

106TH CONGRESS  
2D SESSION

# S. 2918

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.

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## IN THE SENATE OF THE UNITED STATES

JULY 25, 2000

Mr. ROCKEFELLER (for himself, Mr. DASCHLE, Mr. KENNEDY, Mr. HARKIN, Mr. SARBANES, and Mr. LAUTENBERG) introduced the following bill; which was read twice and referred to the Committee on Finance

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## 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,*

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

2 (a) **SHORT TITLE.**—This Act may be cited as the  
3 “Medicare Early Access and Tax Credit Act of 2000”.

4 (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 re-  
tiree health coverage.

Subtitle B—Amendments to the Public Health Service Act

Sec. 311. COBRA continuation benefits for certain retired workers who lose re-  
tiree health coverage.

Subtitle C—Amendments to the Internal Revenue Code of 1986

Sec. 321. COBRA continuation benefits for certain retired workers who lose re-  
tiree 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 COV-  
ERAGE 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:

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

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

15 “(a) ENTITLEMENT TO MEDICARE BENEFITS FOR  
 16 ENROLLED INDIVIDUALS.—

17 “(1) IN GENERAL.—An individual enrolled  
 18 under this part is entitled to the same benefits  
 19 under this title as an individual entitled to benefits  
 20 under part A and enrolled under part B.

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

22 “(A) FEDERAL OR STATE COBRA CONTINU-  
 23 ATION PROVISION.—The term ‘Federal or State  
 24 COBRA continuation provision’ has the mean-

1           ing given the term ‘COBRA continuation provi-  
2           sion’ in section 2791(d)(4) of the Public Health  
3           Service Act and includes a comparable State  
4           program, as determined by the Secretary.

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

8                   “(i) MEDICARE.—Part A or part B of  
9                   this title (other than by reason of this  
10                  part).

11                  “(ii) MEDICAID.—A State plan under  
12                  title XIX.

13                  “(iii) FEHBP.—The Federal employ-  
14                  ees health benefit program under chapter  
15                  89 of title 5, United States Code.

16                  “(iv) TRICARE.—The TRICARE  
17                  program (as defined in section 1072(7) of  
18                  title 10, United States Code).

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

23           “(C) GROUP HEALTH PLAN.—The term  
24           ‘group health plan’ has the meaning given such

1 term in section 2791(a)(1) of the Public Health  
2 Service Act.

3 “(b) ELIGIBILITY OF INDIVIDUALS AGE 62-TO-65  
4 YEARS OF AGE.—

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

9 “(A) AGE.—As of the last day of the  
10 month, the individual has attained 62 years of  
11 age, but has not attained 65 years of age.

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

16 “(C) NOT ELIGIBLE FOR COVERAGE  
17 UNDER GROUP HEALTH PLANS OR FEDERAL  
18 HEALTH INSURANCE PROGRAMS.—The indi-  
19 vidual is not eligible for benefits or coverage  
20 under a Federal health insurance program (as  
21 defined in subsection (a)(2)(B)) or under a  
22 group health plan (other than such eligibility  
23 merely through a Federal or State COBRA con-  
24 tinuation provision) as of the last day of the  
25 month involved.

1           “(2) LIMITATION ON ELIGIBILITY IF TERMI-  
2           NATED ENROLLMENT.—If an individual described in  
3           paragraph (1) enrolls under this part and coverage  
4           of the individual is terminated under section  
5           1859A(d) (other than because of age), the individual  
6           is not again eligible to enroll under this subsection  
7           unless the following requirements are met:

8                   “(A) NEW COVERAGE UNDER GROUP  
9                   HEALTH PLAN OR FEDERAL HEALTH INSUR-  
10                  ANCE PROGRAM.—After the date of termination  
11                  of coverage under such section, the individual  
12                  obtains coverage under a group health plan or  
13                  under a Federal health insurance program.

14                  “(B) SUBSEQUENT LOSS OF NEW COV-  
15                  ERAGE.—The individual subsequently loses eli-  
16                  gibility for the coverage described in subpara-  
17                  graph (A) and exhausts any eligibility the indi-  
18                  vidual may subsequently have for coverage  
19                  under a Federal or State COBRA continuation  
20                  provision.

