

106TH CONGRESS
2D SESSION

H. R. 4938

To amend title XVIII of the Social Security Act and the Employee Retirement Income Security Act of 1974 to improve access to health insurance and Medicare benefits for individuals ages 55 to 65 to be fully funded through premiums and anti-fraud provisions, to amend the Internal Revenue Code of 1986 to allow a credit against income tax for payment of such premiums and of premiums for certain COBRA continuation coverage, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 24, 2000

Mr. STARK (for himself, Mr. BROWN of Ohio, Mr. GEPHARDT, Mr. DINGELL, Mr. RANGEL, Mr. WEYGAND, Mr. MATSUI, Mr. ABERCROMBIE, Mrs. CAPPS, Mr. GEORGE MILLER of California, Mr. FROST, Mr. OBERSTAR, Mr. GREEN of Texas, Ms. KILPATRICK, Mr. WEINER, Mr. LEWIS of Georgia, Mr. BRADY of Pennsylvania, Mr. MEEHAN, Mr. CROWLEY, Mr. MCGOVERN, Mr. LEVIN, Mrs. MALONEY of New York, Ms. BERKLEY, Mr. DEUTSCH, Mr. ANDREWS, Mr. STUPAK, Ms. SLAUGHTER, Mr. BONIOR, Mr. RAHALL, Mr. LANTOS, Mr. PALLONE, Mr. SERRANO, Ms. MILLENDER-McDONALD, Mr. FILNER, Ms. KAPTUR, Mr. BORSKI, Mr. HINCHEY, Mr. CARDIN, Mr. SANDLIN, Mr. FRANK of Massachusetts, Mr. FALEOMAVAEGA, Mr. TIERNEY, Mr. MENENDEZ, Mr. KANJORSKI, Mr. DEFAZIO, Mr. DOYLE, Mr. BARRETT of Wisconsin, Mr. THOMPSON of Mississippi, Mr. NADLER, Mr. WAXMAN, Mr. FARR of California, Mr. KLECZKA, Mr. CUMMINGS, and Mr. KUCINICH) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Commerce, 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 amend title XVIII of the Social Security Act and the

Employee Retirement Income Security Act of 1974 to improve access to health insurance and Medicare benefits for individuals ages 55 to 65 to be fully funded through premiums and anti-fraud provisions, to amend the Internal Revenue Code of 1986 to allow a credit against income tax for payment of such premiums and of premiums for certain COBRA continuation coverage, 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 “Medicare Early Access and Tax Credit Act of 2000”.

6 (b) **TABLE OF CONTENTS.**—

Sec. 1. Short title; table of contents.

**TITLE I—ACCESS TO MEDICARE BENEFITS FOR INDIVIDUALS 62-
 TO-65 YEARS OF AGE**

Sec. 101. Access to Medicare benefits for individuals 62-to-65 years of age.

**“PART D—PURCHASE OF MEDICARE BENEFITS BY CERTAIN INDIVIDUALS
 AGE 62-TO-65 YEARS OF AGE**

“Sec. 1859. Program benefits; eligibility.

“Sec. 1859A. Enrollment process; coverage.

“Sec. 1859B. Premiums.

“Sec. 1859C. Payment of premiums.

“Sec. 1859D. Medicare Early Access Trust Fund.

“Sec. 1859E. Oversight and accountability.

“Sec. 1859F. Administration and miscellaneous.”

**TITLE II—ACCESS TO MEDICARE BENEFITS FOR DISPLACED
 WORKERS 55-TO-62 YEARS OF AGE**

Sec. 201. Access to Medicare benefits for displaced workers 55-to-62 years of
 age.

TITLE III—COBRA PROTECTION FOR EARLY RETIREES

Subtitle A—Amendments to the Employee Retirement Income Security Act of
 1974

Sec. 301. COBRA continuation benefits for certain retired workers who lose retiree health coverage.

Subtitle B—Amendments to the Public Health Service Act

Sec. 311. COBRA continuation benefits for certain retired workers who lose retiree health coverage.

Subtitle C—Amendments to the Internal Revenue Code of 1986

Sec. 321. COBRA continuation benefits for certain retired workers who lose retiree health coverage.

TITLE IV—FINANCING

Sec. 401. Reference to financing provisions.

TITLE V—CREDIT AGAINST INCOME TAX FOR MEDICARE BUY-IN PREMIUMS AND FOR CERTAIN COBRA CONTINUATION COVERAGE PREMIUMS

Sec. 501. Credit for medicare buy-in premiums and for certain COBRA continuation coverage premiums.

1 **TITLE I—ACCESS TO MEDICARE** 2 **BENEFITS FOR INDIVIDUALS** 3 **62-TO-65 YEARS OF AGE**

4 **SEC. 101. ACCESS TO MEDICARE BENEFITS FOR INDIVID-** 5 **UALS 62-TO-65 YEARS OF AGE.**

6 (a) IN GENERAL.—Title XVIII of the Social Security
7 Act is amended—

8 (1) by redesignating section 1859 and part D
9 as section 1858 and part E, respectively; and

10 (2) by inserting after such section the following
11 new part:

1 “PART D—PURCHASE OF MEDICARE BENEFITS BY
2 CERTAIN INDIVIDUALS AGE 62-TO-65 YEARS OF AGE

3 **“SEC. 1859. PROGRAM BENEFITS; ELIGIBILITY.**

4 “(a) ENTITLEMENT TO MEDICARE BENEFITS FOR
5 ENROLLED INDIVIDUALS.—

6 “(1) IN GENERAL.—An individual enrolled
7 under this part is entitled to the same benefits
8 under this title as an individual entitled to benefits
9 under part A and enrolled under part B.

10 “(2) DEFINITIONS.—For purposes of this part:

11 “(A) FEDERAL OR STATE COBRA CONTINU-
12 ATION PROVISION.—The term ‘Federal or State
13 COBRA continuation provision’ has the mean-
14 ing given the term ‘COBRA continuation provi-
15 sion’ in section 2791(d)(4) of the Public Health
16 Service Act and includes a comparable State
17 program, as determined by the Secretary.

18 “(B) FEDERAL HEALTH INSURANCE PRO-
19 GRAM DEFINED.—The term ‘Federal health in-
20 surance program’ means any of the following:

21 “(i) MEDICARE.—Part A or part B of
22 this title (other than by reason of this
23 part).

24 “(ii) MEDICAID.—A State plan under
25 title XIX.

1 “(iii) FEHBP.—The Federal employ-
2 ees health benefit program under chapter
3 89 of title 5, United States Code.

4 “(iv) TRICARE.—The TRICARE
5 program (as defined in section 1072(7) of
6 title 10, United States Code).

7 “(v) ACTIVE DUTY MILITARY.—Health
8 benefits under title 10, United States
9 Code, to an individual as a member of the
10 uniformed services of the United States.

11 “(C) GROUP HEALTH PLAN.—The term
12 ‘group health plan’ has the meaning given such
13 term in section 2791(a)(1) of the Public Health
14 Service Act.

15 “(b) ELIGIBILITY OF INDIVIDUALS AGE 62-TO-65
16 YEARS OF AGE.—

17 “(1) IN GENERAL.—Subject to paragraph (2),
18 an individual who meets the following requirements
19 with respect to a month is eligible to enroll under
20 this part with respect to such month:

21 “(A) AGE.—As of the last day of the
22 month, the individual has attained 62 years of
23 age, but has not attained 65 years of age.

24 “(B) MEDICARE ELIGIBILITY (BUT FOR
25 AGE).—The individual would be eligible for ben-

1 efits under part A or part B for the month if
2 the individual were 65 years of age.

3 “(C) NOT ELIGIBLE FOR COVERAGE
4 UNDER GROUP HEALTH PLANS OR FEDERAL
5 HEALTH INSURANCE PROGRAMS.—The indi-
6 vidual is not eligible for benefits or coverage
7 under a Federal health insurance program (as
8 defined in subsection (a)(2)(B)) or under a
9 group health plan (other than such eligibility
10 merely through a Federal or State COBRA con-
11 tinuation provision) as of the last day of the
12 month involved.

13 “(2) LIMITATION ON ELIGIBILITY IF TERMI-
14 NATED ENROLLMENT.—If an individual described in
15 paragraph (1) enrolls under this part and coverage
16 of the individual is terminated under section
17 1859A(d) (other than because of age), the individual
18 is not again eligible to enroll under this subsection
19 unless the following requirements are met:

20 “(A) NEW COVERAGE UNDER GROUP
21 HEALTH PLAN OR FEDERAL HEALTH INSUR-
22 ANCE PROGRAM.—After the date of termination
23 of coverage under such section, the individual
24 obtains coverage under a group health plan or
25 under a Federal health insurance program.

1 “(B) SUBSEQUENT LOSS OF NEW COV-
2 ERAGE.—The individual subsequently loses eli-
3 gibility for the coverage described in subpara-
4 graph (A) and exhausts any eligibility the indi-
5 vidual may subsequently have for coverage
6 under a Federal or State COBRA continuation
7 provision.

