

105TH CONGRESS
2D SESSION

H. R. 3998

To direct the Secretary of Health and Human Services to make payments to each State for the operation of a comprehensive health insurance plan ensuring health insurance coverage for individuals and families in the State, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 5, 1998

Mr. OBEY (for himself and Mr. MATSUI) introduced the following bill; which was referred to the Committee on Commerce, and in addition to the Committees on Ways and Means, and Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To direct the Secretary of Health and Human Services to make payments to each State for the operation of a comprehensive health insurance plan ensuring health insurance coverage for individuals and families in the State, 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 “American Health Security Partnership Act of 1998”.

1 (b) TABLE OF CONTENTS.—The table of contents of
 2 this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Findings; purpose.
- Sec. 3. Definitions.

TITLE I—FEDERAL PAYMENTS TO STATES

- Sec. 101. Payments to States with certified plans.
- Sec. 102. Amount of State payment.
- Sec. 103. Total amount available for payments.

TITLE II—REQUIREMENTS FOR COMPREHENSIVE HEALTH PLANS

- Sec. 201. Implementation of certified health insurance plans by States.
- Sec. 202. Required provisions of health insurance plan.
- Sec. 203. Requiring operation of certified plan to receive medicaid payments.

TITLE III—TAX DEDUCTIBILITY OF HEALTH INSURANCE

- Sec. 301. Tax deductibility of health insurance.

TITLE IV—HEALTH CARE FOR WORKING FAMILIES

- Sec. 401. Health benefits for employees and their families.
- Sec. 402. Amendment to Public Health Service Act.

TITLE V—FINANCING MECHANISMS

- Sec. 501. Increase in top income tax rate applicable to corporations.
- Sec. 502. Establishment of tobacco settlement trust fund.

3 **SEC. 2. FINDINGS; PURPOSE.**

4 (a) FINDINGS.—Congress finds as follows:

5 (1) 41 million Americans do not have health in-
 6 surance coverage.

7 (2) Cost shifting among payers and providers
 8 contributes to the increasing cost of health care in
 9 the United States.

10 (3) The only means of ending this cost shifting
 11 is to ensure that each individual in the United
 12 States has health insurance coverage.

1 (b) PURPOSE.—It is the purpose of this Act to pro-
2 vide assistance to each State to enable the State to ensure,
3 in the manner the State itself considers most appropriate,
4 that each individual has access to health insurance cov-
5 erage at least equivalent to the coverage provided to Mem-
6 bers of Congress and employees of the Federal Govern-
7 ment.

8 **SEC. 3. DEFINITIONS.**

9 In this Act:

10 (1) The term “Secretary” means the Secretary
11 of Health and Human Services.

12 (2) The term “State” means each of the 50
13 States and the District of Columbia.

14 **TITLE I—FEDERAL PAYMENTS**
15 **TO STATES**

16 **SEC. 101. PAYMENTS TO STATES WITH CERTIFIED PLANS.**

17 For purposes of assisting States in carrying out plans
18 approved under title II, the Secretary of Health and
19 Human Services shall make payments to States with com-
20 prehensive health insurance plans certified under title II
21 for a fiscal year in an amount determined under section
22 102.

23 **SEC. 102. AMOUNT OF STATE PAYMENT.**

24 (a) IN GENERAL.—Subject to the succeeding provi-
25 sions of this section, the amount of payment made to a

1 State for a fiscal year under section 101 shall be equal
2 to 50 percent of the State's expenditures in carrying out
3 health insurance plans certified under title II.

4 (b) STATE ALLOCATION.—The amount of payments
5 under section 101 to a State in a fiscal year may not ex-
6 ceed the State's allocation of the total amount available
7 for payments under this title for the fiscal year under sec-
8 tion 103, as determined in accordance with the following
9 formula:

10 (1) FISCAL YEARS 1999 THROUGH 2001.—For
11 fiscal years 1999 through 2001:

12 (A) 30 percent of the total amount avail-
13 able shall be allocated among the States on the
14 basis of the ratio of the uninsured population of
15 each State to the uninsured population of all
16 States.