21           “(3) CHANGE IN HEALTH PLAN ELIGIBILITY  
22           DOES NOT AFFECT COVERAGE.—In the case of an  
23           individual who is eligible for and enrolls under this  
24           part under this subsection, the individual’s continued  
25           entitlement to benefits under this part shall not be

1 affected by the individual's subsequent eligibility for  
2 benefits or coverage described in paragraph (1)(C),  
3 or entitlement to such benefits or coverage.

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

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

11 “(1) individuals eligible to enroll as of a month  
12 are permitted to pre-enroll during a prior month  
13 within an enrollment period described in subsection  
14 (b); and

15 “(2) each individual seeking to enroll under sec-  
16 tion 1859(b) is notified, before enrolling, of the de-  
17 ferred monthly premium amount the individual will  
18 be liable for under section 1859C(b) upon attaining  
19 65 years of age as determined under section  
20 1859B(c)(3).

21 “(b) ENROLLMENT PERIODS.—

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

1           “(A) INITIAL ENROLLMENT PERIOD.—If  
2           the individual is eligible to enroll under such  
3           section for January 2001, the enrollment period  
4           shall begin on November 1, 2000, and shall end  
5           on February 28, 2001. Any such enrollment be-  
6           fore January 1, 2001, is conditioned upon com-  
7           pliance with the conditions of eligibility for Jan-  
8           uary 2001.

9           “(B) SUBSEQUENT PERIODS.—If the indi-  
10          vidual is eligible to enroll under such section for  
11          a month after January 2001, the enrollment pe-  
12          riod shall begin on the first day of the second  
13          month before the month in which the individual  
14          first is eligible to so enroll and shall end four  
15          months later. Any such enrollment before the  
16          first day of the third month of such enrollment  
17          period is conditioned upon compliance with the  
18          conditions of eligibility for such third month.

19          “(2) AUTHORITY TO CORRECT FOR GOVERN-  
20          MENT ERRORS.—The provisions of section 1837(h)  
21          apply with respect to enrollment under this part in  
22          the same manner as they apply to enrollment under  
23          part B.

24          “(c) DATE COVERAGE BEGINS.—

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

5           “(A) In the case of an individual who en-  
6 rolls (including pre-enrolls) before the month in  
7 which the individual satisfies eligibility for en-  
8 rollment under section 1859, the first day of  
9 such month of eligibility.

10           “(B) In the case of an individual who en-  
11 rolls during or after the month in which the in-  
12 dividual first satisfies eligibility for enrollment  
13 under such section, the first day of the fol-  
14 lowing month.

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

20           “(3) LIMITATION ON PAYMENTS.—No payments  
21 may be made under this title with respect to the ex-  
22 penses of an individual enrolled under this part un-  
23 less such expenses were incurred by such individual  
24 during a period which, with respect to the individual,  
25 is a coverage period under this section.

1 “(d) TERMINATION OF COVERAGE.—

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

6 “(A) GENERAL PROVISIONS.—

7 “(i) NOTICE.—The individual files no-  
8 tice (in a form and manner prescribed by  
9 the Secretary) that the individual no  
10 longer wishes to participate in the insur-  
11 ance program under this part.

12 “(ii) NONPAYMENT OF PREMIUMS.—  
13 The individual fails to make payment of  
14 premiums required for enrollment under  
15 this part.

16 “(iii) MEDICARE ELIGIBILITY.—The  
17 individual becomes entitled to benefits  
18 under part A or enrolled under part B  
19 (other than by reason of this part).

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

22 “(2) EFFECTIVE DATE OF TERMINATION.—

23 “(A) NOTICE.—The termination of a cov-  
24 erage period under paragraph (1)(A)(i) shall

1 take effect at the close of the month following  
2 for which the notice is filed.

3 “(B) NONPAYMENT OF PREMIUM.—The  
4 termination of a coverage period under para-  
5 graph (1)(A)(ii) shall take effect on a date de-  
6 termined under regulations, which may be de-  
7 termined so as to provide a grace period in  
8 which overdue premiums may be paid and cov-  
9 erage continued. The grace period determined  
10 under the preceding sentence shall not exceed  
11 60 days; except that it may be extended for an  
12 additional 30 days in any case where the Sec-  
13 retary determines that there was good cause for  
14 failure to pay the overdue premiums within  
15 such 60-day period.

16 “(C) AGE OR MEDICARE ELIGIBILITY.—  
17 The termination of a coverage period under  
18 paragraph (1)(A)(iii) or (1)(B) shall take effect  
19 as of the first day of the month in which the  
20 individual attains 65 years of age or becomes  
21 entitled to benefits under part A or enrolled for  
22 benefits under part B (other than by reason of  
23 this part).

