage (to be determined by the Commis-  
13 sion) of the poverty line;

14 (ii) a sliding scale of income eligibility  
15 for premium payments and cost-sharing re-  
16 quirements (including a procedure by  
17 which such premiums and cost-sharing  
18 shall be collected); or

19 (iii) such other factors as the Com-  
20 mission deems appropriate.

21 (C) Individuals who would have been eligi-  
22 ble to receive medical assistance for medicare  
23 cost-sharing as qualified medicare beneficiaries,  
24 qualified disabled and working individuals, or  
25 specified low-income medicare beneficiaries pur-

1           suant to section 1902(a)(10)(E) of the Social  
2           Security Act (42 U.S.C. 1396a(a)(10)(E)) (as  
3           in effect on the day before the date of the en-  
4           actment of this Act), except that the Commis-  
5           sion may modify the income and asset stand-  
6           ards for determining who will be eligible, sub-  
7           ject to the availability of appropriations, for  
8           benefits under the medicare program (as  
9           amended in accordance with the amendments  
10          developed under section 202).

11          (2) COST CONTROLS.—

12                 (A) IN GENERAL.—The Commission shall,  
13                 to the extent practicable, recommend the cat-  
14                 egories of individuals under paragraph (1) such  
15                 that total annual Federal expenditures for such  
16                 individuals under the medicare program result-  
17                 ing from the amendments developed under sec-  
18                 tion 202 will not exceed the amount described  
19                 in subparagraph (B).

20                 (B) AMOUNT DESCRIBED.—The amount  
21                 described in this subparagraph is the estimated  
22                 total annual amount that would have been ex-  
23                 pended for medical assistance relating to acute  
24                 care benefits under all State plans approved  
25                 under title XIX of the Social Security Act (42

1 U.S.C. 1396 et seq.) (as in effect on the day  
2 before the date of the enactment of this Act)  
3 for—

4 (i) elderly individuals who received  
5 supplemental security income benefits  
6 under title XVI of such Act (42 U.S.C.  
7 1381 et seq.);

8 (ii) elderly medically needy individuals  
9 (as described in section 1902(a)(10)(C) of  
10 such Act (42 U.S.C. 1396a(a)(10)(C)));  
11 and

12 (iii) individuals who were eligible to  
13 receive medical assistance for medicare  
14 cost-sharing as qualified medicare bene-  
15 ficiaries, qualified disabled and working in-  
16 dividuals, or specified low-income medicare  
17 beneficiaries pursuant to section  
18 1902(a)(10)(E) of such Act (42 U.S.C.  
19 1396a(a)(10)(E)).

20 (3) STATE SUPPLEMENTAL PAYMENTS CAP.—

21 (A) IN GENERAL.—In developing the cat-  
22 egory of individuals under paragraph (1), the  
23 Commission shall not include individuals who  
24 are eligible for supplemental security income  
25 benefits under title XVI of the Social Security

1 Act (42 U.S.C. 1381 et seq.) who receive com-  
2 bined Federal supplemental security income  
3 benefits and State supplemental payments  
4 under section 1616 of such Act (42 U.S.C.  
5 1382e) that are in excess of the national cap es-  
6 tablished under subparagraph (B).

7 (B) NATIONAL CAP.—

8 (i) IN GENERAL.—The national cap  
9 established under this subparagraph shall  
10 be based on the median of each State's  
11 maximum allowable benefits that an indi-  
12 vidual or couple may receive under title  
13 XVI of the Social Security Act (42 U.S.C.  
14 1381 et seq.) and a State supplemental  
15 payments program under section 1616 of  
16 such Act (42 U.S.C. 1382e) and remain el-  
17 igible for medical assistance under a State  
18 plan for medical assistance under title XIX  
19 of such Act (42 U.S.C. 1396 et seq.) (as  
20 in effect on the day before the date of the  
21 enactment of this Act).

22 (ii) ADJUSTMENT.—

23 (I) IN GENERAL.—The cap estab-  
24 lished under clause (i) shall be ad-  
25 justed annually by the estimated per-

1                   centage change in the consumer price  
2                   index (as determined by the Bureau  
3                   of Labor Statistics).

4                   (II)     SECRETARIAL     DISCRE-  
5                   TION.—The Secretary may adjust the  
6                   cap established under clause (i) on a  
7                   regional or State-by-State basis.

8     (c) COST PROJECTIONS.—

9             (1) IN GENERAL.—The Commission shall in-  
10            clude in the report submitted with the legislative  
11            proposal under section 131(b)(1)(B) the following:

12                   (A) An estimated cost and enrollment pro-  
13                   jection for each category of individuals de-  
14                   scribed in subsection (b)(1).

15                   (B) A statement explaining why the Com-  
16                   mission recommended such categories of indi-  
17                   viduals.

18             (2) FORM OF PROJECTIONS.—The projections  
19            described in paragraph (1) shall be—

20                   (A) for a period of 10 years; and

21                   (B) in such form as will enable Congress  
22                   to compare the projections for each category of  
23                   individuals described in subsection (b)(1) to the  
24                   estimated cost and enrollment projection of the  
25                   nearest equivalent population of individuals who

1 would be eligible to receive medical assistance  
2 under all State plans approved under title XIX  
3 of the Social Security Act (42 U.S.C. 1396 et  
4 seq.) if a legislative proposal described in sec-  
5 tion 131(a)(1) had not been enacted by Con-  
6 gress through an implementing bill in accord-  
7 ance with section 132.

8 **SEC. 202. MEDICARE BENEFITS FOR ELDERLY LOW-INCOME**  
9 **INDIVIDUALS.**

10 (a) IN GENERAL.—The legislative proposal developed  
11 by the Commission under section 131(a)(1) shall include  
12 the amendments to the medicare program described in  
13 subsection (b).

14 (b) PROPOSED CHANGES DESCRIBED.—The Com-  
15 mission shall propose the following amendments to the  
16 medicare program:

17 (1) Amendments providing that individuals  
18 meeting the categories of elderly low-income individ-  
19 uals recommended by the Commission under section  
20 201 who are not otherwise entitled to benefits under  
21 part A of title XVIII of the Social Security Act (42  
22 U.S.C. 1395c–1395i–4) and eligible to enroll in part  
23 B of such title (42 U.S.C. 1395j–1395w–4) are eligi-  
24 ble to receive such benefits under the medicare pro-  
25 gram, subject to the availability of appropriations.

1           (2) Subject to the provisions of paragraph (3),  
2           amendments providing that payments (from the  
3           Federal Hospital Insurance Trust Fund and the  
4           Federal Supplementary Medical Insurance Trust  
5           Fund, as applicable) may be made for medicare cost-  
6           sharing for individuals meeting the categories of el-  
7           derly low-income individuals recommended by the  
8           Commission under section 201.

9           (3) Amendments providing for the imposition of  
10          nominal copayments or other cost-sharing require-  
11          ments on individuals meeting the categories of elder-  
12          ly low-income individuals recommended by the Com-  
13          mission under section 201.

14          (4) If the Commission determines it is appro-  
15          priate, and subject to the availability of appropria-  
16          tions—

17                 (A) amendments that add a supplemental  
18                 category of acute care benefits to the medicare  
19                 program for individuals meeting the categories  
20                 of elderly low-income individuals recommended  
21                 by the Commission under section 201 that may  
22                 include acute care benefits provided under a  
23                 State plan for medical assistance under title  
24                 XIX of the Social Security Act (42 U.S.C. 1396  
25                 et seq.) (as in effect on the day before the date

1 of the enactment of this Act) or under policies  
2 of private health insurance; and

3 (B) amendments that specify the scope  
4 and duration of any supplemental acute care  
5 benefits added pursuant to subparagraph (A).

6 (5) Amendments to section 1876 of the Social  
7 Security Act (42 U.S.C. 1395mm) which require an  
8 eligible organization with a risk-sharing contract  
9 under such section to offer acute care benefits to in-  
10 dividuals meeting the categories of elderly low-in-  
11 come individuals recommended by the Commission  
12 under section 201 (including any supplemental acute  
13 care benefits added pursuant to paragraph (4)).

14 (6) Amendments that provide that increased  
15 costs incurred by the Federal Hospital Insurance  
16 Trust Fund and the Federal Supplementary Medical  
17 Insurance Trust Fund as a result of the amend-  
18 ments proposed under this subsection are authorized  
19 to be appropriated to such Trust Funds (as applica-  
20 ble), out of any moneys in the Treasury not other-  
21 wise appropriated.

22 (c) COST LIMITATION.—

23 (1) IN GENERAL.—The Commission shall, to  
24 the extent practicable, develop the amendments de-  
25 scribed in subsection (b) such that annual Federal

1 expenditures as a result of such amendments will  
 2 not result in expenditures that are greater than the  
 3 amount described in paragraph (2).

4 (2) AMOUNT DESCRIBED.—The amount de-  
 5 scribed in this paragraph is the estimated total an-  
 6 nual amount that would have been expended for  
 7 medical assistance related to acute care benefits and  
 8 medicare cost-sharing under all State plans approved  
 9 under title XIX of the Social Security Act (42  
 10 U.S.C. 1396 et seq.) (as in effect on the day before  
 11 the date of the enactment of this Act) for individuals  
 12 meeting the categories of elderly low-income individ-  
 13 uals recommended by the Commission under section  
 14 201 (to the extent such individuals were eligible for  
 15 such medical assistance).

16 **Subtitle B—Eligibility Criteria and**  
 17 **Acute Care Benefits for**  
 18 **Nonelderly Low-Income Dis-**  
 19 **abled Individuals**

20 **SEC. 211. ESTABLISHING A CATEGORY OF NONELDERLY**  
 21 **LOW-INCOME DISABLED INDIVIDUALS.**

22 (a) IN GENERAL.—The legislative proposal developed  
 23 by the Commission under section 131(a)(1) shall rec-  
 24 ommend a category of nonelderly low-income disabled indi-  
 25 viduals, in accordance with subsection (b), who will be eli-

1 gible for benefits under the medicare program (as such  
2 program is amended in accordance with the amendments  
3 developed under section 212), subject to the availability  
4 of appropriations.

5 (b) GUIDELINES FOR DEVELOPING CATEGORY.—

6 (1) IN GENERAL.—Subject to paragraphs (2)  
7 and (3), the category of nonelderly low-income dis-  
8 abled individuals recommended by the Commission  
9 shall include only the following categories of individ-  
10 uals:

11 (A) Individuals who are blind or disabled  
12 and eligible for supplemental security income  
13 benefits under title XVI of the Social Security  
14 Act (42 U.S.C. 1381 et seq.).

15 (B) Individuals who—

16 (i) are blind or disabled and would be  
17 eligible for supplemental security income  
18 benefits under title XVI of such Act (42  
19 U.S.C. 1381 et seq.) except that such indi-  
20 viduals have income (as determined under  
21 section 1612 of such Act (42 U.S.C.  
22 1382a) in excess of the income allowable  
23 under such title of such Act (42 U.S.C.  
24 1382a(b)); and

1 (ii) meet a Federal medically needy  
2 standard for the nonelderly blind or dis-  
3 abled (as determined by the Commission)  
4 that may require—

5 (I) such individuals having in-  
6 come (as determined under section  
7 1612 of such Act (42 U.S.C. 1382a))  
8 that has been reduced through spend-  
9 ing on medical care to a percentage  
10 (to be determined by the Commission)  
11 of the poverty line;

12 (II) a sliding scale of income eli-  
13 gibility for premium payments and  
14 cost-sharing requirements (including a  
15 procedure by which such premiums  
16 and cost-sharing shall be collected); or

17 (III) such other factors as the  
18 Commission deems appropriate.

19 (2) COST CONTROLS.—

20 (A) IN GENERAL.—The Commission shall  
21 recommend the categories of individuals under  
22 paragraph (1) such that total annual Federal  
23 expenditures for such individuals under the  
24 medicare program resulting from the amend-  
25 ments developed under section 212 will not ex-

1           ceed the amount described in subparagraph  
2           (B).

