

105TH CONGRESS  
1ST SESSION

# H. R. 561

To amend the Internal Revenue Code of 1986 to require that group health plans and insurers offer access to coverage for children and to assist families in the purchase of such coverage, and for other purposes.

---

## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 4, 1997

Mr. STARK introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Education and the Workforce, and Commerce, 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 the Internal Revenue Code of 1986 to require that group health plans and insurers offer access to coverage for children and to assist families in the purchase of such 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; FINDINGS; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Children Health Insurance Act of 1997”.

6 (b) FINDINGS.—Congress finds that—

1           (1) it is in the national interest to ensure that  
2           every American child has access to affordable health  
3           care;

4           (2) no family should be forced to choose be-  
5           tween health care for its children and other essential  
6           needs;

7           (3) 10,500,000 children in the United States  
8           under the age of 19 have no health insurance cov-  
9           erage, and 90 percent of these children have parents  
10          who work, and too many of these children go with-  
11          out needed health care;

12          (4) families have an obligation to contribute to  
13          the cost of health insurance coverage for their chil-  
14          dren, consistent with their ability to pay; and

15          (5) the Federal Government has an obligation  
16          to help families provide health insurance coverage  
17          for children.

18          (c) TABLE OF CONTENTS.—The table of contents of  
19          this Act is as follows:

- Sec. 1. Short title; findings; table of contents.
- Sec. 2. Health insurance availability for children.
- Sec. 3. Refundable credit for purchase of health insurance coverage for children.
- Sec. 4. Employer may not discriminate against subsidy eligible individuals.
- Sec. 5. Medicaid assistance with cost-sharing for qualifying children with family income below 150 percent of the poverty line.
- Sec. 6. Grants to States for health insurance outreach and information programs.

1 **SEC. 2. HEALTH INSURANCE AVAILABILITY FOR CHILDREN.**

2 (a) IN GENERAL.—The Internal Revenue Code of  
3 1986 (as amended by the Health Insurance Portability  
4 and Accountability Act of 1996) is amended by adding at  
5 the end the following:

6 **“Subtitle L—Health Insurance**  
7 **Availability for Children**

8 **“CHAPTER 101—HEALTH INSURANCE**  
9 **AVAILABILITY FOR CHILDREN**

“Sec. 9901. Excise tax on failure to meet requirement of access  
to coverage.

“Sec. 9902. Requirement of access to coverage.

“Sec. 9903. Definitions.

10 **“SEC. 9901. EXCISE TAX ON FAILURE TO MEET REQUIRE-**  
11 **MENT OF ACCESS TO COVERAGE.**

12 “(a) IMPOSITION OF TAX.—There is hereby imposed  
13 a tax on the failure of—

14 “(1) a group health plan to meet the coverage  
15 requirements of section 9902(a); and

16 “(2) an insurer that offers health insurance  
17 coverage in the individual market to meet the re-  
18 quirements of section 9902(b).

19 “(b) AMOUNT OF TAX.—

20 “(1) GROUP HEALTH PLAN.—

21 “(A) IN GENERAL.—The amount of tax  
22 imposed by subsection (a)(1) on any failure  
23 with respect to a participant or beneficiary of a

1 group health plan shall be 25 percent of each  
2 premium received by the group health plan for  
3 the plan year in which such failure occurs.

4 “(B) SELF-INSURED PLANS.—In the case  
5 that the group health plan is self-insured, the  
6 cost to the plan of the coverage of participants  
7 and beneficiaries shall be treated as the pre-  
8 mium received for the purposes of subpara-  
9 graph (A).

10 “(2) INSURER OFFERING INDIVIDUAL HEALTH  
11 INSURANCE COVERAGE.—The amount of tax im-  
12 posed by subsection (a)(2) on any failure of an in-  
13 surer with respect to an individual described in para-  
14 graph (1) or (2) of section 9902(b) shall be 25 per-  
15 cent of the total amount of the premiums paid to the  
16 insurer for such coverage for the plan year in which  
17 such failure occurs.

18 “(c) LIMITATIONS ON AMOUNT OF TAX.—

19 “(1) TAX NOT TO APPLY WHERE FAILURE NOT  
20 DISCOVERED EXERCISING REASONABLE DILI-  
21 GENCE.—No tax shall be imposed by subsection (a)  
22 on any failure during any period for which it is es-  
23 tablished to the satisfaction of the Secretary that  
24 none of the persons referred to in subsection (e)

1 knew, or exercising reasonable diligence would have  
2 known, that such failure existed.