8 “(3) CHANGE IN HEALTH PLAN ELIGIBILITY
9 DOES NOT AFFECT COVERAGE.—In the case of an
10 individual who is eligible for and enrolls under this
11 part under this subsection, the individual’s continued
12 entitlement to benefits under this part shall not be
13 affected by the individual’s subsequent eligibility for
14 benefits or coverage described in paragraph (1)(C),
15 or entitlement to such benefits or coverage.

16 **“SEC. 1859A. ENROLLMENT PROCESS; COVERAGE.**

17 “(a) IN GENERAL.—An individual may enroll in the
18 program established under this part only in such manner
19 and form as may be prescribed by regulations, and only
20 during an enrollment period prescribed by the Secretary
21 consistent with the provisions of this section. Such regula-
22 tions shall provide a process under which—

23 “(1) individuals eligible to enroll as of a month
24 are permitted to pre-enroll during a prior month

1 within an enrollment period described in subsection
2 (b); and

3 “(2) each individual seeking to enroll under sec-
4 tion 1859(b) is notified, before enrolling, of the de-
5 ferred monthly premium amount the individual will
6 be liable for under section 1859C(b) upon attaining
7 65 years of age as determined under section
8 1859B(c)(3).

9 “(b) ENROLLMENT PERIODS.—

10 “(1) INDIVIDUALS 62-TO-65 YEARS OF AGE.—In
11 the case of individuals eligible to enroll under this
12 part under section 1859(b)—

13 “(A) INITIAL ENROLLMENT PERIOD.—If
14 the individual is eligible to enroll under such
15 section for January 2001, the enrollment period
16 shall begin on November 1, 2000, and shall end
17 on February 28, 2001. Any such enrollment be-
18 fore January 1, 2001, is conditioned upon com-
19 pliance with the conditions of eligibility for Jan-
20 uary 2001.

21 “(B) SUBSEQUENT PERIODS.—If the indi-
22 vidual is eligible to enroll under such section for
23 a month after January 2001, the enrollment pe-
24 riod shall begin on the first day of the second
25 month before the month in which the individual

1 first is eligible to so enroll and shall end four
2 months later. Any such enrollment before the
3 first day of the third month of such enrollment
4 period is conditioned upon compliance with the
5 conditions of eligibility for such third month.

6 “(2) AUTHORITY TO CORRECT FOR GOVERN-
7 MENT ERRORS.—The provisions of section 1837(h)
8 apply with respect to enrollment under this part in
9 the same manner as they apply to enrollment under
10 part B.

11 “(c) DATE COVERAGE BEGINS.—

12 “(1) IN GENERAL.—The period during which
13 an individual is entitled to benefits under this part
14 shall begin as follows, but in no case earlier than
15 January 1, 2001:

16 “(A) In the case of an individual who en-
17 rolls (including pre-enrolls) before the month in
18 which the individual satisfies eligibility for en-
19 rollment under section 1859, the first day of
20 such month of eligibility.

21 “(B) In the case of an individual who en-
22 rolls during or after the month in which the in-
23 dividual first satisfies eligibility for enrollment
24 under such section, the first day of the fol-
25 lowing month.

1 “(2) AUTHORITY TO PROVIDE FOR PARTIAL
2 MONTHS OF COVERAGE.—Under regulations, the
3 Secretary may, in the Secretary’s discretion, provide
4 for coverage periods that include portions of a
5 month in order to avoid lapses of coverage.

6 “(3) LIMITATION ON PAYMENTS.—No payments
7 may be made under this title with respect to the ex-
8 penses of an individual enrolled under this part un-
9 less such expenses were incurred by such individual
10 during a period which, with respect to the individual,
11 is a coverage period under this section.

12 “(d) TERMINATION OF COVERAGE.—

13 “(1) IN GENERAL.—An individual’s coverage
14 period under this part shall continue until the indi-
15 vidual’s enrollment has been terminated at the ear-
16 liest of the following:

17 “(A) GENERAL PROVISIONS.—

18 “(i) NOTICE.—The individual files no-
19 tice (in a form and manner prescribed by
20 the Secretary) that the individual no
21 longer wishes to participate in the insur-
22 ance program under this part.

23 “(ii) NONPAYMENT OF PREMIUMS.—
24 The individual fails to make payment of

1 premiums required for enrollment under
2 this part.

3 “(iii) MEDICARE ELIGIBILITY.—The
4 individual becomes entitled to benefits
5 under part A or enrolled under part B
6 (other than by reason of this part).

7 “(B) TERMINATION BASED ON AGE.—The
8 individual attains 65 years of age.

9 “(2) EFFECTIVE DATE OF TERMINATION.—

10 “(A) NOTICE.—The termination of a cov-
11 erage period under paragraph (1)(A)(i) shall
12 take effect at the close of the month following
13 for which the notice is filed.

14 “(B) NONPAYMENT OF PREMIUM.—The
15 termination of a coverage period under para-
16 graph (1)(A)(ii) shall take effect on a date de-
17 termined under regulations, which may be de-
18 termined so as to provide a grace period in
19 which overdue premiums may be paid and cov-
20 erage continued. The grace period determined
21 under the preceding sentence shall not exceed
22 60 days; except that it may be extended for an
23 additional 30 days in any case where the Sec-
24 retary determines that there was good cause for

1 failure to pay the overdue premiums within
2 such 60-day period.

3 “(C) AGE OR MEDICARE ELIGIBILITY.—
4 The termination of a coverage period under
5 paragraph (1)(A)(iii) or (1)(B) shall take effect
6 as of the first day of the month in which the
7 individual attains 65 years of age or becomes
8 entitled to benefits under part A or enrolled for
9 benefits under part B (other than by reason of
10 this part).

11 **“SEC. 1859B. PREMIUMS.**

12 “(a) AMOUNT OF MONTHLY PREMIUMS.—

13 “(1) BASE MONTHLY PREMIUMS.—The Sec-
14 retary shall, during September of each year (begin-
15 ning with 1998), determine the following premium
16 rates which shall apply with respect to coverage pro-
17 vided under this title for any month in the suc-
18 ceeding year:

19 “(A) BASE MONTHLY PREMIUM FOR INDI-
20 VIDUALS 62 YEARS OF AGE OR OLDER.—A base
21 monthly premium for individuals 62 years of
22 age or older, equal to $\frac{1}{12}$ of the base annual
23 premium rate computed under subsection (b)
24 for each premium area.

1 “(2) DEFERRED MONTHLY PREMIUMS FOR IN-
2 DIVIDUALS 62 YEARS OF AGE OR OLDER.—The Sec-
3 retary shall, during September of each year (begin-
4 ning with 1998), determine under subsection (c) the
5 amount of deferred monthly premiums that shall
6 apply with respect to individuals who first obtain
7 coverage under this part under section 1859(b) in
8 the succeeding year.

9 “(3) ESTABLISHMENT OF PREMIUM AREAS.—
10 For purposes of this part, the term ‘premium area’
11 means such an area as the Secretary shall specify to
12 carry out this part. The Secretary from time to time
13 may change the boundaries of such premium areas.
14 The Secretary shall seek to minimize the number of
15 such areas specified under this paragraph.

16 “(b) BASE ANNUAL PREMIUM FOR INDIVIDUALS 62
17 YEARS OF AGE OR OLDER.—

18 “(1) NATIONAL, PER CAPITA AVERAGE.—The
19 Secretary shall estimate the average, annual per
20 capita amount that would be payable under this title
21 with respect to individuals residing in the United
22 States who meet the requirement of section
23 1859(b)(1)(A) as if all such individuals were eligible
24 for (and enrolled) under this title during the entire

1 year (and assuming that section 1862(b)(2)(A)(i)
2 did not apply).

3 “(2) GEOGRAPHIC ADJUSTMENT.—The Sec-
4 retary shall adjust the amount determined under
5 paragraph (1) for each premium area (specified
6 under subsection (a)(3)) in order to take into ac-
7 count such factors as the Secretary deems appro-
8 priate and shall limit the maximum premium under
9 this paragraph in a premium area to assure partici-
10 pation in all areas throughout the United States.

11 “(3) BASE ANNUAL PREMIUM.—The base an-
12 nual premium under this subsection for months in a
13 year for individuals 62 years of age or older residing
14 in a premium area is equal to the average, annual
15 per capita amount estimated under paragraph (1)
16 for the year, adjusted for such area under paragraph
17 (2).

