

108TH CONGRESS
1ST SESSION

H. R. 2979

To amend the Social Security Act to provide grants and flexibility through demonstration projects for States to provide universal, comprehensive, cost-effective systems of health care coverage, with simplified administration.

IN THE HOUSE OF REPRESENTATIVES

JULY 25, 2003

Mr. TIERNEY (for himself, Mr. SANDERS, Ms. MILLENDER-McDONALD, Ms. JACKSON-LEE of Texas, Mr. KILDEE, Mr. KUCINICH, Mr. OWENS, Mr. NADLER, Ms. NORTON, Mr. CONYERS, Mr. HINCHEY, Mr. GEORGE MILLER of California, Ms. SCHAKOWSKY, Mr. McDERMOTT, Mr. STARK, Mr. OLVER, Mr. BRADY of Pennsylvania, Mr. EVANS, Ms. WATERS, Ms. BALDWIN, Mr. UDALL of New Mexico, Mr. MARKEY, Ms. LEE, Mrs. CHRISTENSEN, Mr. CAPUANO, Mr. MCGOVERN, Mr. KENNEDY of Rhode Island, Mrs. MALONEY, Mr. DAVIS of Illinois, Ms. SOLIS, Mr. WEINER, Mr. LANTOS, Mr. PAYNE, Ms. CARSON of Indiana, Mr. FILNER, Mr. MEEHAN, Mr. LYNCH, Mr. THOMPSON of Mississippi, Mr. HASTINGS of Florida, Mr. DEFazio, Mr. GUTIERREZ, Mr. LEWIS of Georgia, Mr. DELAHUNT, Mr. FATTAH, and Mrs. JONES of Ohio) introduced the following bill; which was referred to the Committee on Energy and Commerce

A BILL

To amend the Social Security Act to provide grants and flexibility through demonstration projects for States to provide universal, comprehensive, cost-effective systems of health care coverage, with simplified administration.

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

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

2 (a) SHORT TITLE.—This Act may be cited as the
3 “States’ Right To Innovate in Health Care Act of 2003”.

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

- Sec. 1. Short title; table of contents.
- Sec. 2. Findings and purposes.
- Sec. 3. Amendment to Social Security Act.

“TITLE XXII—STATE COMPREHENSIVE HEALTH CARE AND COST
CONTAINMENT DEMONSTRATION PROJECTS

- “Sec. 2201. Planning grants.
- “Sec. 2202. Demonstration grants.
- “Sec. 2203. State plan requirements.
- “Sec. 2204. Interstate arrangements.
- “Sec. 2205. Definitions.”.

6 **SEC. 2. FINDINGS AND PURPOSES.**

7 (a) FINDINGS.—Congress finds the following:

8 (1) In 1998, annual health care expenditures in
9 the United States totaled \$1.15 trillion, or \$4,094
10 per person.

11 (2) In 1998, health care expenditures rep-
12 resented 13.5 percent of the gross domestic product
13 (GDP) in the United States and grew at the rate of
14 5.6 percent while the gross domestic product grew
15 only at the rate of 4.9 percent.

16 (3) Businesses, and consumers, would save ap-
17 proximately \$562.8 billion over 7 years if health care
18 expenditures were increasing at the same rate as
19 GDP growth.

1 (4) Because many individuals do not have
2 health insurance coverage, they may incur health
3 care costs which they do not fully reimburse, result-
4 ing in cost-shifting to others.

5 (5) As a consequence of the piecemeal health
6 care system in the United States, administrative
7 overhead costs approximately \$1,000 per person an-
8 nually while other Western industrialized nations
9 with universal health care systems spend approxi-
10 mately \$200 per person annually for administrative
11 overhead.

12 (b) PURPOSE.—It is the purpose of this Act to en-
13 courage States—

14 (1) to develop plans for universal, comprehen-
15 sive, cost-effective systems of health care with sim-
16 plified administration to individuals residing in such
17 States; and

18 (2) to implement such plans by offering transi-
19 tional grants and by removing Federal statutory and
20 administrative barriers that may inhibit or discour-
21 age efforts by States to provide such health care
22 while maintaining Federal payments for health care
23 under Federal health care programs.