17 (B) 30 percent of the total amount avail-
18 able shall be allocated among the States on the
19 basis of the ratio of the low-income population
20 of each State to the low-income population of
21 all States.

22 (C) 40 percent of the total amount avail-
23 able shall be allocated among the States on the
24 basis of the ratio of the total population of each
25 State to the total population of all States.

1 (2) FISCAL YEAR 2002.—For fiscal year 2002:

2 (A) 20 percent of the total amount avail-
3 able shall be allocated among the States on the
4 basis of the ratio of the uninsured population of
5 each State to the uninsured population of all
6 States.

7 (B) 40 percent of the total amount avail-
8 able shall be allocated among the States on the
9 basis of the ratio of the low-income population
10 of each State to the low-income population of
11 all States.

12 (C) 40 percent of the total amount avail-
13 able shall be allocated among the States on the
14 basis of the ratio of the total population of each
15 State to the total population of all States.

16 (3) FISCAL YEAR 2003 AND SUCCEEDING FISCAL
17 YEARS.—For a fiscal year after fiscal year 2002:

18 (A) 50 percent of the total amount avail-
19 able shall be allocated among the States on the
20 basis of the ratio of the low-income population
21 of each State to the low-income population of
22 all States.

23 (B) 50 percent of the total amount avail-
24 able shall be allocated among the States on the

1 basis of the ratio of the total population of each
2 State to the total population of all States.

3 (c) USE OF NON-FEDERAL FUNDS FOR STATE
4 MATCHING REQUIREMENT.—Amounts provided by the
5 Federal Government, or services assisted or subsidized to
6 any significant extent by the Federal Government, may
7 not be included in determining the amount of non-Federal
8 contributions required under subsection (a). In applying
9 this subsection, the Secretary shall provide for the applica-
10 tion of rules similar to the rules described in section
11 1903(w) of the Social Security Act (relating to treatment
12 of certain provider taxes and donations).

13 (d) OFFSET OF RECEIPTS ATTRIBUTABLE TO PRE-
14 MIUMS AND OTHER COST-SHARING.—For purposes of
15 subsection (a), the amount of the expenditures under the
16 plan shall be reduced by the amount of any premiums and
17 other cost-sharing received by the State.

18 (e) MAINTENANCE OF EFFORT.—

19 (1) IN MEDICAID ELIGIBILITY STANDARDS.—No
20 payment may be made under this title to a State if
21 the State adopts income and resource standards and
22 methodologies for purposes of determining eligibility
23 for medical assistance under the State plan under
24 title XIX that are more restrictive than those ap-
25 plied as of June 1, 1997.

1 (2) IN AMOUNTS OF PAYMENT EXPENDED FOR
2 CERTAIN STATE-FUNDED HEALTH INSURANCE PRO-
3 GRAMS.—

4 (A) IN GENERAL.—The amount of the allo-
5 cation under subsection (b) for a State in a fis-
6 cal year shall be reduced by the amount by
7 which—

8 (i) the total of the State health insur-
9 ance program expenditures in the preced-
10 ing fiscal year, is less than

11 (ii) the total of such expenditures in
12 fiscal year 1998.

13 (B) STATE HEALTH INSURANCE PROGRAM
14 EXPENDITURES.—For purposes of subpara-
15 graph (A), the term “State health insurance
16 program expenditures” means the following:

17 (i) The State share of expenditures
18 under title XXI of the Social Security Act.

19 (ii) The State share of expenditures
20 under title XIX of such Act.

21 (iii) State expenditures under health
22 benefits coverage under an existing com-
23 prehensive State-based program, described
24 in section 2103(d) of such Act.

1 (f) 3-YEAR AVAILABILITY OF AMOUNTS ALLO-
2 CATED.—Amounts allocated to a State pursuant to this
3 section for a fiscal year shall remain available for expendi-
4 ture by the State through the end of the second succeeding
5 fiscal year; except that amounts reallocated to a State
6 under subsection (g) shall be available for expenditure by
7 the State through the end of the fiscal year in which they
8 are reallocated.