18 “(c) DEFERRED PREMIUM RATE FOR INDIVIDUALS
19 62 YEARS OF AGE OR OLDER.—The deferred premium
20 rate for individuals with a group of individuals who obtain
21 coverage under section 1859(b) in a year shall be com-
22 puted by the Secretary as follows:

23 “(1) ESTIMATION OF NATIONAL, PER CAPITA
24 ANNUAL AVERAGE EXPENDITURES FOR ENROLL-
25 MENT GROUP.—The Secretary shall estimate the av-

1 erage, per capita annual amount that will be paid
2 under this part for individuals in such group during
3 the period of enrollment under section 1859(b). In
4 making such estimate for coverage beginning in a
5 year before 2004, the Secretary may base such esti-
6 mate on the average, per capita amount that would
7 be payable if the program had been in operation over
8 a previous period of at least 4 years.

9 “(2) DIFFERENCE BETWEEN ESTIMATED EX-
10 PENDITURES AND ESTIMATED PREMIUMS.—Based
11 on the characteristics of individuals in such group,
12 the Secretary shall estimate during the period of
13 coverage of the group under this part under section
14 1859(b) the amount by which—

15 “(A) the amount estimated under para-
16 graph (1); exceeds

17 “(B) the average, annual per capita
18 amount of premiums that will be payable for
19 months during the year under section 1859C(a)
20 for individuals in such group (including pre-
21 miums that would be payable if there were no
22 terminations in enrollment under clause (i) or
23 (ii) of section 1859A(d)(1)(A)).

24 “(3) ACTUARIAL COMPUTATION OF DEFERRED
25 MONTHLY PREMIUM RATES.—The Secretary shall

1 determine deferred monthly premium rates for indi-
2 viduals in such group in a manner so that—

3 “(A) the estimated actuarial value of such
4 premiums payable under section 1859C(b), is
5 equal to

6 “(B) the estimated actuarial present value
7 of the differences described in paragraph (2).

8 Such rate shall be computed for each individual in
9 the group in a manner so that the rate is based on
10 the number of months between the first month of
11 coverage based on enrollment under section 1859(b)
12 and the month in which the individual attains 65
13 years of age.

14 “(4) DETERMINANTS OF ACTUARIAL PRESENT
15 VALUES.—The actuarial present values described in
16 paragraph (3) shall reflect—

17 “(A) the estimated probabilities of survival
18 at ages 62 through 84 for individuals enrolled
19 during the year; and

20 “(B) the estimated effective average inter-
21 est rates that would be earned on investments
22 held in the trust funds under this title during
23 the period in question.

24 **“SEC. 1859C. PAYMENT OF PREMIUMS.**

25 “(a) PAYMENT OF BASE MONTHLY PREMIUM.—

1 “(1) IN GENERAL.—The Secretary shall provide
2 for payment and collection of the base monthly pre-
3 mium, determined under section 1859B(a)(1) for the
4 age (and age cohort, if applicable) of the individual
5 involved and the premium area in which the indi-
6 vidual principally resides, in the same manner as for
7 payment of monthly premiums under section 1840,
8 except that, for purposes of applying this section,
9 any reference in such section to the Federal Supple-
10 mentary Medical Insurance Trust Fund is deemed a
11 reference to the Trust Fund established under sec-
12 tion 1859D.

13 “(2) PERIOD OF PAYMENT.—In the case of an
14 individual who participates in the program estab-
15 lished by this title, the base monthly premium shall
16 be payable for the period commencing with the first
17 month of the individual’s coverage period and ending
18 with the month in which the individual’s coverage
19 under this title terminates.

20 “(b) PAYMENT OF DEFERRED PREMIUM FOR INDI-
21 VIDUALS COVERED AFTER ATTAINING AGE 62.—

22 “(1) RATE OF PAYMENT.—

23 “(A) IN GENERAL.—In the case of an indi-
24 vidual who is covered under this part for a
25 month pursuant to an enrollment under section

1 1859(b), subject to subparagraph (B), the indi-
2 vidual is liable for payment of a deferred pre-
3 mium in each month during the period de-
4 scribed in paragraph (2) in an amount equal to
5 the full deferred monthly premium rate deter-
6 mined for the individual under section
7 1859B(c).

8 “(B) SPECIAL RULES FOR THOSE WHO
9 DISENROLL EARLY.—

10 “(i) IN GENERAL.—If such an individ-
11 ual’s enrollment under such section is ter-
12 minated under clause (i) or (ii) of section
13 1859A(d)(1)(A), subject to clause (ii), the
14 amount of the deferred premium otherwise
15 established under this paragraph shall be
16 pro-rated to reflect the number of months
17 of coverage under this part under such en-
18 rollment compared to the maximum num-
19 ber of months of coverage that the indi-
20 vidual would have had if the enrollment
21 were not so terminated.

22 “(ii) ROUNDING TO 12-MONTH MIN-
23 IMUM COVERAGE PERIODS.—In applying
24 clause (i), the number of months of cov-
25 erage (if not a multiple of 12) shall be

1 rounded to the next highest multiple of 12
2 months, except that in no case shall this
3 clause result in a number of months of
4 coverage exceeding the maximum number
5 of months of coverage that the individual
6 would have had if the enrollment were not
7 so terminated.

8 “(2) PERIOD OF PAYMENT.—The period de-
9 scribed in this paragraph for an individual is the pe-
10 riod beginning with the first month in which the in-
11 dividual has attained 65 years of age and ending
12 with the month before the month in which the indi-
13 vidual attains 85 years of age.

14 “(3) COLLECTION.—In the case of an individual
15 who is liable for a premium under this subsection,
16 the amount of the premium shall be collected in the
17 same manner as the premium for enrollment under
18 such part is collected under section 1840, except
19 that any reference in such section to the Federal
20 Supplementary Medical Insurance Trust Fund is
21 deemed to be a reference to the Medicare Early Ac-
22 cess Trust Fund established under section 1859D.

23 “(c) APPLICATION OF CERTAIN PROVISIONS.—The
24 provisions of section 1840 (other than subsection (h))
25 shall apply to premiums collected under this section in the

1 same manner as they apply to premiums collected under
2 part B, except that any reference in such section to the
3 Federal Supplementary Medical Insurance Trust Fund is
4 deemed a reference to the Trust Fund established under
5 section 1859D.

6 **“SEC. 1859D. MEDICARE EARLY ACCESS TRUST FUND.**

7 “(a) ESTABLISHMENT OF TRUST FUND.—

8 “(1) IN GENERAL.—There is hereby created on
9 the books of the Treasury of the United States a
10 trust fund to be known as the ‘Medicare Early Ac-
11 cess Trust Fund’ (in this section referred to as the
12 ‘Trust Fund’). The Trust Fund shall consist of such
13 gifts and bequests as may be made as provided in
14 section 201(i)(1) and such amounts as may be de-
15 posited in, or appropriated to, such fund as provided
16 in this title.

17 “(2) PREMIUMS.—Premiums collected under
18 section 1859B shall be transferred to the Trust
19 Fund.

20 “(3) TRANSFER OF SAVINGS FROM NEW FRAUD
21 AND ABUSE INITIATIVES.—

22 “(A) IN GENERAL.—There is hereby trans-
23 ferred to the Trust Fund from the Federal
24 Hospital Insurance Trust Fund and from the
25 Federal Supplementary Medical Insurance

1 Trust Fund amounts equivalent to the amounts
2 (specified under subparagraph (B)) of the re-
3 ductions in expenditures under such respective
4 trust fund as may be attributable to the enact-
5 ment of the Medicare Fraud and Reimburse-
6 ment Reform Act of 1999 (H.R. 2229).

7 “(B) USE OF CBO ESTIMATES.—For each
8 fiscal year during the 10-fiscal-year period be-
9 ginning with fiscal year 2001, the amounts
10 under subparagraph (A) shall be the amounts
11 described in such subparagraph as determined
12 by the Congressional Budget Office at the time
13 of, and in connection with, the enactment of the
14 Medicare Early Access and Tax Credit Act of
15 2000. For subsequent fiscal years, the amounts
16 under subparagraph (A) shall be the amount
17 determined under this subparagraph for the
18 previous fiscal year increased by the same per-
19 centage as the percentage increase in aggregate
20 expenditures under this title from the second
21 previous fiscal year to the previous fiscal year.

22 “(b) INCORPORATION OF PROVISIONS.—

23 “(1) IN GENERAL.—Subject to paragraph (2),
24 subsections (b) through (i) of section 1841 shall
25 apply with respect to the Trust Fund and this title

1 in the same manner as they apply with respect to
2 the Federal Supplementary Medical Insurance Trust
3 Fund and part B, respectively.

4 “(2) MISCELLANEOUS REFERENCES.—In apply-
5 ing provisions of section 1841 under paragraph
6 (1)—

7 “(A) any reference in such section to ‘this
8 part’ is construed to refer to this part D;

9 “(B) any reference in section 1841(h) to
10 section 1840(d) and in section 1841(i) to sec-
11 tions 1840(b)(1) and 1842(g) are deemed ref-
12 erences to comparable authority exercised under
13 this part; and

14 “(C) payments may be made under section
15 1841(g) to the Trust Funds under sections
16 1817 and 1841 as reimbursement to such funds
17 for payments they made for benefits provided
18 under this part.