3           (B) AMOUNT DESCRIBED.—The amount  
4           described in this subparagraph is the estimated  
5           total annual amount that would have been ex-  
6           pended for medical assistance related to acute  
7           care benefits under all State plans approved  
8           under title XIX of the Social Security Act (42  
9           U.S.C. 1396 et seq.) (as in effect on the day be-  
10          fore the date of the enactment of this Act)  
11          for—

12                 (i) blind or disabled individuals who  
13                 received supplemental security income ben-  
14                 efits under title XVI of such Act (42  
15                 U.S.C. 1381 et seq.); and

16                 (ii) blind or disabled nonelderly medi-  
17                 cally needy individuals (as described in sec-  
18                 tion 1902(a)(10)(C) of such Act (42  
19                 U.S.C. 1396a(a)(10)(C))).

20           (3) STATE SUPPLEMENTAL PAYMENTS CAP.—In  
21           developing the category of individuals under para-  
22           graph (1), the Commission shall not include individ-  
23           uals who are eligible for supplemental security in-  
24           come benefits under title XVI of the Social Security  
25           Act (42 U.S.C. 1381 et seq.) and who receive com-

1 bined Federal supplemental security income benefits  
2 and State supplemental payments under section  
3 1616 of such Act (42 U.S.C. 1382e) that are in ex-  
4 cess of the national cap established under section  
5 201(b)(3)(B).

6 (c) COST PROJECTIONS.—

7 (1) IN GENERAL.—The Commission shall in-  
8 clude in the report submitted with the legislative  
9 proposal under section 131(b)(1)(B) the following:

10 (A) An estimated cost and enrollment pro-  
11 jection for each category of individuals de-  
12 scribed in subsection (b)(1).

13 (B) A statement explaining why the Com-  
14 mission recommended such categories of indi-  
15 viduals.

16 (2) FORM OF PROJECTIONS.—The projections  
17 described in paragraph (1) shall be—

18 (A) for a period of 10 years; and

19 (B) in such form as will enable Congress  
20 to compare the projections for each category of  
21 individuals described in subsection (b)(1) to the  
22 estimated cost and enrollment projection of the  
23 nearest equivalent population of individuals who  
24 would be eligible to receive medical assistance  
25 under all State plans approved under title XIX

1 of the Social Security Act (42 U.S.C. 1396 et  
2 seq.) if a legislative proposal described in sec-  
3 tion 131(a)(1) had not been enacted by Con-  
4 gress through an implementing bill in accord-  
5 ance with section 132.

6 **SEC. 212. MEDICARE BENEFITS FOR NONELDERLY LOW-IN-**  
7 **COME DISABLED INDIVIDUALS.**

8 (a) IN GENERAL.—The legislative proposal developed  
9 by the Commission under section 131(a)(1) shall include  
10 the amendments to the medicare program described in  
11 subsection (b).

12 (b) PROPOSED CHANGES DESCRIBED.—The Com-  
13 mission shall propose the following amendments to the  
14 medicare program:

15 (1) Amendments providing that individuals  
16 meeting the categories of nonelderly low-income dis-  
17 abled individuals recommended by the Commission  
18 under section 211 are eligible to receive benefits  
19 under the medicare program, subject to the avail-  
20 ability of appropriations.

21 (2) Subject to the provisions of paragraph (3),  
22 amendments providing that payments (from the  
23 Federal Hospital Insurance Trust Fund and the  
24 Federal Supplementary Medical Insurance Trust  
25 Fund, as applicable) may be made for medicare cost-

1 sharing for individuals meeting the categories of  
2 nonelderly low-income disabled individuals rec-  
3 ommended by the Commission under section 211.

4 (3) Amendments providing for the imposition of  
5 nominal copayments or other cost-sharing require-  
6 ments on individuals meeting the categories of  
7 nonelderly low-income disabled individuals rec-  
8 ommended by the Commission under section 211.

9 (4) If the Commission determines it is appro-  
10 priate, and subject to the availability of appropria-  
11 tions—

12 (A) amendments that add a supplemental  
13 category of acute care benefits to the medicare  
14 program for individuals meeting the categories  
15 of nonelderly low-income disabled individuals  
16 recommended by the Commission under section  
17 211 that may include acute care benefits pro-  
18 vided under a State plan for medical assistance  
19 under title XIX of such Act (42 U.S.C. 1396 et  
20 seq.) (as in effect on the day before the date of  
21 the enactment of this Act) or under policies of  
22 private health insurance; and

23 (B) amendments that specify the scope  
24 and duration of any supplemental acute care  
25 benefits added pursuant to subparagraph (A).

1           (5) Amendments to section 1876 of the Social  
2       Security Act (42 U.S.C. 1395mm) which require an  
3       eligible organization with a risk-sharing contract  
4       under such section to offer acute care benefits to in-  
5       dividuals meeting the categories of nonelderly low-in-  
6       come disabled individuals recommended by the Com-  
7       mission under section 211 (including any supple-  
8       mental acute care benefits added pursuant to para-  
9       graph (4)).

10          (6) Amendments that provide that increased  
11       costs incurred by the Federal Hospital Insurance  
12       Trust Fund and the Federal Supplementary Medical  
13       Insurance Trust Fund as a result of the amend-  
14       ments proposed under this subsection are authorized  
15       to be appropriated to such Trust Funds (as applica-  
16       ble), out of any moneys in the Treasury not other-  
17       wise appropriated.

18       (c) COST LIMITATION.—

19           (1) IN GENERAL.—The Commission shall, to  
20       the extent practicable, develop the amendments de-  
21       scribed in subsection (b) such that annual Federal  
22       expenditures as a result of such amendments will  
23       not result in expenditures that are greater than the  
24       amount described in paragraph (2).

1           (2) AMOUNT DESCRIBED.—The amount de-  
2       scribed in this paragraph is the estimated total an-  
3       nual amount that would have been expended for  
4       medical assistance relating to acute care benefits  
5       and medicare cost-sharing under all State plans ap-  
6       proved under title XIX of the Social Security Act  
7       (42 U.S.C. 1396 et seq.) (as in effect on the day be-  
8       fore the date of the enactment of this Act) for indi-  
9       viduals meeting the categories of nonelderly low-in-  
10      come disabled individuals recommended by the Com-  
11      mission under section 211 (to the extent such indi-  
12      viduals were eligible for such medical assistance).

13 **Subtitle C—Premiums, Coinsur-**  
14 **ance, and Deductibles Estab-**  
15 **lished Without Regard to Addi-**  
16 **tional Costs**

17 **SEC. 221. ESTABLISHMENT OF PREMIUMS, COINSURANCE**  
18 **AND DEDUCTIBLES.**

19       In administering the medicare program after the  
20      transition period, the Secretary shall establish premiums,  
21      coinsurance, and deductibles for such program without re-  
22      gard to the amount of additional Federal expenditures in-  
23      curred for providing acute care benefits under such pro-  
24      gram to individuals meeting the categories of elderly low-  
25      income individuals and nonelderly low-income disabled in-

1 individuals recommended by the Commission under sections  
2 201 and 211 and enacted in an implementing bill under  
3 section 132.

4 **TITLE III—ESTABLISHMENT OF**  
5 **THE LONG-TERM CARE PRO-**  
6 **GRAM**

7 **Subtitle A—Establishment**

8 **SEC. 301. ESTABLISHMENT OF PROGRAM.**

9 The Secretary shall establish a long-term care pro-  
10 gram in accordance with the provisions of this title, to be-  
11 come effective on the date described in section  
12 121(b)(5)(A).

13 **Subtitle B—Providing Long-Term**  
14 **Care**

15 **SEC. 311. ELIGIBILITY DETERMINATIONS.**

16 (a) IN GENERAL.—The Secretary shall establish a  
17 procedure for making eligibility determinations under the  
18 long-term care program and for periodic reassessment of  
19 an individual's financial and physical condition.

20 (b) TIMING OF REASSESSMENTS.—

21 (1) IN GENERAL.—Except as provided in para-  
22 graph (2), a reassessment of an individual's financial  
23 and physical condition shall occur at intervals of not  
24 less than every 12 months.

1           (2) EXCEPTION.—A reassessment of an individ-  
2           ual’s physical condition may occur at an interval of  
3           more than 12 months if the Secretary determines  
4           that it is highly unlikely that there has been a sig-  
5           nificant change in the individual’s condition that  
6           would affect the reassessment.

7           (c) AUTHORITY TO CONTRACT.—The Secretary may  
8           enter into contracts with entities to make eligibility deter-  
9           minations and reassessments in accordance with this  
10          section.

11       **SEC. 312. AUTHORITY TO CONTRACT.**

12          (a) IN GENERAL.—In the case of any fiscal year be-  
13          ginning after the transition period, the Secretary may con-  
14          tract on a statewide, marketwide, or regional basis (as de-  
15          termined by the Secretary) with any State, local govern-  
16          ment, community or civic organization, private entity,  
17          joint public and private partnership, or fiscal intermediary  
18          that meets the requirements of this subtitle and subtitle  
19          C (hereafter for purposes of this title referred to as a  
20          “long-term care contractor”) to provide or deliver long-  
21          term care benefits under the long-term care program.

22          (b) REQUIREMENT FOR THE SELECTION OF CON-  
23          TRACTORS.—In contracting with a long-term care contrac-  
24          tor, the Secretary shall consider—

1           (1) the eligibility criteria for the long-term care  
2 program enacted in an implementing bill under sec-  
3 tion 132; and

4           (2) the long-term care needs of the population  
5 residing in the area to be served under the contract.

6       (c) CONTRACT PROVISIONS.—

7           (1) FORMS OF PAYMENT.—The Secretary may  
8 make payments under a contract entered into in ac-  
9 cordance with this title through the use of—

10               (A) vouchers;

11               (B) cash payments directly to individuals  
12 meeting the eligibility criteria established for  
13 the long-term care program;

14               (C) capitated payments; and

15               (D) payments to contractors providing  
16 long-term care benefits under the long-term  
17 care program.

18       (2) FLEXIBILITY.—

19           (A) IN GENERAL.—A contract entered into  
20 in accordance with this title shall permit suffi-  
21 cient flexibility for contractors providing long-  
22 term care benefits under the long-term care  
23 program to meet the needs of individuals receiv-  
24 ing such benefits in a cost-effective manner.

1           (B) AVAILABILITY OF INFORMAL CARE.—A  
2 contract entered into in accordance with this  
3 title shall provide that in determining the  
4 amount and array of services available to indi-  
5 viduals meeting the eligibility criteria estab-  
6 lished for the long-term care program, a long-  
7 term care contractor may consider the availabil-  
8 ity of informal care in the area served by such  
9 contractor and the existence of any private  
10 long-term care insurance held by an individual  
11 that would be provided with long-term care ben-  
12 efits under the contract.

13           (3) REQUIREMENTS FOR SUBCONTRACTORS, AF-  
14 FILIATES, AND RELATED PARTIES.—A contract en-  
15 tered into in accordance with this title shall permit  
16 a long-term care contractor to provide long-term  
17 care benefits under the contract through any sub-  
18 contractors, affiliates, and related parties of the con-  
19 tractor so long as any such subcontractor, affiliate,  
20 or related party meets all applicable (as determined  
21 by the Secretary) requirements of this subtitle and  
22 subtitle C.

23           (d) AVAILABILITY OF CARE.—

24           (1) IN GENERAL.—Each individual meeting the  
25 eligibility criteria established for the long-term care

1 program in an implementing bill enacted under sec-  
2 tion 132 may be eligible to receive long-term care  
3 benefits from any long-term care contractor with a  
4 contract under the long-term care program which  
5 serves the area in which the individual resides.

6 (2) INFORMATION.—

7 (A) DISTRIBUTION BY CONTRACTORS.—

8 (i) IN GENERAL.—The Secretary may  
9 prescribe the procedures and conditions  
10 under which each long-term care contrac-  
11 tor with a contract under the long-term  
12 care program may provide individuals eligi-  
13 ble to receive long-term care benefits from  
14 such contractor with information about the  
15 long-term care benefits offered by the con-  
16 tractor. No brochures, application forms,  
17 or other promotional or informational ma-  
18 terial may be distributed by a long-term  
19 care contractor to (or for the use of) such  
20 individuals unless—

21 (I) at least 45 days before its dis-  
22 tribution, the long-term care contrac-  
23 tor has submitted the material to the  
24 Secretary for review; and

1 (II) the Secretary has not dis-  
2 approved the distribution of the mate-  
3 rial.