3 “(2) TAX NOT TO APPLY TO FAILURES COR-  
4 RECTED WITHIN 30 DAYS.—No tax shall be imposed  
5 by subsection (a) on any failure if—

6 “(A) such failure was due to reasonable  
7 cause and not to willful neglect, and

8 “(B) such failure is corrected during the  
9 30-day period beginning on the 1st date any of  
10 the persons referred to in subsection (e) knew,  
11 or exercising reasonable diligence would have  
12 known, that such failure existed.

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

19 “(d) TAX NOT TO APPLY TO CERTAIN PLANS.—This  
20 section shall not apply to—

21 “(1) any governmental plan (within the mean-  
22 ing of section 414(d)), or

23 “(2) any church plan (within the meaning of  
24 section 414(e)).

1       “(e) LIABILITY FOR TAX.—The following shall be re-  
2 sponsible for the tax imposed by subsection (a):

3               “(1) In the case of the tax imposed by sub-  
4 section (a)(1) on a group health plan, the plan.

5               “(2) In the case of the tax imposed by sub-  
6 section (a)(2) on an insurer offering health insur-  
7 ance coverage, the insurer.

8 **“SEC. 9902. REQUIREMENT OF ACCESS TO COVERAGE.**

9       “(a) GROUP HEALTH PLANS.—

10               “(1) IN GENERAL.—Each group health plan  
11 that provides coverage to any participant (or bene-  
12 ficiary) must make available qualifying coverage for  
13 each qualifying young dependent of an individual  
14 who is a participant or beneficiary under the plan.

15               “(2) TIMING OF OFFER.—The offer under para-  
16 graph (1) shall be made at the time a person first  
17 becomes a qualifying young dependent and at least  
18 annually thereafter.

19       “(b) HEALTH INSURANCE COVERAGE.—Each insurer  
20 that offers health insurance coverage in the individual  
21 market must offer qualifying coverage for each individual  
22 who is under 21 years of age, residing in the United  
23 States, and a citizen or national of the United States (or  
24 alien permanently residing in the United States under  
25 color of law).

1       “(c) QUALIFYING COVERAGE.—For purposes of this  
2 section—

3           “(1) IN GENERAL.—The term ‘qualifying cov-  
4 erage’ means coverage of health care benefits that  
5 the Secretary of Health and Human Services deter-  
6 mines approximates the following benefits, without  
7 any limitation based on a pre-existing condition with  
8 respect to such benefits and without any waiting pe-  
9 riod for coverage with respect to such benefits at a  
10 premium or other charge that is reasonably priced  
11 (within the meaning of paragraph (3)):

12           “(A) MEDICARE BENEFITS.—Benefits pro-  
13 vided under parts A and B of title XVIII of the  
14 Social Security Act, or benefits determined to  
15 be actuarially equivalent to (or greater than)  
16 such benefits; except that, subject to subpara-  
17 graph (D), in no case shall the coinsurance at-  
18 tributable to benefits under part B of such title  
19 exceed (with respect to provision of an item or  
20 service) the lesser of \$10 or 10 percent of the  
21 recognized payment amount with respect to  
22 such item or service (determined without regard  
23 to cost-sharing).

24           “(B) WELL CHILD CARE BENEFITS.—

1           “(i) IN GENERAL.—Payment for the  
2 following items and services, without the  
3 application of deductibles, coinsurance, and  
4 copayments:

5                   “(I) Newborn and well-baby care,  
6 including normal newborn care and  
7 pediatrician services for high-risk de-  
8 liveries.

9                   “(II) Well-child care, including  
10 routine office visits, routine immuni-  
11 zations (including the vaccine itself),  
12 routine laboratory tests, and preven-  
13 tive dental care.

14                   “(III) Early and periodic screen-  
15 ing, diagnostic, and treatment services  
16 (as defined in section 1905(r) of the  
17 Social Security Act) for individuals  
18 under the age of 21.

19           “(ii) PERIODICITY SCHEDULE.—The  
20 Secretary, in consultation with the Amer-  
21 ican Academy of Pediatrics, shall establish  
22 a schedule of periodicity for services de-  
23 scribed in clauses (I) and (II) of clause (i)

1           which reflects the general, appropriate fre-  
2           quency with which such services should be  
3           provided to healthy children.

4           “(C) PRESCRIPTION DRUG BENEFIT.—A  
5           benefit for prescription drugs and biologicals  
6           necessary to meet catastrophic costs for such  
7           drugs and biologicals, as determined by the Sec-  
8           retary.

9           “(D) NO COST-SHARING FOR PREVENTIVE  
10          SERVICES.—There shall be no deductibles, coin-  
11          surance, or other cost sharing imposed with re-  
12          spect to benefits for preventive services, as de-  
13          fined by the Secretary.