19 **“SEC. 1859E. OVERSIGHT AND ACCOUNTABILITY.**

20 “(a) THROUGH ANNUAL REPORTS OF TRUSTEES.—
21 The Board of Trustees of the Medicare Early Access
22 Trust Fund under section 1859D(b)(1) shall report on an
23 annual basis to Congress concerning the status of the
24 Trust Fund and the need for adjustments in the program

1 under this part to maintain financial solvency of the pro-
2 gram under this part.

3 “(b) PERIODIC GAO REPORTS.—The Comptroller
4 General of the United States shall periodically submit to
5 Congress reports on the adequacy of the financing of cov-
6 erage provided under this part. The Comptroller General
7 shall include in such report such recommendations for ad-
8 justments in such financing and coverage as the Comp-
9 troller General deems appropriate in order to maintain fi-
10 nancial solvency of the program under this part.

11 **“SEC. 1859F. ADMINISTRATION AND MISCELLANEOUS.**

12 “(a) TREATMENT FOR PURPOSES OF TITLE.—Ex-
13 cept as otherwise provided in this part—

14 “(1) individuals enrolled under this part shall
15 be treated for purposes of this title as though the in-
16 dividual were entitled to benefits under part A and
17 enrolled under part B; and

18 “(2) benefits described in section 1859 shall be
19 payable under this title to such individuals in the
20 same manner as if such individuals were so entitled
21 and enrolled.

22 “(b) NOT TREATED AS MEDICARE PROGRAM FOR
23 PURPOSES OF MEDICAID PROGRAM.—For purposes of ap-
24 plying title XIX (including the provision of medicare cost-
25 sharing assistance under such title), an individual who is

1 enrolled under this part shall not be treated as being enti-
2 tled to benefits under this title.

3 “(c) NOT TREATED AS MEDICARE PROGRAM FOR
4 PURPOSES OF COBRA CONTINUATION PROVISIONS.—In
5 applying a COBRA continuation provision (as defined in
6 section 2791(d)(4) of the Public Health Service Act), any
7 reference to an entitlement to benefits under this title
8 shall not be construed to include entitlement to benefits
9 under this title pursuant to the operation of this part.”.

10 (b) CONFORMING AMENDMENTS TO SOCIAL SECUR-
11 RITY ACT PROVISIONS.—

12 (1) Section 201(i)(1) of the Social Security Act
13 (42 U.S.C. 401(i)(1)) is amended by striking “or the
14 Federal Supplementary Medical Insurance Trust
15 Fund” and inserting “the Federal Supplementary
16 Medical Insurance Trust Fund, and the Medicare
17 Early Access Trust Fund”.

18 (2) Section 201(g)(1)(A) of such Act (42
19 U.S.C. 401(g)(1)(A)) is amended by striking “and
20 the Federal Supplementary Medical Insurance Trust
21 Fund established by title XVIII” and inserting “,
22 the Federal Supplementary Medical Insurance Trust
23 Fund, and the Medicare Early Access Trust Fund
24 established by title XVIII”.

1 (3) Section 1820(i) of such Act (42 U.S.C.
2 1395i-4(i)) is amended by striking “part D” and in-
3 serting “part E”.

4 (4) Part C of title XVIII of such Act is
5 amended—

6 (A) in section 1851(a)(2)(B) (42 U.S.C.
7 1395w-21(a)(2)(B)), by striking “1859(b)(3)”
8 and inserting “1858(b)(3)”;

9 (B) in section 1851(a)(2)(C) (42 U.S.C.
10 1395w-21(a)(2)(C)), by striking “1859(b)(2)”
11 and inserting “1858(b)(2)”;

12 (C) in section 1852(a)(1) (42 U.S.C.
13 1395w-22(a)(1)), by striking “1859(b)(3)” and
14 inserting “1858(b)(3)”;

15 (D) in section 1852(a)(3)(B)(ii) (42
16 U.S.C. 1395w-22(a)(3)(B)(ii)), by striking
17 “1859(b)(2)(B)” and inserting
18 “1858(b)(2)(B)”;

19 (E) in section 1853(a)(1)(A) (42 U.S.C.
20 1395w-23(a)(1)(A)), by striking “1859(e)(4)”
21 and inserting “1858(e)(4)”;

22 (F) in section 1853(a)(3)(D) (42 U.S.C.
23 1395w-23(a)(3)(D)), by striking “1859(e)(4)”
24 and inserting “1858(e)(4)”.

1 (5) Section 1853(c) of such Act (42 U.S.C.
2 1395w-23(c)) is amended—

3 (A) in paragraph (1), by striking “or (7)”
4 and inserting “, (7), or (8)”, and

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

6 “(8) ADJUSTMENT FOR EARLY ACCESS.—In ap-
7 plying this subsection with respect to individuals en-
8 titled to benefits under part D, the Secretary shall
9 provide for an appropriate adjustment in the
10 Medicare+Choice capitation rate as may be appro-
11 priate to reflect differences between the population
12 served under such part and the population under
13 parts A and B.”.

14 (c) OTHER CONFORMING AMENDMENTS.—

15 (1) Section 138(b)(4) of the Internal Revenue
16 Code of 1986 is amended by striking “1859(b)(3)”
17 and inserting “1858(b)(3)”.

18 (2)(A) Section 602(2)(D)(ii) of the Employee
19 Retirement Income Security Act of 1974 (29 U.S.C.
20 1162(2)) is amended by inserting “(not including an
21 individual who is so entitled pursuant to enrollment
22 under section 1859A)” after “Social Security Act”.

23 (B) Section 2202(2)(D)(ii) of the Public Health
24 Service Act (42 U.S.C. 300bb-2(2)(D)(ii)) is amend-
25 ed by inserting “(not including an individual who is

1 so entitled pursuant to enrollment under section
2 1859A)” after “Social Security Act”.

3 (C) Section 4980B(f)(2)(B)(i)(V) of the Inter-
4 nal Revenue Code of 1986 is amended by inserting
5 “(not including an individual who is so entitled pur-
6 suant to enrollment under section 1859A)” after
7 “Social Security Act”.

8 **TITLE II—ACCESS TO MEDICARE**
9 **BENEFITS FOR DISPLACED**
10 **WORKERS 55-TO-62 YEARS OF**
11 **AGE**

12 **SEC. 201. ACCESS TO MEDICARE BENEFITS FOR DISPLACED**
13 **WORKERS 55-TO-62 YEARS OF AGE.**

14 (a) ELIGIBILITY.—Section 1859 of the Social Secu-
15 rity Act, as inserted by section 101(a)(2), is amended by
16 adding at the end the following new subsection:

17 “(c) DISPLACED WORKERS AND SPOUSES.—

18 “(1) DISPLACED WORKERS.—Subject to para-
19 graph (3), an individual who meets the following re-
20 quirements with respect to a month is eligible to en-
21 roll under this part with respect to such month:

22 “(A) AGE.—As of the last day of the
23 month, the individual has attained 55 years of
24 age, but has not attained 62 years of age.

1 “(B) MEDICARE ELIGIBILITY (BUT FOR
2 AGE).—The individual would be eligible for ben-
3 efits under part A or part B for the month if
4 the individual were 65 years of age.

5 “(C) LOSS OF EMPLOYMENT-BASED COV-
6 ERAGE.—

7 “(i) ELIGIBLE FOR UNEMPLOYMENT
8 COMPENSATION.—The individual meets the
9 requirements relating to period of covered
10 employment and conditions of separation
11 from employment to be eligible for unem-
12 ployment compensation (as defined in sec-
13 tion 85(b) of the Internal Revenue Code of
14 1986), based on a separation from employ-
15 ment occurring on or after July 1, 2000.
16 The previous sentence shall not be con-
17 strued as requiring the individual to be re-
18 ceiving such unemployment compensation.

19 “(ii) LOSS OF EMPLOYMENT-BASED
20 COVERAGE.—Immediately before the time
21 of such separation of employment, the indi-
22 vidual was covered under a group health
23 plan on the basis of such employment, and,
24 because of such loss, is no longer eligible
25 for coverage under such plan (including

1 such eligibility based on the application of
2 a Federal or State COBRA continuation
3 provision) as of the last day of the month
4 involved.

5 “(iii) PREVIOUS CREDITABLE COV-
6 ERAGE FOR AT LEAST 1 YEAR.—As of the
7 date on which the individual loses coverage
8 described in clause (ii), the aggregate of
9 the periods of creditable coverage (as de-
10 termined under section 2701(c) of the
11 Public Health Service Act) is 12 months or
12 longer.

13 “(D) EXHAUSTION OF AVAILABLE COBRA
14 CONTINUATION BENEFITS.—

15 “(i) IN GENERAL.—In the case of an
16 individual described in clause (ii) for a
17 month described in clause (iii)—

18 “(I) the individual (or spouse)
19 elected coverage described in clause
20 (ii); and

21 “(II) the individual (or spouse)
22 has continued such coverage for all
23 months described in clause (iii) in
24 which the individual (or spouse) is eli-
25 gible for such coverage.