9 (g) PROCEDURE FOR REDISTRIBUTION OF UNUSED
10 ALLOCATIONS.—The Secretary shall determine an appro-
11 priate procedure for redistribution of allocations from
12 States that were provided allocations under this section
13 for a fiscal year but that do not expend all of the amount
14 of such allocations during the period in which such alloca-
15 tions are available for expenditure under subsection (f),
16 to States that have fully expended the amount of their
17 allocations under this section. Such procedure shall pro-
18 vide priority consideration to States facing economic reces-
19 sion or natural disasters.

20 **SEC. 103. TOTAL AMOUNT AVAILABLE FOR PAYMENTS.**

21 For the purpose of providing for payments to States
22 under this title for fiscal years, there are hereby appro-
23 priated out of the tobacco settlement trust fund estab-
24 lished in section 502 the following:

25 (1) For fiscal year 1999, \$7,000,000,000.

1 (2) For fiscal year 2000, \$9,000,000,000.

2 (3) For fiscal year 2001, \$13,000,000,000.

3 (4) For fiscal year 2002, \$16,000,000,000.

4 (5) For fiscal year 2003 and for each succeed-
5 ing fiscal year, \$19,000,000,000.

6 **TITLE II—REQUIREMENTS FOR**
7 **COMPREHENSIVE HEALTH**
8 **PLANS**

9 **SEC. 201. IMPLEMENTATION OF CERTIFIED HEALTH INSUR-**
10 **ANCE PLANS BY STATES.**

11 (a) IN GENERAL.—Not later than July 1, 2001, each
12 State shall submit to the Secretary a comprehensive health
13 insurance plan designed to be administered by the State
14 and containing the provisions required under this title,
15 and shall have such plan in place and operating not later
16 than January 1, 2002.

17 (b) CERTIFICATION OF PLANS BY SECRETARY.—The
18 Secretary shall certify for a fiscal year those State plans
19 developed and implemented under this title which meet the
20 applicable requirements of this title for the fiscal year.

21 **SEC. 202. REQUIRED PROVISIONS OF HEALTH INSURANCE**
22 **PLAN.**

23 (a) IN GENERAL.—Each State shall have maximum
24 flexibility in developing and implementing its comprehen-

1 sive health insurance plan under this title, except that the
2 plan shall include at least the following provisions:

3 (1) COVERAGE.—Health insurance coverage
4 meeting the requirements of this title for all individ-
5 uals in the State without regard to employment sta-
6 tus, income, or pre-existing condition or other health
7 status.

8 (2) PORTABILITY AND GUARANTEED RE-
9 NEWAL.—A prohibition against the denial, cancella-
10 tion, or refusal to renew the coverage of an individ-
11 ual or employer except—

12 (A) on the basis of nonpayment of pre-
13 miums,

14 (B) on the basis of fraud or misrepresenta-
15 tion, or

16 (C) because the plan is ceasing to provide
17 any coverage in a geographic area.

18 (3) BENEFITS.—

19 (A) COMPARABLE TO FEHBP.—Subject to
20 the succeeding provisions of this paragraph,
21 benefits at least comparable to the benefits
22 (and deductibles, copayments, and other cost-
23 sharing not exceeding the comparable cost-shar-
24 ing) for coverage available to Members of Con-
25 gress and employees of the Federal government

1 under the Federal Employees Health Benefits
2 Program (FEHBP) (as determined by the Sec-
3 retary).

4 (B) LIMITATION ON COST-SHARING FOR
5 LOW-INCOME INDIVIDUALS.—In the case of in-
6 dividuals with income below 300 percent of the
7 poverty line for a family of the size involved,
8 the coverage shall not require the payment of
9 any coinsurance, copayments, or other cost-
10 sharing (other than premiums).

11 (C) LIMITATION ON PREMIUMS FOR LOW-
12 INCOME INDIVIDUALS.—In the case of individ-
13 uals with income below 300 percent of such
14 poverty line, the amount of premiums shall not
15 exceed—

16 (i) 1 percent of income, in the case of
17 individuals with income below 200 percent
18 of such poverty line;

19 (ii) 2 percent of income, in the case of
20 individuals with income at or above 200
21 percent, but below 250 percent, of such
22 poverty line; and

23 (iii) 3 percent of income, in the case
24 of individuals with income at or above 250

1 percent, but below 300 percent, of such
2 poverty line.