24 **“SEC. 1859B. PREMIUMS.**

25 “(a) AMOUNT OF MONTHLY PREMIUMS.—

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

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

13           “(2) DEFERRED MONTHLY PREMIUMS FOR IN-  
14           DIVIDUALS 62 YEARS OF AGE OR OLDER.—The Sec-  
15           retary shall, during September of each year (begin-  
16           ning with 1998), determine under subsection (c) the  
17           amount of deferred monthly premiums that shall  
18           apply with respect to individuals who first obtain  
19           coverage under this part under section 1859(b) in  
20           the succeeding year.

21           “(3) ESTABLISHMENT OF PREMIUM AREAS.—  
22           For purposes of this part, the term ‘premium area’  
23           means such an area as the Secretary shall specify to  
24           carry out this part. The Secretary from time to time  
25           may change the boundaries of such premium areas.

1 The Secretary shall seek to minimize the number of  
2 such areas specified under this paragraph.

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

5 “(1) NATIONAL, PER CAPITA AVERAGE.—The  
6 Secretary shall estimate the average, annual per  
7 capita amount that would be payable under this title  
8 with respect to individuals residing in the United  
9 States who meet the requirement of section  
10 1859(b)(1)(A) as if all such individuals were eligible  
11 for (and enrolled) under this title during the entire  
12 year (and assuming that section 1862(b)(2)(A)(i)  
13 did not apply).

14 “(2) GEOGRAPHIC ADJUSTMENT.—The Sec-  
15 retary shall adjust the amount determined under  
16 paragraph (1) for each premium area (specified  
17 under subsection (a)(3)) in order to take into ac-  
18 count such factors as the Secretary deems appro-  
19 priate and shall limit the maximum premium under  
20 this paragraph in a premium area to assure partici-  
21 pation in all areas throughout the United States.

22 “(3) BASE ANNUAL PREMIUM.—The base an-  
23 nual premium under this subsection for months in a  
24 year for individuals 62 years of age or older residing  
25 in a premium area is equal to the average, annual

1 per capita amount estimated under paragraph (1)  
2 for the year, adjusted for such area under paragraph  
3 (2).

4 “(c) DEFERRED PREMIUM RATE FOR INDIVIDUALS  
5 62 YEARS OF AGE OR OLDER.—The deferred premium  
6 rate for individuals with a group of individuals who obtain  
7 coverage under section 1859(b) in a year shall be com-  
8 puted by the Secretary as follows:

9 “(1) ESTIMATION OF NATIONAL, PER CAPITA  
10 ANNUAL AVERAGE EXPENDITURES FOR ENROLL-  
11 MENT GROUP.—The Secretary shall estimate the av-  
12 erage, per capita annual amount that will be paid  
13 under this part for individuals in such group during  
14 the period of enrollment under section 1859(b). In  
15 making such estimate for coverage beginning in a  
16 year before 2004, the Secretary may base such esti-  
17 mate on the average, per capita amount that would  
18 be payable if the program had been in operation over  
19 a previous period of at least 4 years.

20 “(2) DIFFERENCE BETWEEN ESTIMATED EX-  
21 PENDITURES AND ESTIMATED PREMIUMS.—Based  
22 on the characteristics of individuals in such group,  
23 the Secretary shall estimate during the period of  
24 coverage of the group under this part under section  
25 1859(b) the amount by which—

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

3           “(B) the average, annual per capita  
4 amount of premiums that will be payable for  
5 months during the year under section 1859C(a)  
6 for individuals in such group (including pre-  
7 miums that would be payable if there were no  
8 terminations in enrollment under clause (i) or  
9 (ii) of section 1859A(d)(1)(A)).

10           “(3) ACTUARIAL COMPUTATION OF DEFERRED  
11 MONTHLY PREMIUM RATES.—The Secretary shall  
12 determine deferred monthly premium rates for indi-  
13 viduals in such group in a manner so that—

14           “(A) the estimated actuarial value of such  
15 premiums payable under section 1859C(b), is  
16 equal to

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

19 Such rate shall be computed for each individual in  
20 the group in a manner so that the rate is based on  
21 the number of months between the first month of  
22 coverage based on enrollment under section 1859(b)  
23 and the month in which the individual attains 65  
24 years of age.