4 (ii) REVIEW BY SECRETARY.—The  
5 Secretary shall review all material submit-  
6 ted under this paragraph and shall dis-  
7 approve such material if the Secretary de-  
8 termines, in the Secretary's discretion, that  
9 the material is materially inaccurate or  
10 misleading or otherwise makes a material  
11 misrepresentation.

12 (B) DISTRIBUTION BY THE SECRETARY.—  
13 If more than one long-term care contractor in  
14 an area enters into a contract under the long-  
15 term care program, the Secretary shall develop  
16 and distribute comparative materials to individ-  
17 uals eligible to receive long-term care benefits  
18 from such contractors regarding available long-  
19 term care benefits offered in the area by the  
20 contractors.

21 **SEC. 313. NO CONTRACTS IN AN AREA.**

22 (a) IN GENERAL.—If at least one long-term care con-  
23 tractor in an area does not enter into a contract under  
24 the long-term care program, the Secretary shall provide  
25 individuals residing in the area who meet the eligibility

1 criteria established for the long-term care program with  
2 long-term care benefits under such program through any  
3 other means that the Secretary deems appropriate and  
4 cost-effective.

5 (b) FORMS OF PAYMENT.—The Secretary may make  
6 payments to provide long-term care benefits under this  
7 section through the use of—

8 (1) vouchers;

9 (2) cash payments directly to individuals meet-  
10 ing the eligibility criteria established for the long-  
11 term care program;

12 (3) capitated payments; and

13 (4) any other means that the Secretary deems  
14 appropriate.

15 **SEC. 314. CONTRACT TERMS; POWERS AND DUTIES OF THE**  
16 **SECRETARY.**

17 (a) DURATION AND TERMINATION.—

18 (1) IN GENERAL.—Except as provided in para-  
19 graph (2), each contract under the long-term care  
20 program shall be for a term of at least 1 year, as  
21 determined by the Secretary, and may be made  
22 automatically renewable from term to term in the  
23 absence of notice by either party of intention to ter-  
24minate at the end of the current term.

1           (2) EXCEPTION.—The Secretary may terminate  
2 a contract at any time (after such reasonable notice  
3 and opportunity for hearing to the long-term care  
4 contractor involved as the Secretary may provide in  
5 regulations), if the Secretary finds that the contrac-  
6 tor—

7           (A) has substantially failed to carry out  
8 the contract;

9           (B) is carrying out the contract in a man-  
10 ner inconsistent with the efficient and effective  
11 administration of the long-term care program;

12           (C) no longer substantially complies with  
13 the requirements of this subtitle or subtitle C;  
14 or

15           (D) no longer substantially complies with  
16 any other requirements of the long-term care  
17 program.

18       (b) EFFECTIVE DATE.—The effective date of any  
19 contract executed pursuant to the long-term care program  
20 shall be specified in the contract.

21       (c) TERMS.—Each contract under the long-term care  
22 program—

23           (1) shall provide that the Secretary, or any per-  
24 son or organization designated by the Secretary—

1 (A) shall have the right to inspect or other-  
2 wise evaluate—

3 (i) the quality, appropriateness, and  
4 timeliness of services performed under the  
5 contract; and

6 (ii) the facilities of the long-term care  
7 contractor (or of any subcontractors, affili-  
8 ates, and related parties of such contrac-  
9 tor) when there is reasonable evidence of  
10 the need for such inspection; and

11 (B) shall have the right to audit and in-  
12 spect any books and records of the long-term  
13 care contractor that pertain—

14 (i) to the ability of the contractor to  
15 bear the risk of potential financial losses;  
16 or

17 (ii) to services performed or deter-  
18 minations of amounts payable under the  
19 contract;

20 (2) shall require the long-term care contractor  
21 to provide (and pay for) written notice in advance of  
22 the contract's termination, as well as a description  
23 of alternatives for obtaining long-term care benefits  
24 under the long-term care program, to each individual  
25 receiving such benefits from the contractor;

1           (3) shall require the contractor to comply with  
2           subsections (a), (c), and (h) of section 1318 of the  
3           Public Health Service Act (42 U.S.C. 300e-17(a),  
4           (c), and (h)) (relating to disclosure of certain finan-  
5           cial information) and with the requirement of section  
6           1301(c)(8) of such Act (42 U.S.C. 300e(c)(8)) (re-  
7           lating to liability arrangements to protect members);

8           (4) shall require the contractor to notify the  
9           Secretary of loans and other special financial ar-  
10          rangements which are made between the contractor  
11          and subcontractors, affiliates, and related parties of  
12          such contractor; and

13          (5) shall contain such other terms and condi-  
14          tions as the Secretary may find necessary and ap-  
15          propriate, including requiring the long-term care  
16          contractor to provide the Secretary with such infor-  
17          mation as the Secretary deems appropriate.

18          (d) PERIOD OF DISQUALIFICATION.—The Secretary  
19          may not enter into a contract with a long-term care con-  
20          tractor if a previous contract under the long-term care  
21          program with that contractor was terminated for cause  
22          within the preceding 5-year period, except in cir-  
23          cumstances which warrant special consideration, as deter-  
24          mined by the Secretary.

1           (e) DISREGARD OF CERTAIN INCONSISTENT LAWS,  
2 ETC.—The authority vested in the Secretary in accord-  
3 ance with this title may be performed without regard to  
4 such provisions of law or regulations relating to the mak-  
5 ing, performance, amendment, or modification of contracts  
6 of the United States as the Secretary may determine to  
7 be inconsistent with the furtherance of the purposes of the  
8 long-term care program.

9           (f) FINDINGS OF FAILURE.—

10           (1) IN GENERAL.—If the Secretary determines  
11 that a long-term care contractor with a contract  
12 under the long-term care program—

13           (A) substantially fails to provide long-term  
14 care benefits that are required under the con-  
15 tract to be provided to an individual covered  
16 under the contract, and such failure has ad-  
17 versely affected (or has a substantial likelihood  
18 of adversely affecting) the individual;

19           (B) engages in any practice that would  
20 reasonably be expected to have the effect of de-  
21 nying or discouraging (except as permitted by  
22 this title) any individual eligible to receive long-  
23 term care benefits from the contractor from re-  
24 ceiving such benefits, and whose medical condi-

1           tion or history indicates a need for substantial  
2           future long-term care services; or

3           (C) misrepresents or falsifies information  
4           that is furnished—

5                 (i) to the Secretary under this title; or

6                 (ii) to an individual or to any other  
7                 entity under this title,

8           the Secretary may provide, in addition to any  
9           other remedies authorized by law, for any of the  
10          remedies described in paragraph (2).

11         (2) REMEDIES.—

12                 (A) IN GENERAL.—The remedies described  
13                 in this paragraph are—

14                         (i) civil money penalties of not more  
15                         than \$10,000 for each determination under  
16                         paragraph (1) or, with respect to a deter-  
17                         mination under subparagraph (B) or (C)(i)  
18                         of such paragraph, of not more than  
19                         \$50,000 for each such determination, plus,  
20                         with respect to a determination under  
21                         paragraph (1)(C), \$10,000 for each indi-  
22                         vidual not enrolled as a result of the prac-  
23                         tice involved; or

24                         (ii) suspension of payment to the  
25                         long-term care contractor after the date

1 the Secretary notifies the contractor of a  
2 determination under paragraph (1) and  
3 until the Secretary is satisfied that the  
4 basis for such determination has been cor-  
5 rected and is not likely to recur.

6 (B) SPECIAL RULE.—The provisions of  
7 section 1128A (other than subsections (a) and  
8 (b)) of the Social Security Act (42 U.S.C.  
9 1320a–7a) shall apply to a civil money penalty  
10 described under subparagraph (A)(i) in the  
11 same manner as such provisions apply to a civil  
12 money penalty or proceeding under section  
13 1128A(a) of such Act (42 U.S.C. 1320a–7a(a)).

## 14 **Subtitle C—Requirements for** 15 **Long-Term Care Contractors**

### 16 **SEC. 321. OTHER GENERAL REQUIREMENTS FOR LONG-** 17 **TERM CARE CONTRACTORS.**

18 Each long-term care contractor with a contract to  
19 provide long-term care benefits under the long-term care  
20 program, and any subcontractor, affiliate, or related party  
21 thereof, shall, as determined by the Secretary—

22 (1) have a satisfactory, fiscally sound operation  
23 which adequately provides against the risk of insol-  
24 vency;

1           (2) have satisfactory administrative and mana-  
2           gerial operations;

3           (3) have the adequate capacity and resources to  
4           serve the long-term care needs of the population re-  
5           siding in the area to be served under the contract;  
6           and

7           (4) not expel or refuse to enroll or re-enroll any  
8           individual eligible to receive long-term care benefits  
9           under the long-term care program because of such  
10          individual's health status, requirement for long-term  
11          care or other health services, or anticipated need for  
12          long-term care or other health services.

13 **SEC. 322. NEEDS ASSESSMENT AND PLAN OF CARE.**

14          (a) IN GENERAL.—Each long-term care contractor,  
15          and any subcontractor, affiliate, or related party thereof,  
16          shall provide long-term care benefits to an individual meet-  
17          ing the eligibility criteria established for the long-term  
18          care program only if—

19               (1) a comprehensive assessment of the individ-  
20               ual's need for long-term care has been made;

21               (2) an individualized plan of care based on such  
22               assessment is developed in accordance with sub-  
23               sections (b) and (c); and

24               (3) the long-term care benefits provided are  
25               consistent with the individualized plan of care.

1 (b) INVOLVEMENT OF INDIVIDUALS.—The individ-  
2 ualized plan of care shall be—

3 (1) developed by qualified individuals (as deter-  
4 mined by the Secretary);

5 (2) developed and implemented in close con-  
6 sultation with the individual and the individual's  
7 family;

8 (3) approved by the individual (or the individ-  
9 ual's representative); and

10 (4) reviewed and updated not less than every 12  
11 months.

12 (c) PLAN OF CARE.—The individualized plan of care  
13 shall—

14 (1) specify which long-term care benefits speci-  
15 fied under the plan will be provided;

16 (2) identify, to the extent possible, how the in-  
17 dividual will be provided the long-term care benefits  
18 specified under the plan; and

19 (3) specify how the provision of long-term care  
20 benefits to the individual under the plan will be co-  
21 ordinated with the provision of other health care  
22 services to the individual.

23 (d) CONSUMER INPUT.—Each long-term care con-  
24 tractor, and any subcontractor, affiliate, or related party  
25 thereof, shall have procedures for obtaining meaningful

1 consumer input that measures the extent to which an indi-  
2 vidual receives the long-term care benefits described in the  
3 individualized plan of care and such individual's satisfac-  
4 tion with such benefits.

5 **SEC. 323. QUALITY ASSURANCE.**

6 (a) **IN GENERAL.**—Each long-term care contractor,  
7 and any subcontractor, affiliate, or related party thereof,  
8 shall establish procedures to assure that long-term care  
9 benefits provided to individuals under the long-term care  
10 program shall be rendered under reasonable standards of  
11 quality of care consistent with prevailing professionally  
12 recognized standards of medical practice. Such procedures  
13 shall include mechanisms to assure availability, accessibil-  
14 ity, and continuity of care.

15 (b) **INTERNAL QUALITY ASSURANCE.**—Each long-  
16 term care contractor, and any subcontractor, affiliate, or  
17 related party thereof, shall have an ongoing internal qual-  
18 ity assurance program to monitor and evaluate the long-  
19 term care benefits such contractor (or such subcontractor,  
20 affiliate, or related party) provides under the long-term  
21 care program.

22 **SEC. 324. GRIEVANCE PROCEDURES.**

23 (a) **GRIEVANCE PROCEDURES.**—Each long-term care  
24 contractor with a contract under the long-term care pro-  
25 gram, and any subcontractor, affiliate, or related party

1 thereof, shall provide meaningful procedures for hearing  
2 and resolving grievances between the contractor (or any  
3 subcontractor, affiliate, or related party thereof) and indi-  
4 viduals eligible to receive long-term care benefits from the  
5 contractor (or from a subcontractor, affiliate, or related  
6 party thereof) under the long-term care program.