3 (D) SATISFACTION OF REQUIREMENT
4 THROUGH COVERAGE UNDER MEDICARE, MED-
5 ICAID, OR STATE CHILDREN’S HEALTH INSUR-
6 ANCE PROGRAM.—Coverage under title XVIII
7 of the Social Security Act or coverage under a
8 State plan under title XIX or XXI of such Act
9 shall be deemed to meet the requirements of
10 subparagraphs (A), (B), and (C).

11 (E) AVAILABILITY OF HOME- AND COMMU-
12 NITY-BASED CARE.—The offering of home- and
13 community-based care as an alternative to insti-
14 tutional care if medically appropriate.

15 (4) COMMUNITY RATING OF PREMIUMS.—A re-
16 quirement that the premium charged shall be equiv-
17 alent for all individuals within any community, ex-
18 cept that the premium may vary with respect to an
19 individual on the basis of the individual’s age or the
20 number of members of the individual’s family cov-
21 ered.

22 (5) QUALITY OF CARE.—The creation of ade-
23 quate mechanisms designed to assure, monitor, and
24 maintain the provision of high quality health care to
25 individuals in the State.

1 (6) COST CONTAINMENT.—The creation of ade-
2 quate mechanisms designed to control premiums and
3 the costs of providing high quality health care to in-
4 dividuals in the State.

5 (7) AVOIDING CROWD OUT.—Procedures to be
6 used to ensure that the coverage provided under this
7 title does not substitute for coverage under group
8 health plans.

9 (8) DATA COLLECTION, RECORDS, AND RE-
10 PORTS.—Assurances that the State will collect the
11 data, maintain the records, and furnish the reports
12 to the Secretary, at the times and in the standard-
13 ized format the Secretary may require in order to
14 enable the Secretary to monitor State program ad-
15 ministration and compliance and to evaluate and
16 compare the effectiveness of State plans under this
17 title.

18 (9) AUDITS.—Assurances that the State will af-
19 ford the Secretary access to any records or informa-
20 tion relating to the plan for the purposes of review
21 or audit.

22 (10) PROGRAM BUDGET.—A budget for the
23 plan, which is updated periodically as necessary and
24 includes details on the planned use of funds and the

1 sources of the non-Federal share of plan expendi-
2 tures.

3 (11) EVALUATIONS.—Submission to the Sec-
4 retary, by January 1, 2004, of an evaluation that in-
5 cludes an assessment of the effectiveness of the plan
6 in increasing the number of residents with health in-
7 surance coverage, recommendations for improving
8 the program under this title, and any other matters
9 the State and the Secretary consider appropriate.

10 (b) REPORT OF THE SECRETARY.—The Secretary
11 shall submit to Congress and make available to the public
12 by December 31, 2004, a report based on the evaluations
13 submitted by States under subsection (a)(11) containing
14 any conclusions and recommendations the Secretary con-
15 siders appropriate.

16 (c) WAIVER OF CERTAIN PREEMPTION REQUIRE-
17 MENTS.—

18 (1) IN GENERAL.—Subject to paragraph (2),
19 the provisions of section 514 of the Employee Re-
20 tirement Income Security Act of 1974 are waived to
21 the extent the Secretary, in consultation with the
22 Secretary of Labor, determines that such waiver is
23 reasonable and necessary to carry out a comprehen-
24 sive health insurance plan under this title.

1 (2) LIMITATION.—Nothing in this title shall be
2 construed as encroaching on or otherwise affecting
3 the collective bargaining rights of workers and their
4 representatives.

5 (d) CONSTRUCTION.—Nothing in this title shall be
6 construed as preventing a State from providing for admin-
7 istration of its comprehensive health insurance plan in a
8 manner similar to that provided under the State’s child
9 health insurance plan under title XXI of the Social Secu-
10 rity Act.