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

4                   “(A) the estimated probabilities of survival  
5                   at ages 62 through 84 for individuals enrolled  
6                   during the year; and

7                   “(B) the estimated effective average inter-  
8                   est rates that would be earned on investments  
9                   held in the trust funds under this title during  
10                  the period in question.

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

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

13                   “(1) IN GENERAL.—The Secretary shall provide  
14                   for payment and collection of the base monthly pre-  
15                   mium, determined under section 1859B(a)(1) for the  
16                   age (and age cohort, if applicable) of the individual  
17                   involved and the premium area in which the indi-  
18                   vidual principally resides, in the same manner as for  
19                   payment of monthly premiums under section 1840,  
20                   except that, for purposes of applying this section,  
21                   any reference in such section to the Federal Supple-  
22                   mentary Medical Insurance Trust Fund is deemed a  
23                   reference to the Trust Fund established under sec-  
24                   tion 1859D.

1           “(2) PERIOD OF PAYMENT.—In the case of an  
2 individual who participates in the program estab-  
3 lished by this title, the base monthly premium shall  
4 be payable for the period commencing with the first  
5 month of the individual’s coverage period and ending  
6 with the month in which the individual’s coverage  
7 under this title terminates.

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

10           “(1) RATE OF PAYMENT.—

11           “(A) IN GENERAL.—In the case of an indi-  
12 vidual who is covered under this part for a  
13 month pursuant to an enrollment under section  
14 1859(b), subject to subparagraph (B), the indi-  
15 vidual is liable for payment of a deferred pre-  
16 mium in each month during the period de-  
17 scribed in paragraph (2) in an amount equal to  
18 the full deferred monthly premium rate deter-  
19 mined for the individual under section  
20 1859B(c).

21           “(B) SPECIAL RULES FOR THOSE WHO  
22 DISENROLL EARLY.—

23           “(i) IN GENERAL.—If such an individ-  
24 ual’s enrollment under such section is ter-  
25 minated under clause (i) or (ii) of section

1 1859A(d)(1)(A), subject to clause (ii), the  
2 amount of the deferred premium otherwise  
3 established under this paragraph shall be  
4 pro-rated to reflect the number of months  
5 of coverage under this part under such en-  
6 rollment compared to the maximum num-  
7 ber of months of coverage that the indi-  
8 vidual would have had if the enrollment  
9 were not so terminated.

10 “(ii) ROUNDING TO 12-MONTH MIN-  
11 IMUM COVERAGE PERIODS.—In applying  
12 clause (i), the number of months of cov-  
13 erage (if not a multiple of 12) shall be  
14 rounded to the next highest multiple of 12  
15 months, except that in no case shall this  
16 clause result in a number of months of  
17 coverage exceeding the maximum number  
18 of months of coverage that the individual  
19 would have had if the enrollment were not  
20 so terminated.

21 “(2) PERIOD OF PAYMENT.—The period de-  
22 scribed in this paragraph for an individual is the pe-  
23 riod beginning with the first month in which the in-  
24 dividual has attained 65 years of age and ending

1 with the month before the month in which the indi-  
2 vidual attains 85 years of age.

3 “(3) COLLECTION.—In the case of an individual  
4 who is liable for a premium under this subsection,  
5 the amount of the premium shall be collected in the  
6 same manner as the premium for enrollment under  
7 such part is collected under section 1840, except  
8 that any reference in such section to the Federal  
9 Supplementary Medical Insurance Trust Fund is  
10 deemed to be a reference to the Medicare Early Ac-  
11 cess Trust Fund established under section 1859D.

12 “(c) APPLICATION OF CERTAIN PROVISIONS.—The  
13 provisions of section 1840 (other than subsection (h))  
14 shall apply to premiums collected under this section in the  
15 same manner as they apply to premiums collected under  
16 part B, except that any reference in such section to the  
17 Federal Supplementary Medical Insurance Trust Fund is  
18 deemed a reference to the Trust Fund established under  
19 section 1859D.

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

21 “(a) ESTABLISHMENT OF TRUST FUND.—

22 “(1) IN GENERAL.—There is hereby created on  
23 the books of the Treasury of the United States a  
24 trust fund to be known as the ‘Medicare Early Ac-  
25 cess Trust Fund’ (in this section referred to as the

1 ‘Trust Fund’). The Trust Fund shall consist of such  
2 gifts and bequests as may be made as provided in  
3 section 201(i)(1) and such amounts as may be de-  
4 posited in, or appropriated to, such fund as provided  
5 in this title.