7 (b) APPEALS.—An individual receiving long-term  
8 care benefits from a long-term care contractor under the  
9 long-term care program, or from any subcontractor, affili-  
10 ate, or related party thereof, who is dissatisfied by reason  
11 of the individual's failure to receive any long-term care  
12 benefit for which the individual believes the individual is  
13 eligible, shall, if the amount in controversy is \$1,000 or  
14 more, receive a hearing before the Secretary to the same  
15 extent as is provided in section 205(b) of the Social Secu-  
16 rity Act (42 U.S.C. 405(b)), and in any such hearing the  
17 Secretary shall make the long-term care contractor and  
18 the subcontractor, affiliate, or related party, as applicable,  
19 a party. If the amount in controversy is \$10,000 or more,  
20 the individual or contractor (and the subcontractor, affili-  
21 ate, or related party) shall, upon notifying the other party,  
22 be entitled to judicial review of the Secretary's final deci-  
23 sion as provided in section 205(g) of such Act (42 U.S.C.  
24 405(g)), and both the individual and the contractor (and

1 the subcontractor, affiliate, or related party) shall be enti-  
2 tled to be parties to that judicial review.

3 (c) ADVANCE DIRECTIVES.—A contract entered into  
4 under the long-term care program shall provide that a  
5 long-term care contractor, and any subcontractor, affili-  
6 ate, or related party thereof, shall meet the requirement  
7 of section 1866(f) of the Social Security Act (42 U.S.C.  
8 1395cc(f)) (relating to maintaining written policies and  
9 procedures respecting advance directives).

10 **SEC. 325. MONITORING AND COMPLIANCE.**

11 (a) ACCESS BY THE SECRETARY.—The Secretary  
12 shall have access to any records of a long-term care con-  
13 tractor, and of any subcontractor, affiliate, or related  
14 party thereof, that are required to be maintained in ac-  
15 cordance with this title.

16 (b) PERIODIC REPORTS.—The Secretary shall re-  
17 quire each long-term care contractor, and any subcontrac-  
18 tor, affiliate, or related party thereof, to submit periodic  
19 reports to the Secretary containing such information and  
20 in such form as the Secretary determines to be appro-  
21 priate.

22 (c) ADDITIONAL REPORTS.—The Secretary may re-  
23 quire a long-term care contractor, and any subcontractor,  
24 affiliate, or related party thereof, to provide any additional

1 reports or information as the Secretary deems necessary  
2 and appropriate to carry out the provisions of this title.

3 **Subtitle D—Establishing Long-**  
4 **Term Care Benefits for Certain**  
5 **Individuals**

6 **PART 1—ELIGIBILITY CRITERIA AND BENEFITS**

7 **SEC. 331. ELIGIBILITY CRITERIA FOR THE LONG-TERM**  
8 **CARE PROGRAM.**

9 (a) IN GENERAL.—The legislative proposal developed  
10 by the Commission under section 131(a)(2) shall rec-  
11 ommend national eligibility criteria (in accordance with  
12 subsection (b)) for elderly or disabled individuals to receive  
13 long-term care benefits under the long-term care program.

14 (b) GUIDELINES FOR DEVELOPING CRITERIA.—

15 (1) IN GENERAL.—In recommending the eligi-  
16 bility criteria for elderly or disabled individuals the  
17 Commission shall, subject to paragraphs (2) and  
18 (3)—

19 (A) recommend, after surveying State eligi-  
20 bility standards for nursing facility care, insti-  
21 tutionalized care, and home and community-  
22 based care under title XIX of the Social Secu-  
23 rity Act (42 U.S.C. 1396 et seq.) (as in effect  
24 on the day before the date of the enactment of

1           this Act), an income and resource-based stand-  
2           ard that may be based on—

3                   (i) an individual having income (as de-  
4                   termined under section 1612 of such Act  
5                   (42 U.S.C. 1382a)) that has been reduced  
6                   through spending on medical care to a per-  
7                   centage (to be determined by the Commis-  
8                   sion) of the poverty line;

9                   (ii) the median State eligibility stand-  
10                  ard (as determined through the survey  
11                  conducted under this subparagraph); or

12                  (iii) any income and resource-based  
13                  standard that the Commission deems ap-  
14                  propriate;

15                (B) recommend criteria excluding from eli-  
16                gibility individuals enrolled in a private long-  
17                term care health plan which provides items or  
18                services (to the extent determined by the Com-  
19                mission) that are provided under the long-term  
20                care program;

21                (C) recommend criteria that allows an indi-  
22                vidual or the individual's spouse to retain a  
23                greater amount of assets than would otherwise  
24                be allowed if the individual has purchased a  
25                qualified long-term care insurance policy (as de-

1           fined in section 7702B(b) of the Internal Reve-  
2           nue Code (as amended by section 1003 of divi-  
3           sion B)); and

4           (D) recommend any nominal copayments  
5           or other cost-sharing requirements that the  
6           Commission deems appropriate for individuals  
7           meeting the eligibility criteria recommended for  
8           the long-term care program.

9           (2) IMPAIRMENT CRITERIA.—

10          (A) IN GENERAL.—The eligibility criteria  
11          for elderly or disabled individuals under sub-  
12          section (a) shall include a requirement that an  
13          individual shall not be eligible to receive long-  
14          term care benefits under the long-term care  
15          program unless such individual meets—

16               (i) the financial eligibility standard  
17               recommended by the Commission; and

18               (ii) impairment eligibility criteria rec-  
19               ommended by the Commission in accord-  
20               ance with subparagraph (B).

21          (B) IMPAIRMENT ELIGIBILITY CRITERIA.—

22          The Commission shall recommend impairment  
23          eligibility criteria that includes standardized as-  
24          sessment tools which limit eligibility to the most

1 seriously disabled individuals, including individ-  
2 uals, as determined by the Commission—

3 (i) having a severe physical disability;

4 (ii) having a severe cognitive or men-  
5 tal impairment;

6 (iii) having severe or profound mental  
7 retardation; and

8 (iv) who are severely disabled chil-  
9 dren.

10 (3) COST CONTROLS.—The Commission shall,  
11 to the extent practicable, recommend eligibility cri-  
12 teria for the long-term care program such that an-  
13 nual expenditures for providing long-term care bene-  
14 fits to individuals meeting the criteria would not ex-  
15 ceed the total annual amounts that would have been  
16 expended under all State plans for providing long-  
17 term care medical assistance under title XIX of the  
18 Social Security Act (42 U.S.C. 1396 et seq.) (as in  
19 effect on the day before the date of the enactment  
20 of this Act) to individuals who received such assist-  
21 ance.

22 **SEC. 332. LONG-TERM CARE BENEFITS UNDER THE LONG-**  
23 **TERM CARE PROGRAM.**

24 (a) IN GENERAL.—The legislative proposal developed  
25 by the Commission under section 131(a)(2) shall include

1 provisions which repeal the medicaid program under title  
2 XIX of the Social Security Act (42 U.S.C. 1396 et seq.)  
3 and replace such program with provisions requiring that  
4 individuals meeting the eligibility criteria recommended by  
5 the Commission are eligible to receive long-term care bene-  
6 fits (as determined by the Commission) under such pro-  
7 gram, in accordance with the provisions of subtitles A, B,  
8 and C of this title.

9 (b) MAXIMUM FLEXIBILITY FOR CONTRACTORS AND  
10 PROVIDERS.—In recommending the long-term care bene-  
11 fits that an individual may receive under the long-term  
12 care program, the Commission shall develop such rec-  
13 ommendations so as to permit long-term care contractors  
14 maximum flexibility to meet the needs of the individuals  
15 eligible to receive such benefits in a cost-effective manner.

16 **PART 2—FINANCING FOR THE LONG-TERM CARE**  
17 **PROGRAM**

18 **SEC. 341. AUTHORIZATION OF APPROPRIATIONS.**

19 The legislative proposal developed by the Commission  
20 under section 131(a)(2) shall include provisions requiring  
21 that there are authorized to be appropriated such sums  
22 as are necessary for the purpose of carrying out the long-  
23 term care program.

1 **TITLE IV—ENSURING FINANC-**  
2 **ING FOR FEDERAL HEALTH**  
3 **CARE FOR CERTAIN ELDERLY**  
4 **LOW-INCOME AND NON- EL-**  
5 **DERLY LOW-INCOME DIS-**  
6 **ABLED INDIVIDUALS**

7 **SEC. 401. ENSURING FINANCING FOR ACUTE CARE BENE-**  
8 **FITS FOR ELDERLY LOW-INCOME INDIVID-**  
9 **UALS AND NONELDERLY LOW-INCOME DIS-**  
10 **ABLED INDIVIDUALS AND FOR THE LONG-**  
11 **TERM CARE PROGRAM.**

12 (a) REPORT TO CONGRESS.—In the case of any fiscal  
13 year beginning after the transition period, if the Secretary  
14 determines that the funds appropriated for a fiscal year  
15 for the purpose of providing acute care benefits under the  
16 medicare program to elderly low-income individuals and  
17 nonelderly low-income disabled individuals, and for provid-  
18 ing benefits under the long-term care program are, or are  
19 estimated to be, insufficient to pay the total Federal ex-  
20 penditures for such purposes, the Secretary shall submit  
21 a report to Congress setting forth—

22 (1) the actual or estimated (as the case may be)  
23 shortfall in such funds; and

24 (2) a legislative proposal containing—

1 (A) a request for a supplemental appro-  
2 priation for the fiscal year to cover such short-  
3 fall;

4 (B) proposed modifications to—

5 (i) the eligibility requirements for el-  
6 derly low-income individuals and nonelderly  
7 low-income disabled individuals to receive  
8 acute care benefits under the medicare  
9 program (as amended in an implementing  
10 bill enacted under section 132);

11 (ii) the supplemental categories of  
12 acute care benefits available for such indi-  
13 viduals under such program; and

14 (iii) the benefits and eligibility re-  
15 quirements under the long-term care pro-  
16 gram; or

17 (C) a combination of the options described  
18 in subparagraphs (A) and (B).

19 (b) CONGRESSIONAL RESPONSE.—

20 (1) IN GENERAL.—If, not later than 45 days  
21 after the date Congress receives the legislative pro-  
22 posal described in subsection (a)(2), Congress has  
23 not enacted legislation in response to such proposal,  
24 the Secretary shall, in order of the priorities de-  
25 scribed in paragraph (2), and only with respect to

1 the remainder of the fiscal year, modify the acute  
2 care benefits provided under the medicare program  
3 (as amended in an implementing bill enacted under  
4 section 132), or the long-term care program, or  
5 both.

6 (2) PRIORITIES DESCRIBED.—The priorities de-  
7 scribed in this paragraph are as follows:

8 (A) A reduction in the supplemental cat-  
9 egories of benefits for elderly low-income indi-  
10 viduals and nonelderly low-income disabled indi-  
11 viduals under the medicare program (as amend-  
12 ed by an implementing bill enacted under sec-  
13 tion 132).

14 (B) A reduction in—

15 (i) the acute care benefits provided to  
16 such individuals; and

17 (ii) the benefits provided under the  
18 long-term care program.

19 (C) Increases in—

20 (i) the medicare cost-sharing require-  
21 ments for elderly low-income individuals  
22 and nonelderly low-income disabled individ-  
23 uals under the medicare program (as  
24 amended by an implementing bill enacted  
25 under section 132); and

1                   (ii) any cost-sharing requirements im-  
2                   posed under the long-term care program.

3                   (D) A reduction, not greater than 2 per-  
4                   cent (and which shall constitute payment in  
5                   full), in the reimbursement rates for providers  
6                   and contractors providing—

7                   (i) acute care benefits to elderly low-  
8                   income individuals and nonelderly low-in-  
9                   come disabled individuals under the medi-  
10                  care program (as amended by an imple-  
11                  menting bill enacted under section 132);  
12                  and

13                  (ii) benefits under the long-term care  
14                  program.

15                  (E) Modification of the Federal medically-  
16                  needy eligibility requirements established in ac-  
17                  cordance with the Commission's proposals de-  
18                  veloped under sections 201 and 211.

19                  (F) Modification of the eligibility require-  
20                  ments for the long-term care program.

21                   **TITLE V—MISCELLANEOUS**  
22                   **PROVISIONS**

23                   **SEC. 501. SEPARATE ELIGIBILITY REQUIREMENTS.**

24                   (a) IN GENERAL.—In order to receive acute care ben-  
25                   efits under the medicare program (as amended in an im-

1 plementing bill enacted under section 132), or long-term  
2 care benefits under the long-term care program, an indi-  
3 vidual shall separately satisfy the eligibility criteria estab-  
4 lished for each such program.