11 **SEC. 203. REQUIRING OPERATION OF CERTIFIED PLAN TO**
12 **RECEIVE MEDICAID PAYMENTS.**

13 Section 1903 of the Social Security Act (42 U.S.C.
14 1396b) is amended by adding at the end the following new
15 subsection:

16 “(x)(1) In order to receive payments under this title
17 for any quarter beginning on or after January 1, 2002,
18 a State must have in effect a comprehensive health insur-
19 ance plan certified for the fiscal year in which the quarter
20 occurs by the Secretary under section 201(b) of the Amer-
21 ican Health Security Partnership Act of 1998.

22 “(2)(A) The provisions of this subsection shall not
23 apply to a State for any quarter—

24 “(i) that follows the quarter during which the
25 State meets the requirements of this subsection; or

1 “(ii) with respect to which the Secretary deter-
 2 mines that the State is unable to comply with the
 3 relevant requirements of this subsection—

4 “(I) for good cause (but such a waiver may
 5 not be for a period in excess of 4 quarters), or

6 “(II) due to circumstances beyond the con-
 7 trol of such State.

8 “(B) For purposes of determining deadlines imposed
 9 under this subsection, any time period during which a
 10 State was found under subparagraph (A)(ii)(II) to be un-
 11 able to comply with the requirements of this subsection
 12 shall not be taken into account, and the Secretary shall
 13 modify all such deadlines with respect to such State ac-
 14 cordingly.”.

15 **TITLE III—TAX DEDUCTIBILITY** 16 **OF HEALTH INSURANCE**

17 **SEC. 301. TAX DEDUCTIBILITY OF HEALTH INSURANCE.**

18 (a) IN GENERAL.—Part VII of subchapter B of chap-
 19 ter 1 of the Internal Revenue Code of 1986 (relating to
 20 additional itemized deductions) is amended by redesignat-
 21 ing section 222 as section 223 and by inserting after sec-
 22 tion 221 the following new section:

23 **“SEC. 222. HEALTH INSURANCE COSTS.**

24 “(a) IN GENERAL.—In the case of an individual,
 25 there shall be allowed as a deduction an amount equal to

1 100 percent of the amount paid during the taxable year
2 for insurance which constitutes medical care for the tax-
3 payer, his spouse, and dependents.

4 “(b) LIMITATION BASED ON EARNED INCOME.—No
5 deduction shall be allowed under subsection (a) to the ex-
6 tent that the amount of such deduction exceeds the sum
7 of—

8 “(1) the taxpayer’s wages, salaries, tips, and
9 other employee compensation includible in gross in-
10 come, plus

11 “(2) the taxpayer’s earned income (as defined
12 in section 401(c)(2)).

13 “(c) OTHER COVERAGE.—

14 “(1) IN GENERAL.—Subsection (a) shall not
15 apply to any taxpayer for any calendar month for
16 which the taxpayer is eligible to participate in any
17 subsidized health plan maintained by any employer
18 of the taxpayer or of the spouse of the taxpayer. The
19 preceding sentence shall be applied separately with
20 respect to—

21 “(A) plans which include coverage for
22 qualified long-term care services (as defined in
23 section 7702B(c)) or are qualified long-term
24 care insurance contracts (as defined in section
25 7702B(b)), and

1 “(B) plans which do not include such cov-
2 erage and are not such contracts.

3 “(2) LONG-TERM CARE PREMIUMS.—In the
4 case of a qualified long-term care insurance contract
5 (as defined in section 7702B(b)), only eligible long-
6 term care premiums (as defined in section
7 213(d)(10)) shall be taken into account under sub-
8 section (a).

9 “(3) MEDICARE PREMIUMS.—Subsection (a)
10 shall not apply to amounts paid as premiums under
11 part B of title XVIII of the Social Security Act.

12 “(d) SPECIAL RULES.—

13 “(1) COORDINATION WITH MEDICAL DEDUC-
14 TION, ETC.—Any amount paid by a taxpayer for in-
15 surance to which subsection (a) applies shall not be
16 taken into account in computing the amount allow-
17 able to the taxpayer as a deduction under section
18 213(a).