14          “(2) MANAGED CARE PERMITTED.—Nothing in  
15          this section shall be construed as limiting the provid-  
16          ers through whom the benefits described in para-  
17          graph (1) may be provided so long as there is rea-  
18          sonable access to such benefits.

19          “(3) REASONABLY PRICED.—For purposes of  
20          this subsection, coverage is considered to be ‘reason-  
21          ably priced’ only if the premium or other charge for  
22          the coverage does not exceed 150 percent of the av-  
23          erage price for similar coverage offered in the same

1 State (as determined based upon information pro-  
2 vided by the Secretary of Health and Human Serv-  
3 ices).

4 “(d) QUALIFYING YOUNG DEPENDENT.—For pur-  
5 poses of this section, the term ‘qualifying young depend-  
6 ent’ means an individual who is under 21 years of age,  
7 residing in the United States, is a citizen or national of  
8 the United States (or alien permanently residing in the  
9 United States under color of law), and a dependent (as  
10 defined in section 152).

11 **“SEC. 9903. DEFINITIONS.**

12 “In this chapter—

13 “(1) GROUP HEALTH PLAN.—The term ‘group  
14 health plan’ has the meaning given such term in sec-  
15 tion 5000(b)(1), but does not include such a plan  
16 that has medical benefits that only consist of cov-  
17 erage described in paragraph (2)(B).

18 “(2) HEALTH INSURANCE COVERAGE.—

19 “(A) IN GENERAL.—Except as provided in  
20 subparagraph (B), the term ‘health insurance  
21 coverage’ means benefits consisting of medical  
22 care (provided directly, through insurance or re-  
23 imbursement, or otherwise) under any hospital  
24 or medical service policy or certificate, hospital  
25 or medical service plan contract, or health

1 maintenance organization group contract of-  
2 fered by an insurer or a health maintenance or-  
3 ganization.

4 “(B) EXCEPTION.—Such term does not in-  
5 clude coverage under any separate policy, cer-  
6 tificate, or contract only for one or more of any  
7 of the following:

8 “(i) Coverage for accident, credit-only,  
9 vision, disability income, long-term care,  
10 nursing home care, community-based care  
11 dental, on-site medical clinics, or employee  
12 assistance programs, or any combination  
13 thereof.

14 “(ii) Medicare supplemental health in-  
15 surance (within the meaning of section  
16 1882(g)(1) of the Social Security Act (42  
17 U.S.C. 1395ss(g)(1))) and similar supple-  
18 mental coverage provided under a group  
19 health plan.

20 “(iii) Coverage issued as a supplement  
21 to liability insurance.

22 “(iv) Liability insurance, including  
23 general liability insurance and automobile  
24 liability insurance.

1 “(v) Workers’ compensation or similar  
2 insurance.

3 “(vi) Automobile medical-payment in-  
4 surance.

5 “(vii) Coverage for a specified disease  
6 or illness.

7 “(viii) Hospital or fixed indemnity in-  
8 surance.

9 “(ix) Short-term limited duration in-  
10 surance.

11 “(x) Such other coverage, comparable  
12 to that described in previous clauses, as  
13 may be specified in regulations prescribed  
14 under this title.

15 “(3) HEALTH MAINTENANCE ORGANIZATION.—  
16 The term ‘health maintenance organization’  
17 means—

18 “(A) a Federally qualified health mainte-  
19 nance organization (as defined in section  
20 1301(a) of the Public Health Service Act (42  
21 U.S.C. 300e(a))),

22 “(B) an organization recognized under  
23 State law as a health maintenance organization,  
24 or

1           “(C) a similar organization regulated  
2           under State law for solvency in the same man-  
3           ner and to the same extent as such a health  
4           maintenance organization,  
5           if it is subject to State law which regulates insur-  
6           ance (within the meaning of section 514(b)(2) of the  
7           Employee Retirement Income Security Act of 1974).

8           “(4) INSURER.—The term ‘insurer’ means an  
9           insurance company, insurance service, or insurance  
10          organization (including a health maintenance organi-  
11          zation) which is licensed to engage in the business  
12          of insurance in a State and which is subject to State  
13          law which regulates insurance (within the meaning  
14          of section 514(b)(2)(A) of the Employee Retirement  
15          Income Security Act of 1974).

16          “(5) INDIVIDUAL MARKET.—The term ‘individ-  
17          ual market’ means the market for health insurance  
18          coverage offered to individuals and not to employers  
19          or in connection with a group health plan and does  
20          not include the market for such coverage issued only  
21          by an insurer that makes such coverage available  
22          only on the basis of affiliation with an association.

23          “(6) INCORPORATION OF CERTAIN DEFINI-  
24          TIONS.—The terms ‘beneficiary’ and ‘participant’  
25          have the meanings given such terms in section 3 of

1 the Employee Retirement Income Security Act of  
2 1974.”.