5 (b) DUAL APPLICABILITY OF ASSETS OR INCOME.—  
6 Notwithstanding subsection (a), an individual may use the  
7 same assets or income (as such income is determined  
8 through any spenddown provisions that the Commission  
9 may propose) to meet the eligibility criteria recommended  
10 by the Commission for receiving acute care benefits under  
11 the medicare program (as amended in an implementing  
12 bill enacted under section 132) or long-term care benefits  
13 under the long-term care program.

14 **SEC. 502. ENCOURAGING INTEGRATION OF MANAGED CARE**  
15 **AND PRIVATE HEALTH PLANS.**

16 (a) INTEGRATION ENCOURAGED.—After the transi-  
17 tion period, the Secretary shall take all necessary and ap-  
18 propriate steps in administering the medicare program  
19 and the long-term care program to facilitate and encour-  
20 age opportunities for enrollment in private health care  
21 plans and integrated systems of managed care plans by—

22 (1) elderly low-income individuals and  
23 nonelderly low-income disabled individuals eligible to  
24 receive acute care benefits under the medicare pro-

1       gram (as amended in an implementing bill enacted  
2       under section 132); and

3               (2) individuals eligible to receive long-term care  
4       benefits under the long-term care program.

5       (b) **RULE OF CONSTRUCTION.**—Nothing in this Act  
6 shall be construed as preventing the Secretary from enter-  
7 ing into a contract under title III to provide long-term  
8 care benefits under the long-term care program with an  
9 eligible organization with a risk-sharing contract under  
10 section 1876 of the Social Security Act (42  
11 U.S.C.1395mm) that satisfies the requirements for selec-  
12 tion of long-term care contractors under such title.

13 **SEC. 503. REFORM OF THE SUPPLEMENTAL SECURITY IN-**  
14 **COME PROGRAM.**

15       (a) **IN GENERAL.**—The legislative proposal developed  
16 by the Commission under section 131(a)(3) shall rec-  
17 ommend modifications to the criteria for determining  
18 whether an individual described in subsection (b) is dis-  
19 abled and eligible for benefits under title XVI of the Social  
20 Security Act (42 U.S.C. 1381 et seq.) so that only such  
21 individuals who are most severely disabled (as determined  
22 by the Commission) shall be eligible for benefits under  
23 such title.

24       (b) **INDIVIDUAL DESCRIBED.**—An individual de-  
25 scribed in this subsection is an individual who is—

1           (1) a child, as defined in section 1614(c) of the  
2           Social Security Act (42 U.S.C. 1382c(c));

3           (2) an alcoholic; or

4           (3) a drug addict.

5 **SEC. 504. ANNUAL REPORT.**

6           (a) IN GENERAL.—Not later than 1 year after the  
7           date of the enactment of this Act, and annually thereafter,  
8           the Secretary shall submit a report to Congress containing  
9           the information described in subsection (b).

10          (b) INFORMATION REQUIRED.—

11           (1) IN GENERAL.—Subject to paragraph (2),  
12           the report submitted in accordance with subsection

13           (a) shall contain the following information:

14                   (A) A description of the progress of the  
15                   implementation of this Act.

16                   (B) An analysis of whether and to what ex-  
17                   tent the benefits and eligibility standards rec-  
18                   ommended in the legislative proposals described  
19                   in paragraphs (1) and (2) of section 131(a) and  
20                   established through the enactment of imple-  
21                   menting bills in accordance with section 132,  
22                   and the contracting arrangements described in  
23                   subtitles B and C of title III, are—

24                           (i) meeting the acute care needs of in-  
25                           dividuals eligible to receive acute care ben-

1           efits under the medicare program (as  
2           amended in an implementing bill enacted  
3           under section 132);

4           (ii) meeting the long-term care needs  
5           of individuals eligible to receive long-term  
6           care benefits under the long-term care pro-  
7           gram; and

8           (iii) affecting the size and rate of  
9           growth of Federal health care expendi-  
10          tures.

11           (2) SPECIAL RULE FOR REPORTS SUBMITTED  
12          IN CERTAIN YEARS.—A report submitted in any year  
13          during the transition period need only include the in-  
14          formation required under paragraph (1)(A).

15   **SEC. 505. STUDY AND REPORT ON INTEGRATION OF ACUTE**  
16                                   **AND LONG-TERM CARE.**

17          (a) STUDY.—The Commission shall conduct a study  
18          for the purpose of determining—

19           (1) what measures can be taken to integrate  
20           acute and long-term care benefits for all elderly and  
21           disabled individuals;

22           (2) the legislative and regulatory barriers (if  
23           any) to integrating acute and long-term care benefits  
24           and related insurance products for such individuals;

1           (3) whether standards concerning the integra-  
2           tion of acute and long-term care benefits should be  
3           uniform on a national basis or left to each State to  
4           establish; and

5           (4) how to improve the quality and cost-effec-  
6           tiveness of health care for all elderly and disabled in-  
7           dividuals.

8           (b) REPORT AND RECOMMENDATIONS.—

9           (1) IN GENERAL.—Not later than 3 years after  
10          the date of the enactment of this Act, the Commis-  
11          sion shall submit a report to Congress setting  
12          forth—

13                 (A) the findings of the study conducted  
14                 under subsection (a); and

15                 (B) any recommendations or proposals for  
16                 legislative action based on such findings.

17          (2) COST-BENEFIT ANALYSIS.—Each rec-  
18          ommendation or proposal submitted under para-  
19          graph (1)(B) shall be accompanied by a cost-benefit  
20          analysis of the recommendation or proposal.

21 **SEC. 506. SECRETARIAL SUBMISSION OF LEGISLATIVE PRO-**  
22 **POSAL FOR TECHNICAL AND CONFORMING**  
23 **AMENDMENTS.**

24          Not later than 90 days after the transition period,  
25          the Secretary shall submit to the appropriate committees

1 of Congress a legislative proposal providing for such tech-  
2 nical and conforming amendments in the law as are re-  
3 quired by the provisions of this Act.

4 **DIVISION B—TAX INCENTIVES**  
5 **AND STANDARDS FOR LONG-**  
6 **TERM CARE INSURANCE**

7 **TITLE I—TAX TREATMENT OF**  
8 **LONG-TERM CARE INSURANCE**

9 **SEC. 1001. AMENDMENT OF 1986 CODE.**

10 Except as otherwise expressly provided, whenever in  
11 this title an amendment or repeal is expressed in terms  
12 of an amendment to, or repeal of, a section or other provi-  
13 sion, the reference shall be considered to be made to a  
14 section or other provision of the Internal Revenue Code  
15 of 1986.

16 **SEC. 1002. QUALIFIED LONG-TERM CARE SERVICES TREAT-**  
17 **ED AS MEDICAL CARE.**

18 (a) GENERAL RULE.—Paragraph (1) of section  
19 213(d) (defining medical care) is amended by striking  
20 “or” at the end of subparagraph (B), by striking subpara-  
21 graph (C), and by inserting after subparagraph (B) the  
22 following new subparagraphs:

23 “(C) for qualified long-term care services  
24 (as defined in subsection (f)),

1           “(D) for insurance covering medical care  
2 referred to in—

3                   “(i) subparagraphs (A) and (B), or

4                   “(ii) subparagraph (C), but only if  
5 such insurance is provided under a quali-  
6 fied long-term care insurance policy (as de-  
7 fined in section 7702B(b)) and the deduc-  
8 tion under this section for amounts paid  
9 for such insurance is not disallowed under  
10 section 7702B(d)(4), or

11           “(E) for premiums under part B of title  
12 XVIII of the Social Security Act, relating to  
13 supplementary medical insurance for the  
14 aged.”.

15       (b) QUALIFIED LONG-TERM CARE SERVICES DE-  
16 FINED.—Section 213 (relating to the deduction for medi-  
17 cal, dental, etc., expenses) is amended by adding at the  
18 end the following new subsection:

19       “(f) QUALIFIED LONG-TERM CARE SERVICES.—For  
20 purposes of this section—

21           “(1) IN GENERAL.—The term ‘qualified long-  
22 term care services’ means necessary diagnostic, cur-  
23 ing, mitigating, treating, preventive, therapeutic, and  
24 rehabilitative services, and maintenance and per-

1       sonal care services (whether performed in a residen-  
2       tial or nonresidential setting), which—

3               “(A) are required by an individual during  
4               any period the individual is an incapacitated in-  
5               dividual (as defined in paragraph (2)),

6               “(B) have as their primary purpose—

7                       “(i) the provision of needed assistance  
8                       with 1 or more activities of daily living (as  
9                       defined in paragraph (3)), or

10                      “(ii) protection from threats to health  
11                      and safety due to severe cognitive impair-  
12                      ment, and

13               “(C) are provided pursuant to a continuing  
14               plan of care prescribed by a licensed profes-  
15               sional (as defined in paragraph (4)).

16       “(2) INCAPACITATED INDIVIDUAL.—The term  
17       ‘incapacitated individual’ means any individual who  
18       has been certified by a licensed professional as—

19               “(A)(i) being unable to perform, without  
20               substantial assistance from another individual,  
21               at least 2 activities of daily living (as defined in  
22               paragraph (3)), or

23               “(ii) having a level of disability similar (as  
24               determined by the Secretary in consultation  
25               with the Secretary of Health and Human Serv-

1           ices) to the level of disability described in clause  
2           (i); or

3           “(B) having a level of disability similar to  
4           the level of disability described in subparagraph  
5           (A) due to cognitive impairment as defined by  
6           the Secretary in consultation with the Secretary  
7           of Health and Human Services.

8           “(3) ACTIVITIES OF DAILY LIVING.—

9           “(A) IN GENERAL.—Each of the following  
10          is an activity of daily living:

11                 “(i) Eating.

12                 “(ii) Toileting.

13                 “(iii) Bathing.

14                 “(iv) Transferring.

15                 “(v) Mobility.

16                 “(vi) Dressing.

17           “(B) DEFINITIONS.—For purposes of this  
18          paragraph:

19                 “(i) EATING.—The term ‘eating’  
20                 means the process of getting food from a  
21                 plate or its equivalent into the mouth.

22                 “(ii) TOILETING.—The term  
23                 ‘toileting’ means the act of going to the  
24                 toilet room for bowel and bladder function,  
25                 transferring on and off the toilet, cleaning

1 after elimination, and arranging clothes or  
2 the ability to voluntarily control bowel and  
3 bladder function, or in the event of inconti-  
4 nence, the ability to maintain a reasonable  
5 level of personal hygiene.

6 “(iii) BATHING.—The term ‘bathing’  
7 means the overall complex behavior of  
8 using water for cleansing the whole body,  
9 including cleansing as part of a bath,  
10 shower, or sponge bath, getting to, in, and  
11 out of a tub or shower, and washing and  
12 drying oneself.

13 “(iv) TRANSFERRING.—The term  
14 ‘transferring’ means the process of getting  
15 in and out of bed or in and out of a chair  
16 or wheelchair.

17 “(v) MOBILITY.—The term ‘mobility’  
18 means the process of walking or wheeling  
19 on a level surface which may include the  
20 use of an assistive device such as a cane,  
21 walker, wheelchair, or brace.

22 “(vi) DRESSING.—The term ‘dressing’  
23 means the overall complex behavior of get-  
24 ting clothes from closets and drawers and  
25 then getting dressed.

1           “(vi) CONTINENCE.—The term ‘con-  
2           tinence’ means the ability to voluntarily  
3           control bowel and bladder function and to  
4           maintain a reasonable level of personal hy-  
5           giene.

6           “(4) LICENSED PROFESSIONAL.—

7           “(A) IN GENERAL.—The term ‘licensed  
8           professional’ means—

9                   “(i) a physician or registered profes-  
10                  sional nurse,

11                   “(ii) a qualified community care case  
12                  manager (as defined in subparagraph (B)),  
13                  or

14                   “(iii) any other individual who meets  
15                  such requirements as may be prescribed by  
16                  the Secretary after consultation with the  
17                  Secretary of Health and Human Services.