19 “(2) DEDUCTION NOT ALLOWED FOR SELF-EM-
20 PLOYMENT TAX PURPOSES.—The deduction allow-
21 able by reason of this section shall not be taken into
22 account in determining an individual’s net earnings
23 from self-employment (within the meaning of section
24 1402(a)) for purposes of chapter 2.

1 “(3) DEDUCTION NOT ALLOWED FOR AMOUNTS
2 PAID FROM MEDICAL SAVINGS ACCOUNTS.—Sub-
3 section (a) shall not apply to amounts paid from a
4 medical savings account (as defined in section
5 220(d)).”

6 (b) CONFORMING AMENDMENTS.—

7 (1) Subsection (l) of section 162 of such Code
8 is hereby repealed.

9 (2) Subsection (a) of section 62 of such Code
10 is amended by inserting after paragraph (17) the
11 following new item:

12 “(18) HEALTH INSURANCE COSTS.—The deduc-
13 tion allowed by section 222.”

14 (3) The table of sections for part VII of sub-
15 chapter B of chapter 1 of such Code is amended by
16 striking the last item and inserting the following
17 new items:

 “Sec. 222. Health insurance costs.

 “Sec. 223. Cross reference.”

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to taxable years beginning after
20 December 31, 1998.

1 **TITLE IV—HEALTH CARE FOR**
2 **WORKING FAMILIES**

3 **SEC. 401. HEALTH BENEFITS FOR EMPLOYEES AND THEIR**
4 **FAMILIES.**

5 (a) IN GENERAL.—The Fair Labor Standards Act of
6 1938 (29 U.S.C. 201 et seq.) is amended by adding at
7 the end thereof the following new title:

8 **“TITLE II—HEALTH BENEFITS**
9 **FOR EMPLOYEES AND THEIR**
10 **FAMILIES**

11 **“SEC. 201. HEALTH BENEFITS.**

12 “(a) OFFER TO ENROLL.—

13 “(1) IN GENERAL.—Each large employer, in ac-
14 cordance with this title, shall offer to each of its em-
15 ployees the opportunity to enroll in a qualifying
16 health benefit plan that provides coverage for the
17 employee and the family of the employee.

18 “(2) QUALIFYING HEALTH BENEFIT PLAN.—

19 For purposes of this title, the term ‘qualifying
20 health benefit plan’ means a plan that provides ben-
21 efits for health care items and services that meet the
22 requirements of section 202(a)(3) of the American
23 Health Security Partnership Act of 1998 and of title
24 XXVII of the Public Health Service Act applicable
25 to the plan.

1 “(b) CONTRIBUTION AND WITHHOLDING.—

2 “(1) IN GENERAL.—Each large employer, in ac-
3 cordance with this title, shall—

4 “(A) contribute to the cost of any qualify-
5 ing health benefit plan offered to its employees
6 under subsection (a); and

7 “(B) withhold from the wages of an em-
8 ployee, the employee share of the premium as-
9 sessed for coverage under the qualifying health
10 benefit plan.

11 “(2) REQUIRED CONTRIBUTION.—Except as
12 provided in paragraphs (3) and (4), the portion of
13 the total premium to be paid by a large employer
14 under paragraph (1)(A) shall not be less than the
15 portion of the total premium that the Federal Gov-
16 ernment contributes under the Blue Cross/Blue
17 Shield Standard Plan provided under the Federal
18 Employees Health Benefit Program under chapter
19 89 of title 5, United States Code.

20 “(3) PART-TIME EMPLOYEES.—With respect to
21 an employee who works less than 30 hours per week,
22 the employer contribution required under paragraph
23 (2) shall be equal to the product of—

24 “(A) the contribution required under para-
25 graph (2); and

1 “(B) the ratio of number of hours worked
2 by the employee in a typical week to 30 hours.

3 “(4) LIMITATION.—No employer contribution
4 shall be required under this subsection with respect
5 to an employer who works less than 10 hours per
6 week.