1 **SEC. 3. AMENDMENT TO SOCIAL SECURITY ACT.**

2 The Social Security Act (42 U.S.C. 301 et seq.) is
3 amended by adding at the end the following new title:

4 “TITLE XXII—STATE COMPREHENSIVE
5 HEALTH CARE AND COST CONTAINMENT
6 DEMONSTRATION PROJECTS

7 **“SEC. 2201. PLANNING GRANTS.**

8 “(a) APPLICATION.—A State may apply to the Sec-
9 retary for a State planning grant under this section to
10 develop a State plan to offer universal comprehensive
11 health care, with simplified administration, and to improve
12 the cost-effectiveness of the health care delivery system.

13 “(b) CONTENTS.—The Secretary may not approve
14 such a State planning grant for a State unless the applica-
15 tion for the grant includes or provides for the following:

16 “(1) BUDGET.—A budget and a budget jus-
17 tification.

18 “(2) PLANNING PROCESS.—A description of
19 how under the grant the State shall—

20 “(A) identify options to provide a uni-
21 versal, comprehensive, and cost-effective system
22 of health care, with simplified administration,
23 that is affordable and accessible to all eligible
24 beneficiaries in the State; and

25 “(B) conduct an analysis that compares
26 projected overall health expenditures over a 7-

1 year period under the proposed system with the
2 projected overall health expenditures that would
3 otherwise occur during such period.

4 “(3) OPPORTUNITY FOR PUBLIC PARTICIPA-
5 TION.—Assurances that the State will include a
6 process for public contribution and participation in
7 the planning process.

8 “(c) NUMBER OF STATES; PERIOD OF GRANT.—The
9 Secretary may not award State planning grants under this
10 section to more than 10 States. A State planning grant
11 under this section shall be effective for a period of up to
12 30 months. In awarding State planning grants under this
13 section the Secretary shall give preference to States from
14 a variety of geographic areas in the United States.

15 “(d) AMOUNT.—The amount of a State planning
16 grant under this section to a State may not exceed
17 \$3,750,000.

18 “(e) TECHNICAL ASSISTANCE.—The Secretary shall
19 provide States with technical assistance in applying for
20 and implementing State planning grants under this sec-
21 tion. At the request of the Secretary, other Departments
22 and Offices of the Federal Government shall provide
23 States with such technical assistance.

1 **“SEC. 2202. DEMONSTRATION GRANTS.**

2 “(a) APPLICATION.—A State that has developed a
3 State plan may apply to the Secretary for approval of a
4 demonstration grant under this section to achieve a cost-
5 effective delivery system of universal, comprehensive
6 health care with simplified administration. The Secretary
7 shall notify the chief executive officer of all States of the
8 availability of demonstration grants under this section.

9 “(b) APPROVAL.—The Secretary shall approve the
10 applications of not more than 5 States under this section.
11 In approving grants under this section the Secretary shall
12 give preference to States from a variety of geographic
13 areas in the United States. If the Secretary determines
14 that a State no longer meets the conditions for approval
15 of the grant, the Secretary shall notify the State of such
16 determination and provide the State with an opportunity
17 to correct deficiencies in a timely manner. If the Secretary
18 further determines that a State has not corrected such de-
19 ficiencies in a timely manner, the Secretary shall termi-
20 nate the grant (including waivers authorized under the
21 grant).

22 “(c) PERIOD.—A demonstration grant approved
23 under this section shall be effective for 7 years from the
24 date of final approval of the demonstration grant applica-
25 tion under subsection (b).

1 “(d) STATE PLAN REQUIRED.—The Secretary may
2 not approve a demonstration grant under this section un-
3 less the State has a State plan to carry out the grant con-
4 sistent with the requirements of section 2203.

5 “(e) FUNDING.—

6 “(1) TRANSITIONAL GRANT AMOUNT.—The
7 amount awarded under this section to a State with
8 a demonstration grant approved under this section
9 may not exceed an aggregate amount of
10 \$10,000,000 plus \$3 multiplied by the number of el-
11 igible State residents of the State, to assist the
12 State in the transition of the health care delivery
13 and financing infrastructure. Such amount shall be
14 made available to a State during the period of tran-
15 sition, as provided in the State plan. The number of
16 eligible State residents of a State shall be deter-
17 mined based on the best available Census Bureau
18 data as of the July 1 before the date the grant
19 under this section is approved.