6 “(2) PREMIUMS.—Premiums collected under  
7 section 1859B shall be transferred to the Trust  
8 Fund.

9 “(3) TRANSFER OF SAVINGS FROM NEW FRAUD  
10 AND ABUSE INITIATIVES.—

11 “(A) IN GENERAL.—There is hereby trans-  
12 ferred to the Trust Fund from the Federal  
13 Hospital Insurance Trust Fund and from the  
14 Federal Supplementary Medical Insurance  
15 Trust Fund amounts equivalent to the amounts  
16 (specified under subparagraph (B)) of the re-  
17 ductions in expenditures under such respective  
18 trust fund as may be attributable to the enact-  
19 ment of the Medicare Fraud and Reimburse-  
20 ment Reform Act of 1999 (H.R. 2229).

21 “(B) USE OF CBO ESTIMATES.—For each  
22 fiscal year during the 10-fiscal-year period be-  
23 ginning with fiscal year 2001, the amounts  
24 under subparagraph (A) shall be the amounts  
25 described in such subparagraph as determined

1 by the Congressional Budget Office at the time  
2 of, and in connection with, the enactment of the  
3 Medicare Early Access and Tax Credit Act of  
4 2000. For subsequent fiscal years, the amounts  
5 under subparagraph (A) shall be the amount  
6 determined under this subparagraph for the  
7 previous fiscal year increased by the same per-  
8 centage as the percentage increase in aggregate  
9 expenditures under this title from the second  
10 previous fiscal year to the previous fiscal year.

11 “(b) INCORPORATION OF PROVISIONS.—

12 “(1) IN GENERAL.—Subject to paragraph (2),  
13 subsections (b) through (i) of section 1841 shall  
14 apply with respect to the Trust Fund and this title  
15 in the same manner as they apply with respect to  
16 the Federal Supplementary Medical Insurance Trust  
17 Fund and part B, respectively.

18 “(2) MISCELLANEOUS REFERENCES.—In apply-  
19 ing provisions of section 1841 under paragraph  
20 (1)—

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

23 “(B) any reference in section 1841(h) to  
24 section 1840(d) and in section 1841(i) to sec-  
25 tions 1840(b)(1) and 1842(g) are deemed ref-

1           erences to comparable authority exercised under  
2           this part; and

3                   “(C) payments may be made under section  
4           1841(g) to the Trust Funds under sections  
5           1817 and 1841 as reimbursement to such funds  
6           for payments they made for benefits provided  
7           under this part.

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

9           “(a) THROUGH ANNUAL REPORTS OF TRUSTEES.—  
10 The Board of Trustees of the Medicare Early Access  
11 Trust Fund under section 1859D(b)(1) shall report on an  
12 annual basis to Congress concerning the status of the  
13 Trust Fund and the need for adjustments in the program  
14 under this part to maintain financial solvency of the pro-  
15 gram under this part.

16           “(b) PERIODIC GAO REPORTS.—The Comptroller  
17 General of the United States shall periodically submit to  
18 Congress reports on the adequacy of the financing of cov-  
19 erage provided under this part. The Comptroller General  
20 shall include in such report such recommendations for ad-  
21 justments in such financing and coverage as the Comp-  
22 troller General deems appropriate in order to maintain fi-  
23 nancial solvency of the program under this part.

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

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

4 “(1) individuals enrolled under this part shall  
5 be treated for purposes of this title as though the in-  
6 dividual were entitled to benefits under part A and  
7 enrolled under part B; and

8 “(2) benefits described in section 1859 shall be  
9 payable under this title to such individuals in the  
10 same manner as if such individuals were so entitled  
11 and enrolled.

12 “(b) NOT TREATED AS MEDICARE PROGRAM FOR  
13 PURPOSES OF MEDICAID PROGRAM.—For purposes of ap-  
14 plying title XIX (including the provision of medicare cost-  
15 sharing assistance under such title), an individual who is  
16 enrolled under this part shall not be treated as being enti-  
17 tled to benefits under this title.