7 “(c) EMPLOYEE OBLIGATION UNDER CERTAIN PRO-
8 GRAMS.—

9 “(1) IN GENERAL.—With respect to an em-
10 ployee covered under a Federal health insurance pro-
11 gram (as defined in paragraph (3)), such employee
12 shall accept an offer of health insurance coverage
13 under subsection (a) and agree to the appropriate
14 payroll withholdings under subsection (b)(1)(B) for
15 such coverage or provide for the payment of the em-
16 ployee share of premiums under paragraph (2), ex-
17 cept that this subsection shall not apply—

18 “(A) with respect to an employee who is
19 otherwise covered under an employment-based
20 qualified health benefit plan; or

21 “(B) with respect to the coverage of a fam-
22 ily member of an employee if the employee does
23 not elect coverage for such family member and
24 the family member is otherwise covered under

1 an employment-based qualified health benefit
2 plan.

3 “(2) PAYMENT OF PREMIUMS.—At the request
4 of an employee to which paragraph (1) applies, the
5 relevant Federal administrator of the Federal health
6 insurance program involved shall provide for the
7 payment of the employee share of the premium as-
8 sessed for coverage under the qualifying health bene-
9 fit plan involved. For purposes of title XIX of the
10 Social Security Act (42 U.S.C. 1396 et seq.), the re-
11 quirement of this paragraph shall be deemed to be
12 a requirement under the appropriate State plan
13 under such title XIX.

14 “(3) FEDERAL HEALTH INSURANCE PRO-
15 GRAM.—As used in this subsection, the term ‘Fed-
16 eral health insurance program’ means—

17 “(A) the medicare or medicaid program
18 under title XVIII or XIX of the Social Security
19 Act (42 U.S.C. 1395 or 1396 et seq.);

20 “(B) the Federal employee health benefit
21 program under chapter 89 of title V, United
22 States Code; or

23 “(C) the Civilian Health and Medical Pro-
24 gram of the Uniformed Services (CHAMPUS),

1 as defined in section 1073(4) of title 10, United
2 States Code.

3 “(d) LARGE EMPLOYERS.—

4 “(1) IN GENERAL.—The provisions of this title
5 shall only apply to large employers.

6 “(2) DEFINITION.—

7 “(A) IN GENERAL.—As used in paragraph
8 (1), the term ‘large employer’ means, with re-
9 spect to a calendar year and plan year, an em-
10 ployer that employed an average of at least 100
11 full-time employees on business days during the
12 preceding calendar year and who employs not
13 less than 100 employees on the first day of the
14 plan year.

15 “(B) EXCEPTION.—The provisions of this
16 title shall apply with respect to an employer
17 that is not a large employer under subpara-
18 graph (A) if the majority of the services per-
19 formed by such employer consist of services per-
20 formed on behalf of a single large employer.

21 “(3) CONTRACT WORKERS.—For purposes of
22 this title, a contract worker of an employer shall be
23 considered to be an employee of the employer.

1 **“SEC. 202. REQUIREMENTS RELATING TO TIMING OF COV-**
2 **ERAGE AND WITHHOLDING.**

3 “(a) **DATE OF INITIAL COVERAGE.**—In the case of
4 an employee enrolled under a qualifying health benefit
5 plan provided by a large employer, the coverage under the
6 plan must begin not later than 30 days after the day on
7 which the employee first performs an hour of service as
8 an employee of that employer.

9 “(b) **WITHHOLDING PERMITTED.**—No provision of
10 State law shall prevent an employer of an employee en-
11 rolled under a qualifying health benefit plan established
12 under this title from withholding the amount of any pre-
13 mium due by the employee from the payroll of the em-
14 ployee.

15 **“SEC. 203. ENFORCEMENT.**

16 “(a) **CIVIL MONEY PENALTY AGAINST PRIVATE EM-**
17 **PLOYERS.**—The provisions of section 502—

18 “(1) relating to the commencement of civil ac-
19 tions by the Secretary under subsection (a) of such
20 section;

21 “(2) relating to civil money penalties under sub-
22 section (c)(2) of such section; and

23 “(3) relating to the procedures for assessing,
24 collecting and the judicial review of such civil money
25 penalties;

1 shall apply with respect to any large employer that does
2 not comply with this title.