18           “(B) QUALIFIED COMMUNITY CARE CASE  
19           MANAGER.—The term ‘qualified community  
20           care case manager’ means an individual or en-  
21           tity which—

22                   “(i) has experience or has been  
23                  trained in providing case management  
24                  services and in preparing individual care  
25                  plans,

1           “(ii) has experience in assessing indi-  
2           viduals to determine their functional and  
3           cognitive impairment, and

4           “(iii) meets such requirements as may  
5           be prescribed by the Secretary after con-  
6           sultation with the Secretary of Health and  
7           Human Services.”.

8           (c) TECHNICAL AMENDMENTS.—Paragraph (6) of  
9           section 213(d) is amended—

10           (1) by striking “subparagraphs (A) and (B)”  
11           and inserting “subparagraphs (A), (B), and (C)”,  
12           and

13           (2) by striking “paragraph (1)(C) applies” in  
14           subparagraph (A) and inserting “subparagraphs (C)  
15           and (D) of paragraph (1) apply”.

16           (d) EFFECTIVE DATE.—The amendments made by  
17           this section shall apply to taxable years beginning after  
18           December 31, 1995.

19           **SEC. 1003. TREATMENT OF LONG-TERM CARE INSURANCE.**

20           (a) GENERAL RULE.—Chapter 79 (relating to defini-  
21           tions) is amended by inserting after section 7702A the fol-  
22           lowing new section:

23           **“SEC. 7702B. TREATMENT OF LONG-TERM CARE INSUR-**  
24           **ANCE.**

25           “(a) IN GENERAL.—For purposes of this title—

1           “(1) a qualified long-term care insurance policy  
2           (as defined in subsection (b)) shall be treated as an  
3           accident and health insurance contract,

4           “(2) any plan of an employer providing cov-  
5           erage under a qualified long-term care insurance pol-  
6           icy shall be treated as an accident and health plan  
7           with respect to such coverage,

8           “(3) amounts (other than policyholder dividends  
9           (as defined in section 808) or premium refunds) re-  
10          ceived under a qualified long-term care insurance  
11          policy (including nonreimbursement payments de-  
12          scribed in subsection (b)(6)) shall be treated—

13                 “(A) as amounts received for personal in-  
14                 juries and sickness, and

15                 “(B) as amounts received for the perma-  
16                 nent loss of a function of the body and as  
17                 amounts computed with reference to the nature  
18                 of injury under section 105(c) to the extent  
19                 that such amounts do not exceed the dollar  
20                 amount in effect under subsection (f) for the  
21                 taxable year,

22           “(4) amounts paid for a qualified long-term  
23           care insurance policy described in subsection (b)(11)  
24           shall be treated as payments made for insurance for  
25           purposes of section 213(d)(1)(D), and

1           “(5) a qualified long-term care insurance policy  
2 shall be treated as a guaranteed renewable contract  
3 subject to the rules of section 816(e).

4           “(b) QUALIFIED LONG-TERM CARE INSURANCE POL-  
5 ICY.—For purposes of this title—

6           “(1) IN GENERAL.—The term ‘qualified long-  
7 term care insurance policy’ means any long-term  
8 care insurance policy (as defined in paragraph (10))  
9 that—

10           “(A) limits benefits under such policy to  
11 incapacitated individuals (as defined in section  
12 213(f)(2)), and

13           “(B) satisfies the requirements of para-  
14 graphs (2) through (9).

15           “(2) PREMIUM REQUIREMENTS.—The require-  
16 ments of this paragraph are met with respect to a  
17 long-term care insurance policy if such policy pro-  
18 vides that premium payments may not be made ear-  
19 lier than the date such payments would have been  
20 made if the policy provided for level annual pay-  
21 ments over the life expectancy of the insured or 20  
22 years, whichever is shorter. A policy shall not be  
23 treated as failing to meet the requirements of the  
24 preceding sentence solely by reason of a provision in  
25 the policy providing for a waiver of premiums if the

1 insured becomes an incapacitated individual (as de-  
2 fined in section 213(f)(2)).

3 “(3) PROHIBITION OF CASH VALUE.—The re-  
4 quirements of this paragraph are met with respect  
5 to a long-term care insurance policy if such policy  
6 does not provide for a cash value or other money  
7 that can be paid, assigned, pledged as collateral for  
8 a loan, or borrowed, other than as provided in para-  
9 graph (4).

10 “(4) REFUNDS OF PREMIUMS AND DIVI-  
11 DENDS.—The requirements of this paragraph are  
12 met with respect to a long-term care insurance pol-  
13 icy if such policy provides that—

14 “(A) policyholder dividends are required to  
15 be applied as a reduction in future premiums or  
16 to increase benefits described in subsection  
17 (a)(2),

18 “(B) refunds of premiums upon a partial  
19 surrender or a partial cancellation are required  
20 to be applied as a reduction in future pre-  
21 miums, and

22 “(C) any refund on the death of the in-  
23 sured, or on a complete surrender or cancella-  
24 tion of the policy, cannot exceed the aggregate  
25 premiums paid under the policy.

1 Any refund on a complete surrender or cancellation  
2 of the policy shall be includable in gross income to  
3 the extent that any deduction or exclusion was allow-  
4 able with respect to the premiums.

5 “(5) COORDINATION WITH OTHER ENTITLED-  
6 MENTS.—The requirements of this paragraph are  
7 met with respect to a long-term care insurance poli-  
8 cy if such policy does not cover expenses incurred  
9 to the extent that such expenses are also covered  
10 under title XVIII of the Social Security Act. For  
11 purposes of this paragraph, a long-term care insur-  
12 ance policy which coordinates expenses incurred  
13 under such policy with expenses incurred under title  
14 XVIII of such Act shall not be considered to dupli-  
15 cate such expenses.

16 “(6) REQUIREMENTS OF MODEL REGULATION  
17 AND ACT.—

18 “(A) IN GENERAL.—The requirements of  
19 this paragraph are met with respect to a long-  
20 term care insurance policy if such policy  
21 meets—

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

1           “(I) Section 7A (relating to guar-  
2           anteed renewal or noncancellability),  
3           and the requirements of section 6B of  
4           the model Act relating to such section  
5           7A.

6           “(II) Section 7B (relating to pro-  
7           hibitions on limitations and exclu-  
8           sions).

9           “(III) Section 7C (relating to ex-  
10          tension of benefits).

11          “(IV) Section 7D (relating to  
12          continuation or conversion of cov-  
13          erage).

14          “(V) Section 7E (relating to dis-  
15          continuance and replacement of poli-  
16          cies).

17          “(VI) Section 8 (relating to unin-  
18          tentional lapse).

19          “(VII) Section 9 (relating to dis-  
20          closure), other than section 9F there-  
21          of.

22          “(VIII) Section 10 (relating to  
23          prohibitions against post-claims un-  
24          derwriting).

1           “(IX) Section 11 (relating to  
2           minimum standards).

3           “(X) Section 12 (relating to re-  
4           quirement to offer inflation protec-  
5           tion), except that any requirement for  
6           a signature on a rejection of inflation  
7           protection shall permit the signature  
8           to be on an application or on a sepa-  
9           rate form.

10           “(XI) Section 23 (relating to pro-  
11           hibition against preexisting conditions  
12           and probationary periods in replace-  
13           ment policies or certificates).

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

16           “(I) Section 6C (relating to pre-  
17           existing conditions).

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

20           “(B) DEFINITIONS.—For purposes of this  
21           paragraph—

22           “(i) MODEL PROVISIONS.—The terms  
23           ‘model regulation’ and ‘model Act’ mean  
24           the long-term care insurance model regula-  
25           tion, and the long-term care insurance

1 model Act, respectively, promulgated by  
2 the National Association of Insurance  
3 Commissioners (as adopted in January of  
4 1993).

5 “(ii) COORDINATION.—Any provision  
6 of the model regulation or model Act listed  
7 under clause (i) or (ii) of subparagraph  
8 (A) shall be treated as including any other  
9 provision of such regulation or Act nec-  
10 essary to implement the provision.

11 “(7) TAX DISCLOSURE REQUIREMENT.—The re-  
12 quirement of this paragraph is met with respect to  
13 a long-term care insurance policy if such policy  
14 meets the requirements of section 4980C(d)(1).

15 “(8) NONFORFEITURE REQUIREMENTS.—

16 “(A) IN GENERAL.—The requirements of  
17 this paragraph are met with respect to a long-  
18 term care insurance policy, if the issuer of such  
19 policy offers to the policyholder, including any  
20 group policyholder, a nonforfeiture provision  
21 meeting the requirements specified in subpara-  
22 graph (B).

23 “(B) REQUIREMENTS OF PROVISION.—The  
24 requirements specified in this subparagraph are  
25 as follows:

1           “(i) The nonforfeiture provision shall  
2           be appropriately captioned.

3           “(ii) The nonforfeiture provision shall  
4           provide for a benefit available in the event  
5           of a default in the payment of any pre-  
6           miums and the amount of the benefit may  
7           be adjusted subsequent to being initially  
8           granted only as necessary to reflect  
9           changes in claims, persistency, and interest  
10          as reflected in changes in rates for pre-  
11          mium paying policies approved by the Sec-  
12          retary for the same policy form.

13          “(iii) The nonforfeiture provision shall  
14          provide at least 1 of the following:

15                  “(I) Reduced paid-up insurance.

16                  “(II) Extended term insurance.

17                  “(III) Shortened benefit period.

18                  “(IV) Other similar offerings ap-  
19                  proved by the Secretary.

20          “(9) RATE STABILIZATION.—

21                  “(A) IN GENERAL.—The requirements of  
22                  this paragraph are met with respect to a long-  
23                  term care insurance policy, including any group  
24                  master policy, if—

1           “(i) such policy contains the minimum  
2           rate guarantees specified in subparagraph  
3           (B), and

4           “(ii) the issuer of such policy meets  
5           the requirements specified in subparagraph  
6           (C).

7           “(B) MINIMUM RATE GUARANTEES.—The  
8           minimum rate guarantees specified in this sub-  
9           paragraph are as follows:

10           “(i) Rates under the policy shall be  
11           guaranteed for a period of at least 2 years  
12           from the date of issue of the policy.

13           “(ii) After the expiration of the 2-year  
14           period required under clause (i), any rate  
15           increase shall be guaranteed for a period of  
16           at least 1 year from the effective date of  
17           such rate increase.

18           “(C) INCREASES IN PREMIUMS.—The re-  
19           quirements specified in this subparagraph are  
20           as follows:

21           “(i) IN GENERAL.—If an issuer of a  
22           long-term care insurance policy, including  
23           any group master policy, plans to increase  
24           the premium rates for a policy, such issuer  
25           shall, at least 90 days before the effective

1 date of the rate increase, offer to each in-  
2 dividual policyholder under such policy the  
3 option to remain insured under the policy  
4 at a reduced level of benefits that main-  
5 tains the premium rate at the rate in effect  
6 on the day before the effective date of the  
7 rate increase.

8 “(ii) INCREASES OF MORE THAN 50  
9 PERCENT.—If an issuer of a long-term  
10 care insurance policy, including any group  
11 master policy, increases premium rates for  
12 a policy by more than 50 percent in any 2-  
13 year period—

14 “(I) in the case of an individual  
15 long-term care insurance policy, the  
16 issuer shall discontinue issuing all in-  
17 dividual long-term care policies in any  
18 State in which the issuer issues such  
19 policy for a period of 2 years from the  
20 effective date of such premium in-  
21 crease, and

22 “(II) in the case of a group mas-  
23 ter long-term care insurance policy,  
24 the issuer shall discontinue issuing all  
25 group master long-term care insur-

1           ance policies in any State in which the  
2           issuer issues such policy for a period  
3           of 2 years from the effective date of  
4           such premium increase.

5           This clause shall apply to any issuer of  
6           long-term care insurance policies or any  
7           other person that purchases or otherwise  
8           acquires any long-term care insurance poli-  
9           cies from another issuer or person.