20 “(2) MAINTENANCE OF FEDERAL FUNDS
21 UNDER WAIVERS.—Pursuant to the waivers under
22 subsection (f), the Federal Government shall pay to
23 a State amounts for health care under Federal
24 health care programs that would otherwise have
25 been payable by the Federal Government but for the

1 State’s universal, comprehensive health care system
2 under this section.

3 “(3) GENERAL 3 PERCENTAGE POINTS IN-
4 CREASE IN FMAP FOR CALENDAR QUARTERS OCCUR-
5 RING DURING THE PERIOD OF THE DEMONSTRATION
6 GRANT.—

7 “(A) IN GENERAL.—Notwithstanding any
8 other provision of law, for each State for which
9 a demonstration grant is approved under this
10 section, the FMAP of the State shall be in-
11 creased by 3 percentage points for each cal-
12 endar quarter occurring during the period re-
13 ferred to in subsection (c).

14 “(B) FMAP.—In this paragraph, the term
15 ‘FMAP’ means the Federal medical assistance
16 percentage, as defined in section 1905(b) of the
17 Social Security Act (42 U.S.C. 1396d(b)).

18 “(f) WAIVER OF ERISA PREEMPTION AND WAIVERS
19 TO POOL FUNDS.—As part of a demonstration grant
20 under this section and subject to the benefit maintenance
21 requirements applicable under section 2203(b), a State
22 may request (and the Secretary may grant) the following
23 waivers of requirements and provisions to the extent nec-
24 essary to carry out the State plan under section 2203:

1 “(1) ERISA.—Waiving application of section
2 514 of the Employee Retirement Income Security
3 Act of 1974.

4 “(2) MEDICARE.—Waiving provisions necessary
5 to permit the State—

6 “(A) to use funds otherwise paid under
7 title XVIII for beneficiaries residing in the
8 State; and

9 “(B) to permit the State to enter into an
10 arrangement with the Secretary under which el-
11 igible State residents who are not otherwise en-
12 rolled for benefits under parts A and B of such
13 title are enrolled for such benefits under such
14 title and the State provides for such actuarially
15 appropriate reimbursement to the Secretary
16 with respect to coverage of such benefits for
17 such residents as is necessary to assure that the
18 Trust Funds under such title are not adversely
19 affected by virtue of such waiver, such reim-
20 bursement subject to—

21 “(i) an independent audit, to be re-
22 viewed by the Comptroller General of the
23 United States, assuring that such reim-
24 bursement does not adversely affect in any

1 way the Trust Funds for medicare eligible
2 beneficiaries, and

3 “(ii) in the case that the audit deter-
4 mines that additional reimbursement to the
5 Secretary is required, such additional reim-
6 bursement, with appropriate adjustments
7 for interest attributable to the late reim-
8 bursement.

9 “(3) MEDICAID.—Waiving provisions necessary
10 to permit the State to use funds otherwise paid to
11 the State under title XIX.

12 “(4) SCHIP.—Waiving provisions necessary to
13 permit the State to use funds otherwise paid to the
14 State under title XXI.

15 “(5) FEHBP.—Waiving provisions necessary to
16 permit the State to use funds otherwise paid under
17 chapter 89 of title 5, United States Code, or allow-
18 ing the Office of Personnel Management to purchase
19 health care coverage for Federal employees and re-
20 tirees in the State under the State plan.

21 “(6) USE OF OTHER FUNDS.—Waiving provi-
22 sions necessary to permit the State to use funds oth-
23 erwise provided under other Federal programs for
24 the provision of health care coverage or services,
25 identified by the State.

1 “(7) OTHER LAWS.—Waiving of other provi-
2 sions of Federal law identified by the State under
3 section 2203(e)(3) only if the Secretary determines
4 such a waiver to be appropriate after consultation
5 with the head of the Federal agency or department
6 concerned.