1 “(ii) INDIVIDUALS TO WHOM COBRA
2 CONTINUATION COVERAGE MADE AVAIL-
3 ABLE.—An individual described in this
4 clause is an individual—

5 “(I) who was offered coverage
6 under a Federal or State COBRA
7 continuation provision at the time of
8 loss of coverage eligibility described in
9 subparagraph (C)(ii); or

10 “(II) whose spouse was offered
11 such coverage in a manner that per-
12 mitted coverage of the individual at
13 such time.

14 “(iii) MONTHS OF POSSIBLE COBRA
15 CONTINUATION COVERAGE.—A month de-
16 scribed in this clause is a month for which
17 an individual described in clause (ii) could
18 have had coverage described in such clause
19 as of the last day of the month if the indi-
20 vidual (or the spouse of the individual, as
21 the case may be) had elected such coverage
22 on a timely basis.

23 “(E) NOT ELIGIBLE FOR COVERAGE
24 UNDER FEDERAL HEALTH INSURANCE PRO-
25 GRAM OR GROUP HEALTH PLANS.—The indi-

1 vidual is not eligible for benefits or coverage
2 under a Federal health insurance program or
3 under a group health plan (whether on the
4 basis of the individual’s employment or employ-
5 ment of the individual’s spouse) as of the last
6 day of the month involved.

7 “(2) SPOUSE OF DISPLACED WORKER.—Subject
8 to paragraph (3), an individual who meets the fol-
9 lowing requirements with respect to a month is eligi-
10 ble to enroll under this part with respect to such
11 month:

12 “(A) AGE.—As of the last day of the
13 month, the individual has not attained 62 years
14 of age.

15 “(B) MARRIED TO DISPLACED WORKER.—
16 The individual is the spouse of an individual at
17 the time the individual enrolls under this part
18 under paragraph (1) and loses coverage de-
19 scribed in paragraph (1)(C)(ii) because the in-
20 dividual’s spouse lost such coverage.

21 “(C) MEDICARE ELIGIBILITY (BUT FOR
22 AGE); EXHAUSTION OF ANY COBRA CONTINU-
23 ATION COVERAGE; AND NOT ELIGIBLE FOR COV-
24 ERAGE UNDER FEDERAL HEALTH INSURANCE
25 PROGRAM OR GROUP HEALTH PLAN.—The indi-

1 vidual meets the requirements of subparagraphs
2 (B), (D), and (E) of paragraph (1).

3 “(3) CHANGE IN HEALTH PLAN ELIGIBILITY
4 AFFECTS CONTINUED ELIGIBILITY.—For provision
5 that terminates enrollment under this section in the
6 case of an individual who becomes eligible for cov-
7 erage under a group health plan or under a Federal
8 health insurance program, see section
9 1859A(d)(1)(C).

10 “(4) REENROLLMENT PERMITTED.—Nothing in
11 this subsection shall be construed as preventing an
12 individual who, after enrolling under this subsection,
13 terminates such enrollment from subsequently re-
14 enrolling under this subsection if the individual is el-
15 igible to enroll under this subsection at that time.”.

16 (b) ENROLLMENT.—Section 1859A of such Act, as
17 so inserted, is amended—

18 (1) in subsection (a), by striking “and” at the
19 end of paragraph (1), by striking the period at the
20 end of paragraph (2) and inserting “; and”, and by
21 adding at the end the following new paragraph:

22 “(3) individuals whose coverage under this part
23 would terminate because of subsection (d)(1)(B)(ii)
24 are provided notice and an opportunity to continue

1 enrollment in accordance with section
2 1859E(c)(1).”;

3 (2) in subsection (b), by inserting after Not-
4 withstanding any other provision of law, (1) the fol-
5 lowing:

6 “(2) DISPLACED WORKERS AND SPOUSES.—In
7 the case of individuals eligible to enroll under this
8 part under section 1859(c), the following rules
9 apply:

10 “(A) INITIAL ENROLLMENT PERIOD.—If
11 the individual is first eligible to enroll under
12 such section for January 2001, the enrollment
13 period shall begin on November 1, 2000, and
14 shall end on February 28, 2001. Any such en-
15 rollment before January 1, 2001, is conditioned
16 upon compliance with the conditions of eligi-
17 bility for January 2001.

18 “(B) SUBSEQUENT PERIODS.—If the indi-
19 vidual is eligible to enroll under such section for
20 a month after January 2001, the enrollment pe-
21 riod based on such eligibility shall begin on the
22 first day of the second month before the month
23 in which the individual first is eligible to so en-
24 roll (or reenroll) and shall end four months
25 later.”;

1 (3) in subsection (d)(1), by amending subpara-
2 graph (B) to read as follows:

3 “(B) TERMINATION BASED ON AGE.—

4 “(i) AT AGE 65.—Subject to clause
5 (ii), the individual attains 65 years of age.

6 “(ii) AT AGE 62 FOR DISPLACED
7 WORKERS AND SPOUSES.—In the case of
8 an individual enrolled under this part pur-
9 suant to section 1859(c), subject to sub-
10 section (a)(1), the individual attains 62
11 years of age.”;

12 (4) in subsection (d)(1), by adding at the end
13 the following new subparagraph:

14 “(C) OBTAINING ACCESS TO EMPLOYMENT-
15 BASED COVERAGE OR FEDERAL HEALTH INSUR-
16 ANCE PROGRAM FOR INDIVIDUALS UNDER 62
17 YEARS OF AGE.—In the case of an individual
18 who has not attained 62 years of age, the indi-
19 vidual is covered (or eligible for coverage) as a
20 participant or beneficiary under a group health
21 plan or under a Federal health insurance pro-
22 gram.”;

23 (5) in subsection (d)(2), by amending subpara-
24 graph (C) to read as follows:

25 “(C) AGE OR MEDICARE ELIGIBILITY.—

1 “(i) IN GENERAL.—The termination
2 of a coverage period under paragraph
3 (1)(A)(iii) or (1)(B)(i) shall take effect as
4 of the first day of the month in which the
5 individual attains 65 years of age or be-
6 comes entitled to benefits under part A or
7 enrolled for benefits under part B.

8 “(ii) DISPLACED WORKERS.—The ter-
9 mination of a coverage period under para-
10 graph (1)(B)(ii) shall take effect as of the
11 first day of the month in which the indi-
12 vidual attains 62 years of age, unless the
13 individual has enrolled under this part pur-
14 suant to section 1859(b) and section
15 1859E(c)(1).”; and

16 (6) in subsection (d)(2), by adding at the end
17 the following new subparagraph:

18 “(D) ACCESS TO COVERAGE.—The termi-
19 nation of a coverage period under paragraph
20 (1)(C) shall take effect on the date on which
21 the individual is eligible to begin a period of
22 creditable coverage (as defined in section
23 2701(c) of the Public Health Service Act)
24 under a group health plan or under a Federal
25 health insurance program.”.

1 (c) PREMIUMS.—Section 1859B of such Act, as so
2 inserted, is amended—

3 (1) in subsection (a)(1), by adding at the end
4 the following:

5 “(B) BASE MONTHLY PREMIUM FOR INDI-
6 VIDUALS UNDER 62 YEARS OF AGE.—A base
7 monthly premium for individuals under 62
8 years of age, equal to $\frac{1}{12}$ of the base annual
9 premium rate computed under subsection (d)(3)
10 for each premium area and age cohort.”; and

11 (2) by adding at the end the following new sub-
12 section:

13 “(d) BASE MONTHLY PREMIUM FOR INDIVIDUALS
14 UNDER 62 YEARS OF AGE.—

15 “(1) NATIONAL, PER CAPITA AVERAGE FOR AGE
16 GROUPS.—

17 “(A) ESTIMATE OF AMOUNT.—The Sec-
18 retary shall estimate the average, annual per
19 capita amount that would be payable under this
20 title with respect to individuals residing in the
21 United States who meet the requirement of sec-
22 tion 1859(c)(1)(A) within each of the age co-
23 horts established under subparagraph (B) as if
24 all such individuals within such cohort were eli-
25 gible for (and enrolled) under this title during

1 the entire year (and assuming that section
2 1862(b)(2)(A)(i) did not apply).

3 “(B) AGE COHORTS.—For purposes of
4 subparagraph (A), the Secretary shall establish
5 separate age cohorts in 5 year age increments
6 for individuals who have not attained 60 years
7 of ages and a separate cohort for individuals
8 who have attained 60 years of age.

9 “(2) GEOGRAPHIC ADJUSTMENT.—The Sec-
10 retary shall adjust the amount determined under
11 paragraph (1)(A) for each premium area (specified
12 under subsection (a)(3)) in the same manner and to
13 the same extent as the Secretary provides for adjust-
14 ments under subsection (b)(2).