3 (b) CLERICAL AMENDMENT.—The table of contents  
4 for the Internal Revenue Code of 1986 is amended by add-  
5 ing after the item relating to subtitle K the following new  
6 item:

“Subtitle L. Health Insurance Availability for Children.”

7 (c) EFFECTIVE DATE.—The requirement of section  
8 9902 of the Internal Revenue Code of 1986 (as added by  
9 subsection (a) of this section) shall take effect on January  
10 1, 1998, and shall apply to coverage offered on or after  
11 such date regardless of whether the plan year began before  
12 such date.

13 **SEC. 3. REFUNDABLE CREDIT FOR PURCHASE OF HEALTH**  
14 **INSURANCE COVERAGE FOR CHILDREN.**

15 (a) GENERAL RULE.—Subpart C of part IV of sub-  
16 chapter A of chapter 1 of the Internal Revenue Code of  
17 1986 is amended by redesignating section 35 as section  
18 36 and by inserting after section 34 the following new sec-  
19 tion:

20 **“SEC. 35. PURCHASE OF HEALTH INSURANCE COVERAGE**  
21 **FOR CHILDREN.**

22 “(a) GENERAL RULE.—In the case of an individual,  
23 there shall be allowed as a credit against the tax imposed  
24 by this subtitle for the taxable year an amount equal to  
25 95 percent of the amount paid by the taxpayer during the

1 taxable year for insurance which constitutes medical care  
2 (as defined in section 213) for a qualifying child of the  
3 taxpayer.

4 “(b) LIMITATIONS BASED ON ADJUSTED GROSS IN-  
5 COME AND EMPLOYER CONTRIBUTIONS.—

6 “(1) LIMITATION BASED ON AGI.—

7 “(A) IN GENERAL.—No credit shall be al-  
8 lowed under subsection (a) for any taxable year  
9 for which the taxpayer’s adjusted gross income  
10 exceeds the applicable dollar amount by  
11 \$10,000 or more.

12 “(B) PHASEOUT.—If the taxpayer’s ad-  
13 justed gross income for the taxable year exceeds  
14 the applicable dollar amount by less than  
15 \$10,000, the credit which would (but for this  
16 paragraph) be allowed under subsection (a)  
17 shall be reduced (but not below zero) by an  
18 amount which bears the same ratio to such  
19 credit as such excess bears to \$10,000. Any re-  
20 duction under the preceding sentence which is  
21 not a multiple of \$10 shall be rounded to the  
22 next lowest \$10.

23 “(C) APPLICABLE DOLLAR AMOUNT.—The  
24 term ‘applicable dollar amount’ means the sum  
25 of—

1 “(i) \$15,000, plus

2 “(ii) \$5,000 for each qualifying child  
3 of the taxpayer who is covered by the in-  
4 surance referred to in subsection (a).

5 “(2) REDUCTION BASED ON EMPLOYER CON-  
6 TRIBUTION.—The amount of any credit allowed  
7 under subsection (a) for any taxable year shall be re-  
8 duced by the amount (if any) of an employer con-  
9 tribution that is made (or offered to be made) on be-  
10 half of the individual toward the premium for the in-  
11 surance for periods during such year.

12 “(c) QUALIFYING CHILD.—

13 “(1) IN GENERAL.—Subject to paragraph (2),  
14 for the purposes of this section, the term ‘qualifying  
15 child’ has the meaning given such term by section  
16 32(c)(3).

17 “(2) EXCEPTIONS.—Such term does not in-  
18 clude—

19 “(A) an individual who has applied and  
20 been determined eligible for medical assistance  
21 under title XIX of the Social Security Act, until  
22 such time as the individual is no longer eligible  
23 for such assistance; and

24 “(B) an individual who is residing in a  
25 State (as defined for purposes of such title)

1           that the Secretary of Health and Human Serv-  
2           ices determines has reduced eligibility require-  
3           ments for children under a State plan under  
4           such title below that in effect as of January 1,  
5           1997, until such time as such Secretary deter-  
6           mines the State no longer has reduced such re-  
7           quirements.

8           “(d) SPECIAL RULES.—

9           “(1) ONLY QUALIFYING CHILDREN MAY BE  
10          COVERED BY INSURANCE.—No amount shall be  
11          treated as paid for insurance under subsection (a) if  
12          any individual other than a qualifying child of the  
13          taxpayer is covered under such insurance. The prin-  
14          ciples of section 213(d)(6) shall apply for purposes  
15          of the preceding sentence.