7 The Secretary may grant a waiver under this subsection
8 only if the State provides the Secretary with satisfactory
9 assurances that necessary safeguards have been taken to
10 protect the health and welfare of individuals provided serv-
11 ices under the waiver and that financial accountability is
12 maintained for any funds expended under the waiver. The
13 Secretary may grant a waiver under paragraph (1) only
14 with the concurrence of the Secretary of Labor.

15 “(g) REENROLLMENT OF ELIGIBLE STATE RESI-
16 DENTS WHO MOVE FROM A PARTICIPATING STATE.—In
17 the case of an eligible State resident who is covered under
18 a State plan under section 2203, who (but for such cov-
19 erage) is eligible to be enrolled in a program described in
20 subsection (f) (including the medicare and medicaid pro-
21 grams), and who is not enrolled in such a program because
22 of such coverage, if the resident leaves the State to reside
23 in a State that does not have such a State plan in effect,
24 the resident shall be permitted, notwithstanding any other
25 provision of law, to enroll immediately in such a program

1 if the resident is still otherwise eligible to be so enrolled.
2 In the case of such enrollment in the medicare program,
3 the resident shall be treated for purposes of section
4 1882(s)(2) (relating to availability of medigap policies
5 without underwriting) as if the resident had turned 65
6 years of age on the date the resident enrolls in the medi-
7 care program.

8 “(h) DUTIES OF THE SECRETARY.—

9 “(1) GUIDANCE AND INFORMATION.—The Sec-
10 retary shall—

11 “(A) provide guidance to State health care
12 authorities regarding applications for grants
13 under this title and exchange information with,
14 and otherwise assist, such authorities upon the
15 request of the authorities;

16 “(B) set application procedures;

17 “(C) review and approve applications for
18 demonstration grants under this section, includ-
19 ing providing for appropriate waivers described
20 in subsection (f);

21 “(D) provide appropriate levels of funding
22 for such approved applications consistent with
23 such section;

1 “(E) conduct such evaluation, monitoring,
2 compliance, and other review functions as may
3 be appropriate;

4 “(F) develop guidelines, standards, and
5 formats for States to follow in evaluating, re-
6 porting, and collecting data in order to enable
7 the Commission to monitor State plan adminis-
8 tration and compliance, and to evaluate and
9 compare the effectiveness of State plans; and

10 “(G) implement any other requirements or
11 activities necessary and appropriate under this
12 title.

13 “(2) ANNUAL REPORT.—The Secretary shall
14 submit to the President and the Congress an annual
15 report. Such report shall be submitted not later than
16 March 30 of each year and shall include information
17 concerning States that receive grants under this title
18 and the effectiveness of any health care programs
19 assisted by such grants during the previous year.

20 “(3) APPROVAL PROCESS.—The provisions of
21 section 2106(c) shall apply to State plans and the
22 Secretary under this title in the same manner as
23 they apply to State plans and the Secretary under
24 such section.

1 **“SEC. 2203. STATE PLAN REQUIREMENTS.**

2 “(a) COVERAGE.—

3 “(1) IN GENERAL.—A State plan shall provide
4 a process and a timeline for achieving coverage of all
5 eligible State residents statewide, without regard to
6 employment status, income, health status or pre-
7 existing condition, or location of residency within the
8 State.

9 “(2) OUTREACH MECHANISMS.—A State plan
10 shall describe the outreach mechanisms to be used to
11 assure coverage of all eligible individuals, including
12 measures to assure coverage of individuals in hard-
13 to-reach populations and to assure benefits are pro-
14 vided to eligible individuals located in underserved
15 areas.

16 “(b) BENEFITS.—

17 “(1) BASIC BENEFITS.—A State plan shall pro-
18 vide for health benefits that—

19 “(A) are at least actuarially equivalent to
20 the standard Blue Cross/Blue Shield preferred
21 provider option service benefit plan, described
22 in and offered under section 8903(1) of title 5,
23 United States Code; and

24 “(B) include benefits for at least the fol-
25 lowing items and services:

1 “(i) Inpatient and outpatient hospital
2 services, including emergency services
3 available 24 hours a day.

4 “(ii) Long term, acute, and chronic
5 care services, including skilled nursing fa-
6 cility services, intermediate care facility
7 services home health services, home and
8 community-based long-term care services,
9 hospice care, and services in intermediate
10 care facilities for individuals diagnosed
11 with mental retardation.