15 “(3) BASE ANNUAL PREMIUM.—The base an-
16 nual premium under this subsection for months in a
17 year for individuals in an age cohort under para-
18 graph (1)(B) in a premium area is equal to 165 per-
19 cent of the average, annual per capita amount esti-
20 mated under paragraph (1) for the age cohort and
21 year, adjusted for such area under paragraph (2).

22 “(4) PRO-RATION OF PREMIUMS TO REFLECT
23 COVERAGE DURING A PART OF A MONTH.—If the
24 Secretary provides for coverage of portions of a
25 month under section 1859A(c)(2), the Secretary

1 shall pro-rate the premiums attributable to such cov-
2 erage under this section to reflect the portion of the
3 month so covered.”.

4 (d) ADMINISTRATIVE PROVISIONS.—Section 1859F
5 of such Act, as so inserted, is amended by adding at the
6 end the following:

7 “(d) ADDITIONAL ADMINISTRATIVE PROVISIONS.—

8 “(1) PROCESS FOR CONTINUED ENROLLMENT
9 OF DISPLACED WORKERS WHO ATTAIN 62 YEARS OF
10 AGE.—The Secretary shall provide a process for the
11 continuation of enrollment of individuals whose en-
12 rollment under section 1859(c) would be terminated
13 upon attaining 62 years of age. Under such process
14 such individuals shall be provided appropriate and
15 timely notice before the date of such termination
16 and of the requirement to enroll under this part pur-
17 suant to section 1859(b) in order to continue entitle-
18 ment to benefits under this title after attaining 62
19 years of age.

20 “(2) ARRANGEMENTS WITH STATES FOR DE-
21 TERMINATIONS RELATING TO UNEMPLOYMENT COM-
22 PENSATION ELIGIBILITY.—The Secretary may pro-
23 vide for appropriate arrangements with States for
24 the determination of whether individuals in the State

1 meet or would meet the requirements of section
2 1859(e)(1)(C)(i).”.

3 (e) CONFORMING AMENDMENT TO HEADING TO
4 PART.—The heading of part D of title XVIII of the Social
5 Security Act, as so inserted, is amended by striking “62”
6 and inserting “55”.

7 **TITLE III—COBRA PROTECTION**
8 **FOR EARLY RETIREES**
9 **Subtitle A—Amendments to the**
10 **Employee Retirement Income**
11 **Security Act of 1974**

12 **SEC. 301. COBRA CONTINUATION BENEFITS FOR CERTAIN**
13 **RETIRED WORKERS WHO LOSE RETIREE**
14 **HEALTH COVERAGE.**

15 (a) ESTABLISHMENT OF NEW QUALIFYING
16 EVENT.—

17 (1) IN GENERAL.—Section 603 of the Employee
18 Retirement Income Security Act of 1974 (29 U.S.C.
19 1163) is amended by inserting after paragraph (6)
20 the following new paragraph:

21 “(7) The termination or substantial reduction
22 in benefits (as defined in section 607(7)) of group
23 health plan coverage as a result of plan changes or
24 termination in the case of a covered employee who
25 is a qualified retiree.”.

1 (2) QUALIFIED RETIREE; QUALIFIED BENE-
2 FICLARY; AND SUBSTANTIAL REDUCTION DE-
3 FINED.—Section 607 of such Act (29 U.S.C. 1167)
4 is amended—

5 (A) in paragraph (3)—

6 (i) in subparagraph (A), by inserting
7 “except as otherwise provided in this para-
8 graph,” after “means,”; and

9 (ii) by adding at the end the following
10 new subparagraph:

11 “(D) SPECIAL RULE FOR QUALIFYING RE-
12 TIREES AND DEPENDENTS.—In the case of a
13 qualifying event described in section 603(7), the
14 term ‘qualified beneficiary’ means a qualified
15 retiree and any other individual who, on the day
16 before such qualifying event, is a beneficiary
17 under the plan on the basis of the individual’s
18 relationship to such qualified retiree.”; and

19 (B) by adding at the end the following new
20 paragraphs:

21 “(6) QUALIFIED RETIREE.—The term ‘qualified
22 retiree’ means, with respect to a qualifying event de-
23 scribed in section 603(7), a covered employee who,
24 at the time of the event—

25 “(A) has attained 55 years of age; and

1 “(B) was receiving group health coverage
2 under the plan by reason of the retirement of
3 the covered employee.

4 “(7) SUBSTANTIAL REDUCTION.—The term
5 ‘substantial reduction’—

6 “(A) means, as determined under regula-
7 tions of the Secretary and with respect to a
8 qualified beneficiary, a reduction in the average
9 actuarial value of benefits under the plan
10 (through reduction or elimination of benefits,
11 an increase in premiums, deductibles, copay-
12 ments, and coinsurance, or any combination
13 thereof), since the date of commencement of
14 coverage of the beneficiary by reason of the re-
15 irement of the covered employee (or, if later,
16 January 6, 2000), in an amount equal to at
17 least 50 percent of the total average actuarial
18 value of the benefits under the plan as of such
19 date (taking into account an appropriate ad-
20 justment to permit comparison of values over
21 time); and

22 “(B) includes an increase in premiums re-
23 quired to an amount that exceeds the premium
24 level described in the fourth sentence of section
25 602(3).”.

1 (b) DURATION OF COVERAGE THROUGH AGE 65.—
2 Section 602(2)(A) of such Act (29 U.S.C. 1162(2)(A)) is
3 amended—

4 (1) in clause (ii), by inserting “or 603(7)” after
5 “603(6)”;

6 (2) in clause (iv), by striking “or 603(6)” and
7 inserting “, 603(6), or 603(7)”;

8 (3) by redesignating clause (iv) as clause (vi);

9 (4) by redesignating clause (v) as clause (iv)
10 and by moving such clause to immediately follow
11 clause (iii); and

12 (5) by inserting after such clause (iv) the fol-
13 lowing new clause:

14 “(v) SPECIAL RULE FOR CERTAIN DE-
15 PENDENTS IN CASE OF TERMINATION OR
16 SUBSTANTIAL REDUCTION OF RETIREE
17 HEALTH COVERAGE.—In the case of a
18 qualifying event described in section
19 603(7), in the case of a qualified bene-
20 ficiary described in section 607(3)(D) who
21 is not the qualified retiree or spouse of
22 such retiree, the later of—

23 “(I) the date that is 36 months
24 after the earlier of the date the quali-
25 fied retiree becomes entitled to bene-

1 fits under title XVIII of the Social Se-
2 curity Act, or the date of the death of
3 the qualified retiree; or

4 “(II) the date that is 36 months
5 after the date of the qualifying
6 event.”.

7 (c) TYPE OF COVERAGE IN CASE OF TERMINATION
8 OR SUBSTANTIAL REDUCTION OF RETIREE HEALTH COV-
9 ERAGE.—Section 602(1) of such Act (29 U.S.C. 1162(1))
10 is amended—

11 (1) by striking “The coverage” and inserting
12 the following:

13 “(A) IN GENERAL.—Except as provided in
14 subparagraph (B), the coverage”; and

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

16 “(B) CERTAIN RETIREES.—In the case of
17 a qualifying event described in section 603(7),
18 in applying the first sentence of subparagraph
19 (A) and the fourth sentence of paragraph (3),
20 the coverage offered that is the most prevalent
21 coverage option (as determined under regula-
22 tions of the Secretary) continued under the
23 group health plan (or, if none, under the most
24 prevalent other plan offered by the same plan
25 sponsor) shall be treated as the coverage de-

1 scribed in such sentence, or (at the option of
2 the plan and qualified beneficiary) such other
3 coverage option as may be offered and elected
4 by the qualified beneficiary involved.”.

5 (d) INCREASED LEVEL OF PREMIUMS PERMITTED.—
6 Section 602(3) of such Act (29 U.S.C. 1162(3)) is amend-
7 ed by adding at the end the following new sentence: “In
8 the case of an individual provided continuation coverage
9 by reason of a qualifying event described in section
10 603(7), any reference in subparagraph (A) of this para-
11 graph to ‘102 percent of the applicable premium’ is
12 deemed a reference to ‘125 percent of the applicable pre-
13 mium for employed individuals (and their dependents, if
14 applicable) for the coverage option referred to in para-
15 graph (1)(B)’.”.

16 (e) NOTICE.—Section 606(a) of such Act (29 U.S.C.
17 1166) is amended—

18 (1) in paragraph (4)(A), by striking “or (6)”
19 and inserting “(6), or (7)”; and

20 (2) by adding at the end the following:
21 “The notice under paragraph (4) in the case of a quali-
22 fying event described in section 603(7) shall be provided
23 at least 90 days before the date of the qualifying event.”.