16          “(2) ONLY REASONABLY PRICED COVERAGE  
17          QUALIFIES.—No amount shall be treated as paid for  
18          insurance under subsection (a) if the premium or  
19          other charge for the insurance is not reasonably  
20          priced (within the meaning of section 9902(c)(3)).

21          “(3) CERTAIN PLANS TREATED AS INSUR-  
22          ANCE.—For purposes of this section, the term ‘in-  
23          surance’ includes coverage under a State high risk  
24          pool plan or under a governmental plan (within the  
25          meaning of section 414(d)).

1           “(4) CERTAIN RULES TO APPLY.—Rules similar  
2           to the rules of subsections (d), (e), and (h) of section  
3           32, and section 213(d)(6), shall apply for purposes  
4           of this section.

5           “(5) SECTION NOT TO APPLY TO LONG-TERM  
6           CARE INSURANCE.—This section shall not apply to  
7           insurance which constitutes medical care by reason  
8           of section 213(d)(1)(C).

9           “(6) DISQUALIFICATION OF CERTAIN INSUR-  
10          ANCE.—If the Secretary of Health and Human Serv-  
11          ices determines, based on information provided by a  
12          State or otherwise, that an issuer of insurance under  
13          this section has engaged in a pattern of abuse or  
14          misrepresentation of such insurance, this section  
15          shall not apply to insurance issued by such issuer  
16          until such Secretary is satisfied that such pattern  
17          has been remedied and will not recur.

18          “(e) COORDINATION WITH OTHER PROVISIONS.—

19                 “(1) DEDUCTION FOR MEDICAL EXPENSES.—  
20                 The amount taken into account in computing the  
21                 credit under subsection (a) shall not be taken into  
22                 account in computing the amount allowable to the  
23                 taxpayer as a deduction under section 213(a).

24                 “(2) DEDUCTION FOR HEALTH INSURANCE  
25                 COSTS OF SELF-EMPLOYED INDIVIDUALS.—No

1 amount taken into account under section 162(l) may  
2 be taken into account under this section.”

3 (b) ADVANCE PAYMENT OF CREDIT.—

4 (1) IN GENERAL.—Chapter 25 of such Code  
5 (relating to general provisions relating to employ-  
6 ment taxes) is amended by inserting after section  
7 3507 the following new section:

8 **“SEC. 3507A. ADVANCE PAYMENT OF CHILDREN’S HEALTH**  
9 **INSURANCE CREDIT.**

10 “(a) GENERAL RULE.—Except as otherwise provided  
11 in this section, every employer making payment of wages  
12 to an employee with respect to whom a children’s health  
13 insurance credit eligibility certificate is in effect shall, at  
14 the time of paying such wages, make an additional pay-  
15 ment equal to the children’s health insurance credit ad-  
16 vance amount of such employee.

17 “(b) CHILDREN’S HEALTH INSURANCE CREDIT ELI-  
18 GIBILITY CERTIFICATE.—For purposes of this title, a chil-  
19 dren’s health insurance credit eligibility certificate is a  
20 statement furnished by an employee to the employer  
21 which—

22 “(1) certifies that the employee will be eligible  
23 to receive the credit provided by section 35 for the  
24 taxable year,

1           “(2) certifies that the employee does not have  
2           a children’s health insurance credit eligibility certifi-  
3           cate in effect for the calendar year with respect to  
4           the payment of wages by another employer,

5           “(3) states whether or not the employee’s  
6           spouse has such a certificate in effect, and

7           “(4) estimates the amount of children’s health  
8           insurance credit of the employee for the calendar  
9           year.

10 For purposes of this section, a certificate shall be treated  
11 as being in effect with respect to a spouse if such a certifi-  
12 cate will be in effect on the first status determination date  
13 following the date on which the employee furnishes the  
14 statement in question.

15           “(c) CHILDREN’S HEALTH INSURANCE CREDIT AD-  
16 VANCE AMOUNT.—

17           “(1) IN GENERAL.—For purposes of this title,  
18           the term ‘children’s health insurance credit advance  
19           amount’ means, with respect to any payroll period,  
20           the amount determined—

21                   “(A) on the basis of the employee’s wages  
22                   from the employer for such period,

23                   “(B) on the basis of the employee’s esti-  
24                   mated amount of children’s health insurance

1 credit included in the children’s health insur-  
2 ance credit eligibility certificate, and

3 “(C) in accordance with tables prescribed  
4 by the Secretary.

5 “(2) ADVANCE AMOUNT TABLES.—The tables  
6 referred to in paragraph (1)(C)—

7 “(A) shall be similar in form to the tables  
8 prescribed under section 3402 and, to the maxi-  
9 mum extent feasible, shall be coordinated with  
10 such tables and the tables prescribed under sec-  
11 tion 3507(e), and

12 “(B) shall be structured to carry out the  
13 principles of subparagraphs (B) and (C) of sec-  
14 tion 3507(e)(2).