12 “(iii) Professional services of health
13 care practitioners authorized to provide
14 health care services under State law.

15 “(iv) Community-based primary
16 health care services, including rural health
17 clinic services and Federally-qualified
18 health center services.

19 “(v) Laboratory, x-ray services, and
20 diagnostic tests.

21 “(vi) Preventive care, including pre-
22 natal, well-baby, and well-child care, appro-
23 priate immunizations, pap smears, screen-
24 ing mammography, colorectal cancer

1 screening, physical examinations, and fam-
2 ily planning.

3 “(vii) Prescription drugs and
4 biologicals, including insulin and medical
5 foods.

6 “(viii) Mental health services.

7 “(ix) Substance abuse treatment serv-
8 ices.

9 “(x) Vision services, including routine
10 eye examinations, eyeglasses, and contact
11 lenses.

12 “(xi) Hearing services, including hear-
13 ing aids.

14 “(xii) Dental services, including rou-
15 tine check ups.

16 “(xiii) Durable medical equipment, in-
17 cluding home dialysis supplies and equip-
18 ment.

19 “(xiv) Emergency ambulance services.

20 “(xv) Prosthetics.

21 “(xvi) Outpatient therapy, including
22 physical therapy, occupational therapy, and
23 speech language pathology services and re-
24 lated services.

1 “(2) ASSURANCE THAT BENEFITS ARE NOT RE-
2 DUCED FOR INDIVIDUALS COVERED UNDER FED-
3 ERAL PROGRAMS.—Insofar as the State under the
4 plan incorporates funding provided by Federal pro-
5 grams described in section 2202(f), the State plan
6 may not provide for a reduction in benefits (includ-
7 ing coverage, access, availability, duration, and bene-
8 ficiary rights, and, if applicable, vaccine benefits
9 under section 1928) otherwise provided for under
10 such programs or an increase in cost-sharing and
11 premiums otherwise provided for under such pro-
12 grams.

13 “(3) CONTINUATION OF BENEFITS FOR CER-
14 TAIN ALIENS.—Nothing in this title shall be con-
15 strued as affecting the access of aliens described in
16 section 2204(1)(D) to health care services provided
17 under law for such aliens as of the date of the enact-
18 ment of this title.

19 “(c) QUALITY ASSURANCE.—

20 “(1) IN GENERAL.—A State plan shall provide,
21 and describe, mechanisms to be used to assure, mon-
22 itor, and maintain the quality of items and services
23 furnished under the plan.

24 “(2) HEALTH OUTCOMES.—A State plan shall
25 describe the plan’s projected effect on health out-

1 comes in the State, including estimates of health
2 benefits, decreased morbidity and mortality, and im-
3 proved productivity resulting from reduction in the
4 number of individuals without health benefits.

5 “(d) PROGRAMS FOR MEDICAL EDUCATION.—A
6 State plan shall describe health professions training and
7 graduate medical education activities applicable under the
8 plan, and shall provide, under the State plan, for payment
9 from Federal, State, and local governments for such train-
10 ing and education activities in the amounts that would
11 otherwise be payable by such governments but for the
12 State’s universal, comprehensive health care system under
13 the State plan.

14 “(e) FINANCING.—

15 “(1) BUDGET.—A State plan shall incorporate
16 a budget which contains—

17 “(A) detailed projections of health care ex-
18 penditures presently and under the proposed
19 system, including an identification and calcula-
20 tion of the amount of funding to be provided by
21 the Federal, State, and local governments under
22 the plan and an assurance that the amount of
23 expenditures made by the State and local gov-
24 ernments will not be reduced as a result of the
25 implementation of the plan; and

1 “(B) a description (and an estimate of
2 costs) of transitional activities to be undertaken
3 in implementing the proposed system.

4 “(2) COST CONTAINMENT.—A State plan shall
5 describe the means to be used to contain costs under
6 the plan, including when and how the plan will in-
7 crease efficiencies.