24 (f) EFFECTIVE DATES.—

1 (1) IN GENERAL.—The amendments made by
2 this section (other than subsection (e)(2)) shall
3 apply to qualifying events occurring on or after Jan-
4 uary 6, 2000. In the case of a qualifying event oc-
5 ccurring on or after such date and before the date of
6 the enactment of this Act, such event shall be
7 deemed (for purposes of such amendments) to have
8 occurred on the date of the enactment of this Act.

9 (2) ADVANCE NOTICE OF TERMINATIONS AND
10 REDUCTIONS.—The amendment made by subsection
11 (e)(2) shall apply to qualifying events occurring
12 after the date of the enactment of this Act, except
13 that in no case shall notice be required under such
14 amendment before such date.

15 **Subtitle B—Amendments to the** 16 **Public Health Service Act**

17 **SEC. 311. COBRA CONTINUATION BENEFITS FOR CERTAIN** 18 **RETIRED WORKERS WHO LOSE RETIREE** 19 **HEALTH COVERAGE.**

20 (a) ESTABLISHMENT OF NEW QUALIFYING
21 EVENT.—

22 (1) IN GENERAL.—Section 2203 of the Public
23 Health Service Act (42 U.S.C. 300bb–3) is amended
24 by inserting after paragraph (5) the following new
25 paragraph:

1 “(6) The termination or substantial reduction
2 in benefits (as defined in section 2208(6)) of group
3 health plan coverage as a result of plan changes or
4 termination in the case of a covered employee who
5 is a qualified retiree.”.

6 (2) QUALIFIED RETIREE; QUALIFIED BENE-
7 FICIARY; AND SUBSTANTIAL REDUCTION DE-
8 FINED.—Section 2208 of such Act (42 U.S.C.
9 300bb-8) is amended—

10 (A) in paragraph (3)—

11 (i) in subparagraph (A), by inserting
12 “except as otherwise provided in this para-
13 graph,” after “means,”; and

14 (ii) by adding at the end the following
15 new subparagraph:

16 “(C) SPECIAL RULE FOR QUALIFYING RE-
17 TIREES AND DEPENDENTS.—In the case of a
18 qualifying event described in section 2203(6),
19 the term ‘qualified beneficiary’ means a quali-
20 fied retiree and any other individual who, on
21 the day before such qualifying event, is a bene-
22 ficiary under the plan on the basis of the indi-
23 vidual’s relationship to such qualified retiree.”;
24 and

1 (B) by adding at the end the following new
2 paragraphs:

3 “(5) QUALIFIED RETIREE.—The term ‘qualified
4 retiree’ means, with respect to a qualifying event de-
5 scribed in section 2203(6), a covered employee who,
6 at the time of the event—

7 “(A) has attained 55 years of age; and

8 “(B) was receiving group health coverage
9 under the plan by reason of the retirement of
10 the covered employee.

11 “(6) SUBSTANTIAL REDUCTION.—The term
12 ‘substantial reduction’—

13 “(A) means, as determined under regula-
14 tions of the Secretary of Labor and with respect
15 to a qualified beneficiary, a reduction in the av-
16 erage actuarial value of benefits under the plan
17 (through reduction or elimination of benefits,
18 an increase in premiums, deductibles, copay-
19 ments, and coinsurance, or any combination
20 thereof), since the date of commencement of
21 coverage of the beneficiary by reason of the re-
22 tirement of the covered employee (or, if later,
23 January 6, 2000), in an amount equal to at
24 least 50 percent of the total average actuarial
25 value of the benefits under the plan as of such

1 date (taking into account an appropriate ad-
2 justment to permit comparison of values over
3 time); and

4 “(B) includes an increase in premiums re-
5 quired to an amount that exceeds the premium
6 level described in the fourth sentence of section
7 2202(3).”.

8 (b) DURATION OF COVERAGE THROUGH AGE 65.—
9 Section 2202(2)(A) of such Act (42 U.S.C. 300bb-
10 2(2)(A)) is amended—

11 (1) by redesignating clause (iii) as clause (iv);
12 and

13 (2) by inserting after clause (ii) the following
14 new clause:

15 “(iii) SPECIAL RULE FOR CERTAIN
16 DEPENDENTS IN CASE OF TERMINATION
17 OR SUBSTANTIAL REDUCTION OF RETIREE
18 HEALTH COVERAGE.—In the case of a
19 qualifying event described in section
20 2203(6), in the case of a qualified bene-
21 ficiary described in section 2208(3)(C) who
22 is not the qualified retiree or spouse of
23 such retiree, the later of—

24 “(I) the date that is 36 months
25 after the earlier of the date the quali-

1 fied retiree becomes entitled to bene-
2 fits under title XVIII of the Social Se-
3 curity Act, or the date of the death of
4 the qualified retiree; or

5 “(II) the date that is 36 months
6 after the date of the qualifying
7 event.”.

8 (c) TYPE OF COVERAGE IN CASE OF TERMINATION
9 OR SUBSTANTIAL REDUCTION OF RETIREE HEALTH COV-
10 ERAGE.—Section 2202(1) of such Act (42 U.S.C. 300bb-
11 2(1)) is amended—

12 (1) by striking “The coverage” and inserting
13 the following:

14 “(A) IN GENERAL.—Except as provided in
15 subparagraph (B), the coverage”; and

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

17 “(B) CERTAIN RETIREES.—In the case of
18 a qualifying event described in section 2203(6),
19 in applying the first sentence of subparagraph
20 (A) and the fourth sentence of paragraph (3),
21 the coverage offered that is the most prevalent
22 coverage option (as determined under regula-
23 tions of the Secretary of Labor) continued
24 under the group health plan (or, if none, under
25 the most prevalent other plan offered by the

1 same plan sponsor) shall be treated as the cov-
2 erage described in such sentence, or (at the op-
3 tion of the plan and qualified beneficiary) such
4 other coverage option as may be offered and
5 elected by the qualified beneficiary involved.”.

6 (d) INCREASED LEVEL OF PREMIUMS PERMITTED.—
7 Section 2202(3) of such Act (42 U.S.C. 300bb–2(3)) is
8 amended by adding at the end the following new sentence:
9 “In the case of an individual provided continuation cov-
10 erage by reason of a qualifying event described in section
11 2203(6), any reference in subparagraph (A) of this para-
12 graph to ‘102 percent of the applicable premium’ is
13 deemed a reference to ‘125 percent of the applicable pre-
14 mium for employed individuals (and their dependents, if
15 applicable) for the coverage option referred to in para-
16 graph (1)(B)’.”.

17 (e) NOTICE.—Section 2206(a) of such Act (42 U.S.C.
18 300bb–6(a)) is amended—

19 (1) in paragraph (4)(A), by striking “or (4)”
20 and inserting “(4), or (6)”; and

21 (2) by adding at the end the following:
22 “The notice under paragraph (4) in the case of a quali-
23 fying event described in section 2203(6) shall be provided
24 at least 90 days before the date of the qualifying event.”.

25 (f) EFFECTIVE DATES.—

1 (1) IN GENERAL.—The amendments made by
2 this section (other than subsection (e)(2)) shall
3 apply to qualifying events occurring on or after Jan-
4 uary 6, 2000. In the case of a qualifying event oc-
5 ccurring on or after such date and before the date of
6 the enactment of this Act, such event shall be
7 deemed (for purposes of such amendments) to have
8 occurred on the date of the enactment of this Act.

9 (2) ADVANCE NOTICE OF TERMINATIONS AND
10 REDUCTIONS.—The amendment made by subsection
11 (e)(2) shall apply to qualifying events occurring
12 after the date of the enactment of this Act, except
13 that in no case shall notice be required under such
14 amendment before such date.

15 **Subtitle C—Amendments to the** 16 **Internal Revenue Code of 1986**

17 **SEC. 321. COBRA CONTINUATION BENEFITS FOR CERTAIN** 18 **RETIRED WORKERS WHO LOSE RETIREE** 19 **HEALTH COVERAGE.**

20 (a) ESTABLISHMENT OF NEW QUALIFYING
21 EVENT.—

22 (1) IN GENERAL.—Section 4980B(f)(3) of the
23 Internal Revenue Code of 1986 is amended by in-
24 serting after subparagraph (F) the following new
25 subparagraph:

1 “(G) The termination or substantial reduc-
2 tion in benefits (as defined in subsection (g)(6))
3 of group health plan coverage as a result of
4 plan changes or termination in the case of a
5 covered employee who is a qualified retiree.”.