15 “(d) CHILDREN’S HEALTH INSURANCE CREDIT.—  
16 For purposes of this section, the term ‘children’s health  
17 insurance credit’ means the credit allowable by section 35.

18 “(e) OTHER RULES.—For purposes of this section,  
19 rules similar to the rules of subsections (d) and (e) of sec-  
20 tion 3507 shall apply.

21 “(f) REGULATIONS.—The Secretary shall prescribe  
22 such regulations as may be necessary to carry out the pur-  
23 poses of this section.”.

1           (2) CLERICAL AMENDMENT.—The table of sec-  
2           tions for chapter 25 of such Code is amended by in-  
3           serting after the item relating to section 3507 the  
4           following new item:

                  “Sec. 3507A. Advance payment of children’s health insurance  
                  credit.”.

5           (c) REPORTING.—

6           (1) IN GENERAL.—Subpart B of part III of  
7           subchapter A of chapter 61 of such Code is amended  
8           by adding at the end the following new section:

9           **“SEC. 6050S. RETURNS RELATING TO PREMIUMS RECEIVED**  
10                           **FOR HEALTH INSURANCE COVERAGE FOR**  
11                           **CHILDREN.**

12           “(a) REQUIREMENT OF REPORTING.—Any person  
13           who, in connection with a trade or business, receives from  
14           any individual any premium for coverage to which section  
15           35 applies shall make a return, according to the forms  
16           or regulations prescribed by the Secretary, setting forth—

17                   “(1) the aggregate amount of such premiums  
18                   received from such individual during any calendar  
19                   year,

20                   “(2) the name, address, and TIN of such indi-  
21                   vidual, and

22                   “(3) such other information as the Secretary  
23                   may prescribe.

1           “(b) STATEMENTS TO BE FURNISHED TO INDIVID-  
2 UALS WITH RESPECT TO WHOM INFORMATION IS RE-  
3 QUIRED.—Every person required to make a return under  
4 subsection (a) shall furnish to each individual whose name  
5 is required to be set forth in such return a written state-  
6 ment showing—

7                   “(1) the name, address, and phone number of  
8 the information contact of the person required to  
9 make such return, and

10                   “(2) the aggregate amount of premiums de-  
11 scribed in subsection (a) received by such person  
12 from such individual.

13 The written statement required under the preceding sen-  
14 tence shall be furnished to the individual on or before Jan-  
15 uary 31 of the year following the calendar year for which  
16 the return under subsection (a) was required to be made.”

17           (2) PENALTIES.—

18                   (A) Subparagraph (B) of section  
19 6724(d)(1) of such Code is amended by redesign-  
20 ating clauses (x) through (xv) as clauses (xi)  
21 through (xvi), respectively, and by inserting  
22 after clause (ix) the following new clause:

23                           “(x) section 6050S (relating to report-  
24 ing of premiums received for health insur-  
25 ance coverage for children),”.

1           (B) Paragraph (2) of section 6724(d) of  
 2           such Code is amended by redesignating sub-  
 3           paragraph (R) and the succeeding subpara-  
 4           graphs as subparagraphs (S) and following, re-  
 5           spectively, and by inserting after subparagraph  
 6           (Q) the following new subparagraph:

7           “(R) section 6050S(b) (relating to report-  
 8           ing of premiums received for health insurance  
 9           coverage for children),”.

10          (3) CLERICAL AMENDMENT.—The table of sec-  
 11          tions for subpart B of part III of subchapter A of  
 12          chapter 61 of such Code is amended by adding at  
 13          the end the following new item:

            “Sec. 6050S. Returns relating to premiums received for health in-  
             surance coverage for children.”

14          (d) TECHNICAL AND CONFORMING AMENDMENTS.—

15           (1) Paragraph (2) of section 1324(b) of title  
 16           31, United States Code, is amended by inserting be-  
 17           fore the period “or from section 35 of such Code”.

18           (2) The table of sections for subpart C of part  
 19           IV of subchapter A of chapter 1 of such Code is  
 20           amended by striking the item relating to section 35  
 21           and inserting the following new items:

            “Sec. 35. Purchase of health insurance coverage for children.  
             “Sec. 36. Overpayments of tax.”

22          (e) EFFECTIVE DATE.—

1           (1) IN GENERAL.—Except as otherwise pro-  
2           vided in this subsection, the amendments made by  
3           this section shall apply to taxable years beginning  
4           after December 31, 1997.