10           “(D) MODIFICATIONS OR WAIVERS OF RE-  
11           QUIREMENTS.—The Secretary may modify or  
12           waive any of the requirements under this para-  
13           graph if—

14                   “(i) such requirements will adversely  
15                   affect an issuer’s solvency,

16                   “(ii) such modification or waiver is re-  
17                   quired for the issuer to meet other State or  
18                   Federal requirements,

19                   “(iii) medical developments, new dis-  
20                   abling diseases, changes in long-term care  
21                   delivery, or a new method of financing  
22                   long-term care will result in changes to  
23                   mortality and morbidity patterns or as-  
24                   sumptions,

1           “(iv) judicial interpretation of a pol-  
2           icy’s benefit features results in unintended  
3           claim liabilities, or

4           “(v) in the case of a purchase or other  
5           acquisition of long-term care insurance  
6           policies of an issuer or other person, the  
7           continued sale of other long-term care in-  
8           surance policies by the purchasing issuer  
9           or person is in the best interests of individ-  
10          ual consumers.

11           “(10) LONG-TERM CARE INSURANCE POLICY  
12          DEFINED.—

13           “(A) IN GENERAL.—For purposes of this  
14           section, the term ‘long-term care insurance pol-  
15           icy’ means any product which is advertised,  
16           marketed, or offered as long-term care insur-  
17           ance (as defined in subparagraph (B)).

18           “(B) LONG-TERM CARE INSURANCE.—

19           “(i) IN GENERAL.—The term ‘long-  
20           term care insurance’ means any insurance  
21           policy or rider—

22           “(I) advertised, marketed, of-  
23           fered, or designed to provide coverage  
24           for not less than 12 consecutive  
25           months for each covered person on an

1 expense incurred, indemnity, prepaid  
2 or other basis for 1 or more necessary  
3 or medically necessary diagnostic, pre-  
4 ventive, therapeutic, rehabilitative,  
5 maintenance, or personal care services  
6 provided in a setting other than an  
7 acute care unit of a hospital, and

8 “(II) issued by insurers, fraternal  
9 benefit societies, nonprofit health, hos-  
10 pital, and medical service corpora-  
11 tions, prepaid health plans, health  
12 maintenance organizations or any  
13 similar organization to the extent such  
14 organizations are otherwise authorized  
15 to issue life or health insurance.

16 Such term includes group and individual annu-  
17 ities and life insurance policies or riders which  
18 provide directly or which supplement long-term  
19 care insurance and includes a policy or rider  
20 which provides for payment of benefits based on  
21 cognitive impairment or the loss of functional  
22 capacity.

23 “(ii) EXCLUSIONS.—The term ‘long-  
24 term care insurance’ shall not include—

1           “(I) any insurance policy which  
2           is offered primarily to provide basic  
3           coverage to supplement coverage  
4           under the medicare program under  
5           title XVIII of the Social Security Act,  
6           basic hospital expense coverage, basic  
7           medical-surgical expense coverage,  
8           hospital confinement coverage, major  
9           medical expense coverage, disability  
10          income or related asset-protection cov-  
11          erage, accident only coverage, speci-  
12          fied disease or specified accident cov-  
13          erage, or limited benefit health cov-  
14          erage, or

15          “(II) life insurance policies—

16               “(aa) which accelerate the  
17               death benefit specifically for 1 or  
18               more of the qualifying events of  
19               terminal illness or medical condi-  
20               tions requiring extraordinary  
21               medical intervention or perma-  
22               nent institutional confinement,

23               “(bb) which provide the op-  
24               tion of a lump-sum payment for  
25               such benefits, and

1           “(cc) under which neither  
2           such benefits nor the eligibility  
3           for the benefits is conditioned  
4           upon the receipt of long-term  
5           care.

6           “(11) NONREIMBURSEMENT PAYMENTS PER-  
7           MITTED.—For purposes of subsection (a)(4), a pol-  
8           icy is described in this paragraph if, under the pol-  
9           icy, payments are made to (or on behalf of) an in-  
10          sured individual on a per diem or other periodic  
11          basis without regard to the expenses incurred or  
12          services rendered during the period to which the  
13          payments relate.

14          “(c) TREATMENT OF LONG-TERM CARE INSURANCE  
15          POLICIES.—For purposes of this title, any amount re-  
16          ceived or coverage provided under a long-term care insur-  
17          ance policy that is not a qualified long-term care insurance  
18          policy shall not be treated as an amount received for per-  
19          sonal injuries or sickness or provided under an accident  
20          and health plan and shall not be treated as excludable  
21          from gross income under any provision of this title.

22          “(d) TREATMENT OF COVERAGE PROVIDED AS PART  
23          OF A LIFE INSURANCE CONTRACT.—Except as otherwise  
24          provided in regulations, in the case of any long-term care

1 insurance coverage provided by a rider on a life insurance  
2 contract, the following rules shall apply:

3 “(1) IN GENERAL.—This section shall apply as  
4 if the portion of the contract providing such cov-  
5 erage is a separate contract or policy.

6 “(2) PREMIUMS AND CHARGES FOR LONG-TERM  
7 CARE COVERAGE.—Premium payments for long-term  
8 care insurance policy coverage and charges against  
9 the life insurance contract’s cash surrender value  
10 (within the meaning of section 7702(f)(2)(A)) for  
11 such coverage, shall be treated as premiums for pur-  
12 poses of subsection (b)(2).

13 “(3) APPLICATION OF 7702.—Section  
14 7702(c)(2) (relating to the guideline premium limi-  
15 tation) shall be applied by increasing, as of any date,  
16 the guideline premium limitation with respect to a  
17 life insurance contract by an amount equal to—

18 “(A) the sum of any charges (but not pre-  
19 mium payments) described in paragraph (2)  
20 made to that date under the contract, reduced  
21 by

22 “(B) any such charges the imposition of  
23 which reduces the premiums paid for the con-  
24 tract (within the meaning of section  
25 7702(f)(1)).

1           “(4) APPLICATION OF SECTION 213.—No deduc-  
2           tion shall be allowed under section 213(a) for  
3           charges against the life insurance contract’s cash  
4           surrender value described in paragraph (2), unless  
5           such charges are includable in income as a result of  
6           the application of section 72(e)(10) and the coverage  
7           provided by the rider is a qualified long-term care  
8           insurance policy under subsection (b).

9           For purposes of this subsection, the term ‘portion’ means  
10          only the terms and benefits under a life insurance contract  
11          that are in addition to the terms and benefits under the  
12          contract without regard to the coverage under a qualified  
13          long-term care insurance policy.

14          “(e) EMPLOYER PLANS NOT TREATED AS DE-  
15          FERRED COMPENSATION PLANS.—For purposes of this  
16          title, a plan of an employer providing coverage under a  
17          qualified long-term care insurance policy shall not be  
18          treated as a plan which provides for deferred compensa-  
19          tion by reason of providing such coverage.

20          “(f) DOLLAR AMOUNT FOR PURPOSES OF GROSS IN-  
21          COME EXCLUSION.—

22                  “(1) DOLLAR AMOUNT.—

23                          “(A) IN GENERAL.—The dollar amount in  
24                          effect under this subsection shall be \$200 per  
25                          day.

1           “(B) INFLATION ADJUSTMENTS.—In the  
2 case of any taxable year beginning in a calendar  
3 year after 1996, the dollar amount contained in  
4 subparagraph (A) shall be increased by an  
5 amount equal to—

6                   “(i) such dollar amount, multiplied by

7                   “(ii) the cost-of-living adjustment de-  
8 termined under section 1(f)(3) for the cal-  
9 endar year in which the taxable year be-  
10 gins, by substituting ‘calendar year 1995’  
11 for ‘calendar year 1992’ in subparagraph  
12 (B) thereof.

13           “(2) AGGREGATION RULE.—For purposes of  
14 this subsection, all policies issued with respect to the  
15 same taxpayer shall be treated as 1 policy.

16           “(g) REGULATIONS.—The Secretary shall prescribe  
17 such regulations as may be necessary to carry out the re-  
18 quirements of this section, including regulations to prevent  
19 the avoidance of this section by providing long-term care  
20 insurance coverage under a life insurance contract and to  
21 provide for the proper allocation of amounts between the  
22 long-term care and life insurance portions of a contract.”.

23           (b) CLERICAL AMENDMENT.—The table of sections  
24 for chapter 79 is amended by inserting after the item re-  
25 lating to section 7702A the following new item:

“Sec. 7702B. Treatment of long-term care insurance.”.

1 (c) EFFECTIVE DATE.—

2 (1) IN GENERAL.—The amendments made by  
3 this section shall apply to policies issued after De-  
4 cember 31, 1995. Solely for purposes of the preced-  
5 ing sentence, a policy issued prior to January 1,  
6 1996, that satisfies the requirements of a qualified  
7 long-term care insurance policy as set forth in sec-  
8 tion 7702B(b) of the Internal Revenue Code of 1986  
9 (as added by this section) shall, on and after Janu-  
10 ary 1, 1996, be treated as having been issued after  
11 December 31, 1995.

12 (2) TRANSITION RULE.—If, after the date of  
13 enactment of this Act and before January 1, 1996,  
14 a policy providing for long-term care insurance cov-  
15 erage is exchanged solely for a qualified long-term  
16 care insurance policy (as defined in such section  
17 7702B(b)), no gain or loss shall be recognized on  
18 the exchange. If, in addition to a qualified long-term  
19 care insurance policy, money or other property is re-  
20 ceived in the exchange, then any gain shall be recog-  
21 nized to the extent of the sum of the money and the  
22 fair market value of the other property received. For  
23 purposes of this paragraph, the cancellation of a pol-  
24 icy providing for long-term care insurance coverage  
25 and reinvestment of the cancellation proceeds in a

1 qualified long-term care insurance policy within 60  
2 days thereafter shall be treated as an exchange.

3 (3) ISSUANCE OF CERTAIN RIDERS PER-  
4 MITTED.—For purposes of determining whether sec-  
5 tion 7702 or 7702A of the Internal Revenue Code  
6 of 1986 applies to any contract, the issuance, wheth-  
7 er before, on, or after December 31, 1995, of a rider  
8 on a life insurance contract providing long-term care  
9 insurance coverage shall not be treated as a modi-  
10 fication or material change of such contract.

11 **SEC. 1004. TREATMENT OF QUALIFIED LONG-TERM CARE**  
12 **PLANS.**

13 (a) EXCLUSION FROM COBRA CONTINUATION RE-  
14 QUIREMENTS.—Subparagraph (A) of section 4980B(f)(2)  
15 (defining continuation coverage) is amended by adding at  
16 the end the following new sentence: “The coverage shall  
17 not include coverage for qualified long-term care services  
18 (as defined in section 213(f)).”.

19 (b) BENEFITS INCLUDED IN CAFETERIA PLANS.—  
20 Section 125(f) (defining qualified benefits) is amended by  
21 adding at the end the following new sentence: “Such term  
22 includes coverage under a qualified long-term care insur-  
23 ance policy (as defined in section 7702B(b)) which is in-  
24 cludible in gross income only because it exceeds the dollar  
25 limitation of section 7705B(f).”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to policies issued after December  
3 31, 1995. Solely for purposes of the preceding sentence,  
4 a policy issued prior to January 1, 1996, that satisfies  
5 the requirements of a qualified long-term care insurance  
6 policy as set forth in section 7702B(b) of the Internal Rev-  
7 enue Code of 1986 (as added by section 1003) shall, on  
8 and after January 1, 1996, be treated as having been is-  
9 sued after December 31, 1995.

10 **SEC. 1005. TAX TREATMENT OF ACCELERATED DEATH BEN-**  
11 **EFITS UNDER LIFE INSURANCE CONTRACTS.**

12 (a) IN GENERAL.—Section 101 (relating to certain  
13 death benefits) is amended by adding at the end the fol-  
14 lowing new subsection:

15 “(g) TREATMENT OF CERTAIN ACCELERATED  
16 DEATH BENEFITS.—

17 “(1) IN GENERAL.—For purposes of this sec-  
18 tion, any amount distributed to an individual under  
19 a life insurance contract on the life of an insured  
20 who is a terminally ill individual (as defined in para-  
21 graph (3)) shall be treated as an amount paid by  
22 reason of the death of such insured.

23 “(2) NECESSARY CONDITIONS.—

24 “(A) IN GENERAL.—Paragraph (1) shall  
25 not apply to any distribution unless—

1           “(i) the distribution is not less than  
2           the present value (determined under sub-  
3           paragraph (B)) of the reduction in the  
4           death benefit otherwise payable in the  
5           event of the death of the insured, and

6           “(ii) the percentage derived by divid-  
7           ing the cash surrender value of the con-  
8           tract, if any, immediately after the dis-  
9           tribution by the cash surrender value of  
10          the contract immediately before the dis-  
11          tribution is equal to or greater than the  
12          percentage derived by dividing the death  
13          benefit immediately after the distribution  
14          by the death benefit immediately before the  
15          distribution.