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

25 (b) CONFORMING AMENDMENTS TO SOCIAL SECU-  
26 RITY ACT PROVISIONS.—

1           (1) Section 201(i)(1) of the Social Security Act  
2           (42 U.S.C. 401(i)(1)) is amended by striking “or the  
3           Federal Supplementary Medical Insurance Trust  
4           Fund” and inserting “the Federal Supplementary  
5           Medical Insurance Trust Fund, and the Medicare  
6           Early Access Trust Fund”.

7           (2) Section 201(g)(1)(A) of such Act (42  
8           U.S.C. 401(g)(1)(A)) is amended by striking “and  
9           the Federal Supplementary Medical Insurance Trust  
10          Fund established by title XVIII” and inserting “,  
11          the Federal Supplementary Medical Insurance Trust  
12          Fund, and the Medicare Early Access Trust Fund  
13          established by title XVIII”.

14          (3) Section 1820(i) of such Act (42 U.S.C.  
15          1395i-4(i)) is amended by striking “part D” and in-  
16          serting “part E”.

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

19                 (A) in section 1851(a)(2)(B) (42 U.S.C.  
20                 1395w-21(a)(2)(B)), by striking “1859(b)(3)”  
21                 and inserting “1858(b)(3)”;

22                 (B) in section 1851(a)(2)(C) (42 U.S.C.  
23                 1395w-21(a)(2)(C)), by striking “1859(b)(2)”  
24                 and inserting “1858(b)(2)”;

1 (C) in section 1852(a)(1) (42 U.S.C.  
2 1395w-22(a)(1)), by striking “1859(b)(3)” and  
3 inserting “1858(b)(3)”;

4 (D) in section 1852(a)(3)(B)(ii) (42  
5 U.S.C. 1395w-22(a)(3)(B)(ii)), by striking  
6 “1859(b)(2)(B)” and inserting  
7 “1858(b)(2)(B)”;

8 (E) in section 1853(a)(1)(A) (42 U.S.C.  
9 1395w-23(a)(1)(A)), by striking “1859(e)(4)”  
10 and inserting “1858(e)(4)”;

11 (F) in section 1853(a)(3)(D) (42 U.S.C.  
12 1395w-23(a)(3)(D)), by striking “1859(e)(4)”  
13 and inserting “1858(e)(4)”.

14 (5) Section 1853(c) of such Act (42 U.S.C.  
15 1395w-23(c)) is amended—

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

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

19 “(8) ADJUSTMENT FOR EARLY ACCESS.—In ap-  
20 plying this subsection with respect to individuals en-  
21 titled to benefits under part D, the Secretary shall  
22 provide for an appropriate adjustment in the  
23 Medicare+Choice capitation rate as may be appro-  
24 priate to reflect differences between the population

1 served under such part and the population under  
2 parts A and B.”.

3 (c) OTHER CONFORMING AMENDMENTS.—

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

7 (2)(A) Section 602(2)(D)(ii) of the Employee  
8 Retirement Income Security Act of 1974 (29 U.S.C.  
9 1162(2)) is amended by inserting “(not including an  
10 individual who is so entitled pursuant to enrollment  
11 under section 1859A)” after “Social Security Act”.

12 (B) Section 2202(2)(D)(ii) of the Public Health  
13 Service Act (42 U.S.C. 300bb–2(2)(D)(ii)) is amend-  
14 ed by inserting “(not including an individual who is  
15 so entitled pursuant to enrollment under section  
16 1859A)” after “Social Security Act”.

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

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

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

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

10 “(c) **DISPLACED WORKERS AND SPOUSES.**—

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

15 “(A) **AGE.**—As of the last day of the  
 16 month, the individual has attained 55 years of  
 17 age, but has not attained 62 years of age.

18 “(B) **MEDICARE ELIGIBILITY (BUT FOR**  
 19 **AGE).**—The individual would be eligible for ben-  
 20 efits under part A or part B for the month if  
 21 the individual were 65 years of age.

22 “(C) **LOSS OF EMPLOYMENT-BASED COV-**  
 23 **ERAGE.**—

24 “(i) **ELIGIBLE FOR UNEMPLOYMENT**  
 25 **COMPENSATION.**—The individual meets the

1 requirements relating to period of covered  
2 employment and conditions of separation  
3 from employment to be eligible for unem-  
4 ployment compensation (as defined in sec-  
5 tion 85(b) of the Internal Revenue Code of  
6 1986), based on a separation from employ-  
7 ment occurring on or after July 1, 2000.  
8 The previous sentence shall not be con-  
9 strued as requiring the individual to be re-  
10 ceiving such unemployment compensation.