5           (2) ADVANCE PAYMENTS.—The amendment  
6           made by subsection (b) shall apply to remuneration  
7           paid after December 31, 1997.

8           (3) REPORTING.—The amendment made by  
9           subsection (c) shall apply to payments received after  
10          December 31, 1997.

11 **SEC. 4. EMPLOYER MAY NOT DISCRIMINATE AGAINST SUB-**  
12 **SIDY ELIGIBLE INDIVIDUALS.**

13          (a) GENERAL RULE.—Any employer which elects to  
14          make employer contributions on behalf of an individual  
15          who is an employee of such employer, or who is a depend-  
16          ent of such employee, for health insurance coverage shall  
17          not condition, or vary, such contributions with respect to  
18          any such individual by reason of such individual's status  
19          as an individual eligible for a tax credit under section 35  
20          of the Internal Revenue Code of 1986 (as added by section  
21          3 of this Act).

22          (b) ELIMINATION OF CONTRIBUTIONS.—An employer  
23          shall not be treated as failing to meet the requirements  
24          of subsection (a) if the employer ceases to make employer

1 contributions for health insurance coverage for all its em-  
2 ployees.

3 **SEC. 5. MEDICAID COST-SHARING ASSISTANCE FOR QUALI-**  
4 **FYING CHILDREN WITH FAMILY INCOME**  
5 **BELOW 150 PERCENT OF THE POVERTY LINE.**

6 (a) IN GENERAL.—Section 1902 of the Social Secu-  
7 rity Act (42 U.S.C. 1396a) is amended—

8 (1) in subsection (a)(10)(E)—

9 (A) by striking “and” at the end of clause  
10 (ii), and

11 (B) by inserting at the end the following  
12 new clause:

13 “(iv) for making medical assistance avail-  
14 able for cost-sharing assistance described in  
15 subsection (aa)(2) for qualifying children de-  
16 scribed in subsection (aa)(1); and”;

17 (2) by adding at the end the following new sub-  
18 section:

19 “(aa)(1) For purposes of subsection (a)(10)(E)(iv),  
20 individuals described in this paragraph are qualifying chil-  
21 dren (as defined in section 35(c) of the Internal Revenue  
22 Code of 1986) whose family income has been determined  
23 under paragraph (3) to be less than 150 percent of the  
24 official poverty line (as defined by the Office of Manage-  
25 ment and Budget, and revised annually in accordance with

1 section 673(2) of the Omnibus Budget Reconciliation Act  
2 of 1981) applicable to a family of the size involved.

3 “(2) For purposes of subsection (a)(10)(E)(iv), the  
4 cost-sharing assistance described in this paragraph con-  
5 sists of a reduction in the amount of copayment applied  
6 with respect to an item or service for insurance under sec-  
7 tion 35 of the Internal Revenue Code of 1986 to an  
8 amount equal to 20 percent of the copayment amount oth-  
9 erwise applicable under the insurance, rounded to the  
10 nearest dollar.

11 “(3)(A) The Secretary shall promulgate regulations  
12 specifying requirements for State plans under this title  
13 with respect to determining eligibility of qualifying chil-  
14 dren for cost-sharing assistance under this subsection.

15 “(B) The regulations promulgated by the Secretary  
16 under subparagraph (A) shall include the following re-  
17 quirements:

18 “(i) A State plan shall provide that an individ-  
19 ual may file an application for assistance with an  
20 agency designated by the State at any time, in per-  
21 son or by mail.

22 “(ii) A State plan shall provide for the use of  
23 an application form developed by the Secretary.  
24 Such form shall—

1           “(I) be simple in form and understandable  
2 to the average individual;

3           “(II) in the case of a State with a signifi-  
4 cant number of residents with limited English-  
5 speaking proficiency, be in languages other than  
6 English, as appropriate for the State;

7           “(III) require the provision of information  
8 necessary to make a determination as to wheth-  
9 er an individual is eligible for assistance, includ-  
10 ing a declaration of estimated income by the in-  
11 dividual; and

12           “(IV) require attachment of such docu-  
13 mentation as deemed necessary by the Sec-  
14 retary in order to ensure eligibility for assist-  
15 ance.

16           “(iii) A State plan shall make applications ac-  
17 cessible at locations where individuals are most likely  
18 to obtain the applications.

19           “(iv) A State plan shall require individuals to  
20 submit revised applications to reflect changes in esti-  
21 mated family incomes, including changes in employ-  
22 ment status of family members, during the year.  
23 The State shall revise the amount of any cost-shar-  
24 ing assistance based on such a revised application.

1       “(C) A determination by a State that an individual  
2 is eligible for cost-sharing assistance shall be effective for  
3 the calendar year for which such determination is made  
4 unless a revised application submitted under subpara-  
5 graph (B)(iv) indicates that an individual is no longer eli-  
6 gible for assistance.