16          “(B) REDUCTION VALUE.—The present  
17          value of the reduction in the death benefit oc-  
18          curring by reason of the distribution shall be  
19          determined by—

20               “(i) using as the discount rate a rate  
21               not in excess of the highest rate set forth  
22               in subparagraph (C), and

23               “(ii) assuming that the death benefit  
24               (or the portion thereof) would have been  
25               paid at the end of a period that is no more

1 than the insured's life expectancy from the  
2 date of the distribution or 12 months,  
3 whichever is shorter.

4 “(C) RATES.—The rates set forth in this  
5 subparagraph are the following:

6 “(i) the 90-day Treasury bill yield,

7 “(ii) the rate described as Moody's  
8 Corporate Bond Yield Average-Monthly  
9 Average Corporates as published by  
10 Moody's Investors Service, Inc., or any  
11 successor thereto, for the calendar month  
12 ending 2 months before the date on which  
13 the rate is determined,

14 “(iii) the rate used to compute the  
15 cash surrender values under the contract  
16 during the applicable period plus 1 percent  
17 per annum, and

18 “(iv) the maximum permissible inter-  
19 est rate applicable to policy loans under  
20 the contract.

21 “(3) TERMINALLY ILL INDIVIDUAL.—For pur-  
22 poses of this subsection, the term ‘terminally ill indi-  
23 vidual’ means an individual who, as determined by  
24 the insurer on the basis of an acceptable certifi-  
25 cation by a licensed physician, has an illness or

1 physical condition which can reasonably be expected  
2 to result in death within 12 months of the date of  
3 certification.

4 “(4) APPLICATION OF SECTION 72(e)(10).—For  
5 purposes of section 72(e)(10) (relating to the treat-  
6 ment of modified endowment contracts), section  
7 72(e)(4)(A)(i) shall not apply to distributions de-  
8 scribed in paragraph (1).”.

9 (b) EFFECTIVE DATE.—

10 (1) IN GENERAL.—The amendments made by  
11 this section shall apply to amounts received after  
12 December 31, 1995.

13 (2) TRANSITIONAL RULE.—For purposes of ap-  
14 plying section 101(g), 7702, or 7702A of the Inter-  
15 nal Revenue Code of 1986 to any contract, the issu-  
16 ance, whether before, on, or after January 1, 1996,  
17 of a rider on a life insurance contract permitting the  
18 acceleration of death benefits (as described in sec-  
19 tion 101(g) of such Code (as added by this section))  
20 shall not be treated as a modification or material  
21 change of such contract.

1 **SEC. 1006. TAX TREATMENT OF COMPANIES ISSUING**  
2 **QUALIFIED ACCELERATED DEATH BENEFIT**  
3 **RIDERS.**

4 (a) QUALIFIED ACCELERATED DEATH BENEFIT RID-  
5 ERS TREATED AS LIFE INSURANCE.—Section 818 (relat-  
6 ing to other definitions and special rules) is amended by  
7 adding at the end the following new subsection:

8 “(g) QUALIFIED ACCELERATED DEATH BENEFIT  
9 RIDERS TREATED AS LIFE INSURANCE.—For purposes of  
10 this part—

11 “(1) IN GENERAL.—Any reference to a life in-  
12 surance contract shall be treated as including a ref-  
13 erence to a qualified accelerated death benefit rider  
14 on such contract.

15 “(2) QUALIFIED ACCELERATED DEATH BENE-  
16 FIT RIDERS.—For purposes of this subsection, the  
17 term ‘qualified accelerated death benefit rider’  
18 means any rider on a life insurance contract which  
19 provides for a distribution to an individual upon the  
20 insured becoming a terminally ill individual (as de-  
21 fined in section 101(g)(3)).”.

22 (b) DEFINITIONS OF LIFE INSURANCE AND MODI-  
23 FIED ENDOWMENT CONTRACTS.—Paragraph (5)(A) of  
24 section 7702(f) (defining qualified additional benefits) is  
25 amended by striking “or” at the end of clause (iv), by

1 redesignating clause (v) as clause (vi), and by inserting  
2 after clause (iv) the following new clause:

3                   “(v) any qualified accelerated death  
4                   benefit rider (as defined in section 818(g)),  
5                   or”.

6           (c) EFFECTIVE DATE.—The amendments made by  
7 this section shall take effect on January 1, 1996.

8                   **TITLE II—STANDARDS FOR**  
9                   **LONG-TERM CARE INSURANCE**

10           **SEC. 2001. ADDITIONAL REQUIREMENTS FOR ISSUERS OF**  
11                   **LONG-TERM CARE INSURANCE POLICIES.**

12           (a) IN GENERAL.—Chapter 43 is amended by adding  
13 at the end the following new section:

14           **“SEC. 4980C. FAILURE TO MEET REQUIREMENTS FOR**  
15                   **QUALIFIED LONG-TERM CARE INSURANCE**  
16                   **POLICIES.**

17           “(a) GENERAL RULE.—There is hereby imposed on  
18 the issuer of any qualified long-term care insurance policy  
19 with respect to which any requirement of subsection (c)  
20 or (d) is not met a tax in the amount determined under  
21 subsection (b).

22           “(b) AMOUNT OF TAX.—

23                   “(1) IN GENERAL.—

24                           “(A) PER POLICY.—The amount of the tax  
25                   imposed by subsection (a) shall be \$100 per

1 policy for each day any requirement of sub-  
2 section (c) or (d) is not met with respect to the  
3 policy.

4 “(B) LIMITATIONS.—

5 “(i) PER CARRIER.—The amount of  
6 the tax imposed under subparagraph (A)  
7 against any insurance carrier, association,  
8 or any subsidiary thereof, shall not exceed  
9 \$25,000 per policy.

10 “(ii) PER AGENT.—The amount of the  
11 tax imposed under subparagraph (A)  
12 against any insurance agent or broker  
13 shall not exceed \$15,000 per policy.

14 “(2) WAIVER.—In the case of a failure which is  
15 due to reasonable cause and not to willful neglect,  
16 the Secretary may waive part or all of the tax im-  
17 posed by subsection (a) to the extent that payment  
18 of the tax would be excessive relative to the failure  
19 involved.

20 “(c) ADDITIONAL RESPONSIBILITIES.—The require-  
21 ments of this subsection with respect to any qualified long-  
22 term care insurance policy are as follows:

23 “(1) REQUIREMENTS OF MODEL PROVISIONS.—

1           “(A) MODEL REGULATION.—The following  
2 requirements of the model regulation shall be  
3 met:

4           “(i) Section 13 (relating to application  
5 forms and replacement coverage).

6           “(ii) Section 14 (relating to reporting  
7 requirements), except that the issuer shall  
8 also report at least annually the number of  
9 claims denied during the reporting period  
10 for each class of business (expended as a  
11 percentage of claims denied), other than  
12 claims denied for failure to meet the wait-  
13 ing period or because of any applicable  
14 preexisting condition.

15           “(iii) Section 20 (relating to filing re-  
16 quirements for marketing).

17           “(iv) Section 21 (relating to standards  
18 for marketing), including inaccurate com-  
19 pletion of medical histories, other than sec-  
20 tions 21C(1) and 21C(6) thereof, except  
21 that—

22           “(I) in addition to such require-  
23 ments, no person shall, in selling or  
24 offering to sell a qualified long-term

1 care insurance policy, misrepresent a  
2 material fact; and

3 “(II) no such requirements shall  
4 include a requirement to inquire or  
5 identify whether a prospective appli-  
6 cant or enrollee for qualified long-  
7 term care insurance has accident and  
8 sickness insurance.

9 “(v) Section 22 (relating to appro-  
10 priateness of recommended purchase).

11 “(vi) Section 24 (relating to standard  
12 format outline of coverage).

13 “(vii) Section 25 (relating to require-  
14 ment to deliver shopper’s guide).

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

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

22 “(ii) Section 6G (relating to outline of  
23 coverage).

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

1           “(iv) Section 6I (relating to policy  
2           summary).

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

5           “(vi) Section 7 (relating to incontest-  
6           ability period).

7           “(C) DEFINITIONS.—For purposes of this  
8           paragraph, the terms ‘model regulation’ and  
9           ‘model Act’ have the meanings given such terms  
10          by section 7702B(b)(6)(B).

11          “(2) DELIVERY OF POLICY.—If an application  
12          for a qualified long-term care insurance policy (or  
13          for a certificate under a group qualified long-term  
14          care insurance policy) is approved, the issuer shall  
15          deliver to the applicant (or policyholder or certifi-  
16          cate-holder) the policy (or certificate) of insurance  
17          not later than 30 days after the date of the ap-  
18          proval.

19          “(3) INFORMATION ON DENIALS OF CLAIMS.—  
20          If a claim under a qualified long-term care insurance  
21          policy is denied, the issuer shall, within 60 days of  
22          the date of a written request by the policyholder or  
23          certificate-holder (or representative)—

24                  “(A) provide a written explanation of the  
25                  reasons for the denial, and

1           “(B) make available all information di-  
2           rectly relating to such denial.

3           “(d) DISCLOSURE.—The requirements of this sub-  
4 section are met with respect to any qualified long-term  
5 care insurance policy if the following statement is promi-  
6 nently displayed on the front page of the policy and in  
7 the outline of coverage required under subsection  
8 (c)(1)(B)(ii):

9           “‘This is a federally qualified long-term care  
10 insurance contract. The policy meets all the Federal  
11 consumer protection standards necessary to receive  
12 favorable tax treatment under section 7702B(b) of  
13 the Internal Revenue Code of 1986.’.

14           “(e) QUALIFIED LONG-TERM CARE INSURANCE POL-  
15 ICY DEFINED.—For purposes of this section, the term  
16 ‘qualified long-term care insurance policy’ has the mean-  
17 ing given such term by section 7702B(b).”.

18           (b) CONFORMING AMENDMENT.—The table of sec-  
19 tions for chapter 43 is amended by adding at the end the  
20 following new item:

                  “Sec. 4980C. Failure to meet requirements for qualified long-term  
                  care insurance policies.”.

21           (c) EFFECTIVE DATE.—The amendments made by  
22 this section shall apply to actions taken after December  
23 31, 1995.

1 **SEC. 2002. COORDINATION WITH STATE REQUIREMENTS.**

2 Nothing in this title shall be construed as preventing  
3 a State from applying standards that provide greater pro-  
4 tection of policyholders of qualified long-term care insur-  
5 ance policies (as defined in section 7702B(b) of the Inter-  
6 nal Revenue Code of 1986 (as added by section 1003)),  
7 except that such State standards may not be inconsistent  
8 or in conflict with any of the requirements of this title.

9 **SEC. 2003. UNIFORM LANGUAGE AND DEFINITIONS.**

10 (a) **IN GENERAL.**—Not later than June 30, 1996, the  
11 Secretary shall promulgate standards for the use of uni-  
12 form language and definitions in qualified long-term care  
13 insurance policies (as defined in section 7702B(b) of the  
14 Internal Revenue Code of 1986 (as added by section  
15 1003)).

16 (b) **VARIATIONS.**—Standards under subsection (a)  
17 may permit the use of nonuniform language to the extent  
18 required to take into account differences among States in  
19 the licensing of nursing facilities and other providers of  
20 long-term care.

1 **TITLE III—INCENTIVES TO EN-**  
 2 **COURAGE THE PURCHASE OF**  
 3 **PRIVATE INSURANCE**

4 **SEC. 3001. PUBLIC INFORMATION AND EDUCATION PRO-**  
 5 **GRAM.**

6 (a) IN GENERAL.—The Secretary shall provide for  
 7 the education of individuals regarding—

8 (1) the risk of incurring catastrophic long-term  
 9 care costs;

10 (2) the coverage or lack of coverage of such  
 11 costs through Federal programs;

12 (3) the importance of planning for such costs;  
 13 and

14 (4) the benefits of securing long-term care in-  
 15 surance coverage.

16 (b) AUTHORIZATION OF APPROPRIATIONS.—There  
 17 are authorized to be appropriated such sums as may be  
 18 necessary to carry out the purposes of this section.

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