8 “(3) FEDERAL EXPENDITURE LIMIT.—A State
9 plan shall contain assurances that aggregate Federal
10 expenditures on health care (including Federal ex-
11 penditures under titles 5, 10, and 38 of the United
12 States Code, and under this Act) under the plan will
13 not exceed aggregate Federal expenditures that
14 would have been incurred in the absence of such
15 plan.

16 “(f) IMPLEMENTATION.—

17 “(1) IN GENERAL.—A State plan shall describe
18 the method (including a timetable and period of
19 transition) for implementing the plan.

20 “(2) COORDINATION.—A State plan shall iden-
21 tify all Federal, State, and local programs that pro-
22 vide health care services in the State and describe
23 how such programs would be incorporated in, or co-
24 ordinated with, the health coverage system under the
25 plan.

1 “(3) FEDERAL WAIVERS REQUIRED.—A State
2 plan shall identify any waivers of Federal law re-
3 quired to implement the plan, including the use of
4 any pooled Federal funds and other waivers de-
5 scribed in section 2202(f).

6 “(4) APPROVAL OF STATE LEGISLATURE.—A
7 State plan shall provide that State approvals and
8 commitments (including approval of the State legis-
9 lature) necessary for the implementation of the plan
10 will be obtained by not later than 1 year after the
11 date of the Secretary’s approval of the plan. Any ap-
12 proval of a grant is conditioned upon the timely
13 completion of such approvals and commitments.

14 “(g) EVALUATION.—A State plan shall provide for a
15 process for its evaluation, and shall comply with any eval-
16 uation reporting or data collection requirements imposed
17 by the Secretary.

18 “(h) CONSTRUCTION.—Nothing in this title shall be
19 construed as preempting State laws that provide greater
20 protections or benefits than the protections or benefits re-
21 quired under this title.

22 **“SEC. 2204. INTERSTATE ARRANGEMENTS.**

23 “(a) IN GENERAL.—One or more contiguous States
24 in a geographic region may file a joint application for
25 planning and demonstration grants under this title.

1 “(b) CONGRESSIONAL APPROVAL.—Congress hereby
2 authorizes and approves States entering into Interstate
3 Compacts in order to conduct joint health care programs
4 under such a grant.

5 “(c) REFERENCES TO STATE.—In the case of a joint
6 application described in subsection (a), any reference in
7 this title to a State is deemed to refer to all of the States,
8 and the approval of a grant with respect to such a joint
9 application shall be counted as 1 State for purposes of
10 applying sections 2201(c) and 2202(b).

11 **“SEC. 2205. DEFINITIONS.**

12 “As used in this title:

13 “(1) ELIGIBLE STATE RESIDENT.—The term
14 ‘eligible State resident’ means any resident of the
15 United States who is a citizen or national of the
16 United States, or lawful resident alien, and who re-
17 sides in any particular State. Such term may in-
18 clude, at the option of a State, the following:

19 “(A) State employees and dependents of
20 such employees.

21 “(B) Employees, and dependents of such
22 employees, working in a work site of a business
23 located in the State.

24 “(C) One or more classes of non-
25 immigrants (as defined in section 101(a)(15) of

1 the Immigration and Nationality Act) specified
2 in the State plan.

3 “(D) Aliens unlawfully present in the
4 United States.

5 “(2) **LAWFUL RESIDENT ALIEN.**—The term
6 ‘lawful resident alien’ means an alien lawfully admit-
7 ted for permanent residence and any other alien law-
8 fully residing permanently in the United States
9 under color of law, including an alien granted asy-
10 lum or with lawful temporary resident status under
11 section 210, 210A, or 245A of the Immigration and
12 Nationality Act.

13 “(3) **SECRETARY.**—The term ‘Secretary’ means
14 the Secretary of Health and Human Services.

15 “(4) **STATE.**—Subject to section 2204(c), the
16 term ‘State’ means a State, the District of Colum-
17 bia, the Commonwealth of Puerto Rico, the United
18 States Virgin Islands, Guam, American Samoa, and
19 the Commonwealth of the Northern Mariana Is-
20 lands.

21 “(5) **STATE PLAN.**—The term ‘State plan’
22 means a comprehensive health care plan of a State
23 participating in a State Care demonstration project

1 under this title that meets the requirements of sec-
2 tion 2203.”.

○