6 (2) QUALIFIED RETIREE; QUALIFIED BENE-
7 FICIARY; AND SUBSTANTIAL REDUCTION DE-
8 FINED.—Section 4980B(g) of such Code is
9 amended—

10 (A) in paragraph (1)—

11 (i) in subparagraph (A), by inserting
12 “except as otherwise provided in this para-
13 graph,” after “means,”; and

14 (ii) by adding at the end the following
15 new subparagraph:

16 “(E) SPECIAL RULE FOR QUALIFYING RE-
17 TIREES AND DEPENDENTS.—In the case of a
18 qualifying event described in subsection
19 (f)(3)(G), the term ‘qualified beneficiary’ means
20 a qualified retiree and any other individual who,
21 on the day before such qualifying event, is a
22 beneficiary under the plan on the basis of the
23 individual’s relationship to such qualified re-
24 tiree.”; and

1 (B) by adding at the end the following new
2 paragraphs:

3 “(5) QUALIFIED RETIREE.—The term ‘qualified
4 retiree’ means, with respect to a qualifying event de-
5 scribed in subsection (f)(3)(G), a covered employee
6 who, at the time of the event—

7 “(A) has attained 55 years of age; and

8 “(B) was receiving group health coverage
9 under the plan by reason of the retirement of
10 the covered employee.

11 “(6) SUBSTANTIAL REDUCTION.—The term
12 ‘substantial reduction’—

13 “(A) means, as determined under regula-
14 tions of the Secretary of Labor and with respect
15 to a qualified beneficiary, a reduction in the av-
16 erage actuarial value of benefits under the plan
17 (through reduction or elimination of benefits,
18 an increase in premiums, deductibles, copay-
19 ments, and coinsurance, or any combination
20 thereof), since the date of commencement of
21 coverage of the beneficiary by reason of the re-
22 tirement of the covered employee (or, if later,
23 January 6, 2000), in an amount equal to at
24 least 50 percent of the total average actuarial
25 value of the benefits under the plan as of such

1 date (taking into account an appropriate ad-
2 justment to permit comparison of values over
3 time); and

4 “(B) includes an increase in premiums re-
5 quired to an amount that exceeds the premium
6 level described in the fourth sentence of sub-
7 section (f)(2)(C).”.

8 (b) DURATION OF COVERAGE THROUGH AGE 65.—
9 Section 4980B(f)(2)(B)(i) of such Code is amended—

10 (1) in subclause (II), by inserting “or (3)(G)”
11 after “(3)(F)”;

12 (2) in subclause (IV), by striking “or (3)(F)”
13 and inserting “, (3)(F), or (3)(G)”;

14 (3) by redesignating subclause (IV) as sub-
15 clause (VI);

16 (4) by redesignating subclause (V) as subclause
17 (IV) and by moving such clause to immediately fol-
18 low subclause (III); and

19 (5) by inserting after such subclause (IV) the
20 following new subclause:

21 “(V) SPECIAL RULE FOR CER-
22 TAIN DEPENDENTS IN CASE OF TER-
23 MINATION OR SUBSTANTIAL REDUC-
24 TION OF RETIREE HEALTH COV-
25 ERAGE.—In the case of a qualifying

1 event described in paragraph (3)(G),
2 in the case of a qualified beneficiary
3 described in subsection (g)(1)(E) who
4 is not the qualified retiree or spouse
5 of such retiree, the later of—

6 “(a) the date that is 36
7 months after the earlier of the
8 date the qualified retiree becomes
9 entitled to benefits under title
10 XVIII of the Social Security Act,
11 or the date of the death of the
12 qualified retiree; or

13 “(b) the date that is 36
14 months after the date of the
15 qualifying event.”.

16 (c) TYPE OF COVERAGE IN CASE OF TERMINATION
17 OR SUBSTANTIAL REDUCTION OF RETIREE HEALTH COV-
18 ERAGE.—Section 4980B(f)(2)(A) of such Code is
19 amended—

20 (1) by striking “The coverage” and inserting
21 the following:

22 “(i) IN GENERAL.—Except as pro-
23 vided in clause (ii), the coverage”; and

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

1 “(ii) CERTAIN RETIREES.—In the
2 case of a qualifying event described in
3 paragraph (3)(G), in applying the first
4 sentence of clause (i) and the fourth sen-
5 tence of subparagraph (C), the coverage
6 offered that is the most prevalent coverage
7 option (as determined under regulations of
8 the Secretary of Labor) continued under
9 the group health plan (or, if none, under
10 the most prevalent other plan offered by
11 the same plan sponsor) shall be treated as
12 the coverage described in such sentence, or
13 (at the option of the plan and qualified
14 beneficiary) such other coverage option as
15 may be offered and elected by the qualified
16 beneficiary involved.”.

17 (d) INCREASED LEVEL OF PREMIUMS PERMITTED.—
18 Section 4980B(f)(2)(C) of such Code is amended by add-
19 ing at the end the following new sentence: “In the case
20 of an individual provided continuation coverage by reason
21 of a qualifying event described in paragraph (3)(G), any
22 reference in clause (i) of this subparagraph to ‘102 per-
23 cent of the applicable premium’ is deemed a reference to
24 ‘125 percent of the applicable premium for employed indi-

1 viduals (and their dependents, if applicable) for the cov-
2 erage option referred to in subparagraph (A)(ii)'. ”.

3 (e) NOTICE.—Section 4980B(f)(6) of such Code is
4 amended—

5 (1) in subparagraph (D)(i), by striking “or
6 (F)” and inserting “(F), or (G)”; and

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

8 “The notice under subparagraph (D)(i) in the case of a
9 qualifying event described in paragraph (3)(G) shall be
10 provided at least 90 days before the date of the qualifying
11 event.”.

12 (f) EFFECTIVE DATES.—

13 (1) IN GENERAL.—The amendments made by
14 this section (other than subsection (e)(2)) shall
15 apply to qualifying events occurring on or after Jan-
16 uary 6, 2000. In the case of a qualifying event oc-
17 ccurring on or after such date and before the date of
18 the enactment of this Act, such event shall be
19 deemed (for purposes of such amendments) to have
20 occurred on the date of the enactment of this Act.

21 (2) ADVANCE NOTICE OF TERMINATIONS AND
22 REDUCTIONS.—The amendment made by subsection
23 (e)(2) shall apply to qualifying events occurring
24 after the date of the enactment of this Act, except

1 that in no case shall notice be required under such
2 amendment before such date.

3 **TITLE IV—FINANCING**

4 **SEC. 401. REFERENCE TO FINANCING PROVISIONS.**

5 Any increase in payments under the medicare pro-
6 gram under title XVIII of the Social Security Act that
7 results from the enactment of this Act shall be offset by
8 reductions in payments under such program pursuant to
9 the anti-fraud and anti-abuse provisions enacted as part
10 of the Medicare Fraud and Reimbursement Reform Act
11 of 1999 (H.R. 2229).

12 **TITLE V—CREDIT AGAINST IN-** 13 **COME TAX FOR MEDICARE** 14 **BUY-IN PREMIUMS AND FOR** 15 **CERTAIN COBRA CONTINU-** 16 **ATION COVERAGE PREMIUMS**

17 **SEC. 501. CREDIT FOR MEDICARE BUY-IN PREMIUMS AND** 18 **FOR CERTAIN COBRA CONTINUATION COV-** 19 **ERAGE PREMIUMS.**

20 (a) IN GENERAL.—Subpart A of part IV of sub-
21 chapter A of chapter 1 of the Internal Revenue Code of
22 1986 (relating to nonrefundable personal credits) is
23 amended by inserting after section 25A the following new
24 section:

1 **“SEC. 25B. MEDICARE BUY-IN PREMIUMS AND CERTAIN**
 2 **COBRA CONTINUATION COVERAGE PRE-**
 3 **MIUMS.**

4 “(a) IN GENERAL.—In the case of an individual,
 5 there shall be allowed as a credit against the tax imposed
 6 by this chapter for the taxable year an amount equal to
 7 25 percent of the amount paid during such year as—

8 “(1) qualified continuation health coverage pre-
 9 miums, and

10 “(2) medicare buy-in coverage premiums.

11 “(b) DEFINITIONS.—For purposes of this section—

12 “(1) QUALIFIED CONTINUATION HEALTH COV-
 13 ERAGE PREMIUMS.—The term ‘qualified continu-
 14 ation health coverage premiums’ means, for any pe-
 15 riod, premiums paid for continuation coverage (as
 16 defined in section 4980B(f)) under a group health
 17 plan for such period but only if failure to offer such
 18 coverage to the taxpayer for such period would con-
 19 stitute a failure by such health plan to meet the re-
 20 quirements of section 4980B(f) and only if the con-
 21 tinuation coverage is provided because of a quali-
 22 fying event described in section 4980B(f)(3)(G).

23 “(2) MEDICARE BUY-IN COVERAGE PRE-
 24 MIUMS.—The term ‘medicare buy-in coverage pre-
 25 miums’ means premiums paid under part D of title
 26 XVIII of the Social Security Act.”

1 (b) CLERICAL AMENDMENT.—The table of sections
2 for subpart A of part IV of subchapter A of chapter 1
3 of such Code is amended by inserting after the item relat-
4 ing to section 25A the following new item:

 “Sec. 25B. Medicare buy-in premiums and certain COBRA con-
 tinuation coverage premiums.”

5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to taxable years beginning after
7 December 31, 2001.

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