3 “(b) INJUNCTIVE RELIEF.—The provisions of section
4 17 shall apply with respect to violations of this title.

5 **“SEC. 204. PREEMPTION.**

6 “Nothing in this title shall be construed to prevent
7 a State from establishing, implementing, or continuing in
8 effect standards and requirements relating to employer
9 provided health insurance coverage unless such standards
10 and requirements prevent the application of a requirement
11 of this title.

12 **“SEC. 205. DEFINITION AND EFFECTIVE DATE.**

13 “(a) DEFINITION.—In this title the terms ‘family’
14 and ‘family member’ mean, with respect to an employee,
15 the spouse and children (including adopted children) of
16 the employee.

17 “(b) EFFECTIVE DATE.—

18 “(1) IN GENERAL.—Except as provided in para-
19 graph (2), this title shall apply with respect to em-
20 ployers on January 1, 1999.

21 “(2) COLLECTIVE BARGAINING AGREEMENTS.—

22 This title shall apply with respect to employees cov-
23 ered under a collective bargaining agreement on the
24 first day of the first plan year beginning after the

1 date of enactment of this Act, or January 1, 1999,
2 whichever occurs later.”.

3 (b) CONFORMING AMENDMENTS.—

4 (1) The Fair Labor Standards Act of 1938 is
5 amended by striking out the first section and insert-
6 ing in lieu thereof the following:

7 **“SECTION 1. SHORT TITLE.**

8 “This Act may be cited as the ‘Fair Labor Standards
9 Act of 1938’.

10 **“TITLE I—WAGES AND HOURS”.**

11 (2) The Fair Labor Standards Act of 1938 is
12 amended by striking out “this Act” each place it oc-
13 curs and inserting in lieu thereof “this title”.

14 (3) Section 17 of the Fair Labor Standards Act
15 of 1938 (29 U.S.C. 217) is amended by inserting
16 “or violations of title II” before the period.

17 **SEC. 402. AMENDMENT TO PUBLIC HEALTH SERVICE ACT.**

18 Title II of the Public Health Service Act (42 U.S.C.
19 202 et seq.) is amended by adding at the end the follow-
20 ing:

21 **“SEC. 247. REQUIREMENT FOR HEALTH INSURANCE COV-
22 ERAGE.**

23 “A health insurance issuer (as defined in section
24 2791(a)) that offers health insurance coverage (as defined
25 in section 2791(a)) to an employer on behalf of the em-

1 ployees of such employer shall ensure that such coverage
2 complies with the requirements of title II of the Fair
3 Labor Standards Act of 1938.”.

4 **TITLE V—FINANCING** 5 **MECHANISMS**

6 **SEC. 501. INCREASE IN TOP INCOME TAX RATE APPLICA-** 7 **BLE TO CORPORATIONS.**

8 (a) IN GENERAL.—Subsection (b) of section 11 of the
9 Internal Revenue Code of 1986 is amended by striking
10 “35 percent” each place it appears and inserting “36 per-
11 cent”.

12 (b) CONFORMING AMENDMENTS.—

13 (1) The last sentence of section 11(b)(1) of
14 such Code is amended by striking “\$100,000” and
15 inserting “\$200,000”.

16 (2) Clause (iii) of section 852(b)(3)(D) of such
17 Code is amended by striking “65 percent” and in-
18 serting “64 percent”.

19 (3) Subsection (a) of section 1201 of such Code
20 is amended by striking “35 percent” each place it
21 appears and inserting “36 percent”.

22 (4) Paragraphs (1) and (2) of section 1445(e)
23 of such Code are each amended by striking “35 per-
24 cent” and inserting “36 percent”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 1998.

4 **SEC. 502. ESTABLISHMENT OF TOBACCO SETTLEMENT**
5 **TRUST FUND.**

6 There is established in the Treasury of the United
7 States a tobacco settlement trust fund into which pay-
8 ments to be made to the Federal Government pursuant
9 to legislation enacted implementing a national tobacco set-
10 tlement are deposited.

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