7       “(D) Determinations made pursuant to this para-  
8 graph may be coordinated with determinations of eligi-  
9 bility for state-administered health programs to the extent  
10 that such coordination brings about administrative effi-  
11 ciencies.

12       “(4) If a State determines that a qualifying child is  
13 eligible for cost-sharing assistance under this section the  
14 State shall notify the health plan in which such individual  
15 is enrolled in a timely manner.”.

16       (b) 100 PERCENT FEDERAL FINANCING.—Section  
17 1905(b) of such Act (42 U.S.C. 1396d(b)) is amended by  
18 adding at the end the following: “Notwithstanding the  
19 first sentence of this section, the Federal medical assist-  
20 ance percentage shall be 100 percent with respect to  
21 amounts expended as medical assistance for cost-sharing  
22 assistance described in the last sentence of section  
23 1905(a).”.

24       (c) COVERAGE OF COST-SHARING ASSISTANCE AS  
25 MEDICAL ASSISTANCE.—Section 1905(a) of such Act (42

1 U.S.C. 1396d(a)) is amended by adding at the end the  
2 following: “Such term also includes payment of the cost-  
3 sharing assistance under section 1902(a)(10)(E)(iv).”.

4 (d) EFFECTIVE DATE.—(1) Except as provided in  
5 paragraph (2), the amendments made by this section shall  
6 apply to calendar quarters beginning on or after January  
7 1, 1998, without regard to whether or not final regulations  
8 to carry out such amendments have been promulgated by  
9 such date.

10 (2) In the case of a State plan for medical assistance  
11 under title XIX of the Social Security Act which the Sec-  
12 retary of Health and Human Services determines requires  
13 State legislation (other than legislation appropriating  
14 funds) in order for the plan to meet the additional require-  
15 ments imposed by the amendments made by subsection  
16 (a), the State plan shall not be regarded as failing to com-  
17 ply with the requirements of such title solely on the basis  
18 of its failure to meet these additional requirements before  
19 the first day of the first calendar quarter beginning after  
20 the close of the first regular session of the State legisla-  
21 ture that begins after the date of the enactment of this  
22 Act. For purposes of the previous sentence, in the case  
23 of a State that has a 2-year legislative session, each year  
24 of such session shall be deemed to be a separate regular  
25 session of the State legislature.

1 **SEC. 6. GRANTS TO STATES FOR HEALTH INSURANCE OUT-**  
2 **REACH AND INFORMATION PROGRAMS.**

3 (a) IN GENERAL.—The Secretary of Health and  
4 Human Services (in this section referred to as the “Sec-  
5 retary”) shall provide financial assistance to States in  
6 order to operate outreach and information programs that  
7 meet the requirements specified in subsection (b).

8 (b) REQUIREMENTS FOR OUTREACH AND INFORMA-  
9 TION PROGRAMS.—Each outreach and information pro-  
10 gram shall—

11 (1) target individuals eligible for access to  
12 health coverage under section 9902 of the Internal  
13 Revenue Code of 1986, tax credits under section 35  
14 of such Code, or cost-sharing assistance under sec-  
15 tion 1902(aa) of the Social Security Act;

16 (2) provide comparative information on the poli-  
17 cies offered by issuers in the State under sections 35  
18 and 9902 of such Code;

19 (3) assist individuals in purchasing policies  
20 under section 9902 of such Code; and

21 (4) forward to the Secretary any findings by  
22 the State of a pattern of abuse or misrepresentation  
23 by the issuer of insurance for which a tax credit is  
24 available under section 35 of such Code.

1 The Secretary shall consider findings forwarded under  
2 paragraph (4) in determining whether a insurance contin-  
3 ues to qualify for purposes of obtaining a tax credit under  
4 section 35 of such Code.

5 (c) AMOUNT OF ASSISTANCE.—The Secretary shall  
6 determine the amount of financial assistance provided to  
7 a State under this section. In determining such amount,  
8 the Secretary shall take into account the number of quali-  
9 fying children (as defined in section 35(c) of such Code)  
10 in the State.

11 (d) APPLICATION REQUIRED.—No State is eligible  
12 for assistance under this section unless the State submits  
13 to the Secretary an application that is in such form, is  
14 made in such manner, and contains such agreements, as-  
15 surances, and information as the Secretary determines to  
16 be necessary to carry out this section.

17 (e) AUTHORIZATION OF APPROPRIATIONS.—There  
18 are authorized to be appropriated for each fiscal year (be-  
19 ginning with fiscal year 1998) such sums as may be nec-  
20 essary to carry out this section.

○