11 “(ii) LOSS OF EMPLOYMENT-BASED  
12 COVERAGE.—Immediately before the time  
13 of such separation of employment, the indi-  
14 vidual was covered under a group health  
15 plan on the basis of such employment, and,  
16 because of such loss, is no longer eligible  
17 for coverage under such plan (including  
18 such eligibility based on the application of  
19 a Federal or State COBRA continuation  
20 provision) as of the last day of the month  
21 involved.

22 “(iii) PREVIOUS CREDITABLE COV-  
23 ERAGE FOR AT LEAST 1 YEAR.—As of the  
24 date on which the individual loses coverage  
25 described in clause (ii), the aggregate of

1 the periods of creditable coverage (as de-  
2 termined under section 2701(c) of the  
3 Public Health Service Act) is 12 months or  
4 longer.

5 “(D) EXHAUSTION OF AVAILABLE COBRA  
6 CONTINUATION BENEFITS.—

7 “(i) IN GENERAL.—In the case of an  
8 individual described in clause (ii) for a  
9 month described in clause (iii)—

10 “(I) the individual (or spouse)  
11 elected coverage described in clause  
12 (ii); and

13 “(II) the individual (or spouse)  
14 has continued such coverage for all  
15 months described in clause (iii) in  
16 which the individual (or spouse) is eli-  
17 gible for such coverage.

18 “(ii) INDIVIDUALS TO WHOM COBRA  
19 CONTINUATION COVERAGE MADE AVAIL-  
20 ABLE.—An individual described in this  
21 clause is an individual—

22 “(I) who was offered coverage  
23 under a Federal or State COBRA  
24 continuation provision at the time of

1                   loss of coverage eligibility described in  
2                   subparagraph (C)(ii); or

3                   “(II) whose spouse was offered  
4                   such coverage in a manner that per-  
5                   mitted coverage of the individual at  
6                   such time.

7                   “(iii) MONTHS OF POSSIBLE COBRA  
8                   CONTINUATION COVERAGE.—A month de-  
9                   scribed in this clause is a month for which  
10                  an individual described in clause (ii) could  
11                  have had coverage described in such clause  
12                  as of the last day of the month if the indi-  
13                  vidual (or the spouse of the individual, as  
14                  the case may be) had elected such coverage  
15                  on a timely basis.

16                  “(E) NOT ELIGIBLE FOR COVERAGE  
17                  UNDER FEDERAL HEALTH INSURANCE PRO-  
18                  GRAM OR GROUP HEALTH PLANS.—The indi-  
19                  vidual is not eligible for benefits or coverage  
20                  under a Federal health insurance program or  
21                  under a group health plan (whether on the  
22                  basis of the individual’s employment or employ-  
23                  ment of the individual’s spouse) as of the last  
24                  day of the month involved.

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

6                   “(A) AGE.—As of the last day of the  
7                   month, the individual has not attained 62 years  
8                   of age.

9                   “(B) MARRIED TO DISPLACED WORKER.—  
10                  The individual is the spouse of an individual at  
11                  the time the individual enrolls under this part  
12                  under paragraph (1) and loses coverage de-  
13                  scribed in paragraph (1)(C)(ii) because the in-  
14                  dividual’s spouse lost such coverage.

15                   “(C) MEDICARE ELIGIBILITY (BUT FOR  
16                   AGE); EXHAUSTION OF ANY COBRA CONTINU-  
17                   ATION COVERAGE; AND NOT ELIGIBLE FOR COV-  
18                   ERAGE UNDER FEDERAL HEALTH INSURANCE  
19                   PROGRAM OR GROUP HEALTH PLAN.—The indi-  
20                  vidual meets the requirements of subparagraphs  
21                  (B), (D), and (E) of paragraph (1).

22                   “(3) CHANGE IN HEALTH PLAN ELIGIBILITY  
23                   AFFECTS CONTINUED ELIGIBILITY.—For provision  
24                  that terminates enrollment under this section in the  
25                  case of an individual who becomes eligible for cov-

1 erage under a group health plan or under a Federal  
 2 health insurance program, see section  
 3 1859A(d)(1)(C).

4 “(4) REENROLLMENT PERMITTED.—Nothing in  
 5 this subsection shall be construed as preventing an  
 6 individual who, after enrolling under this subsection,  
 7 terminates such enrollment from subsequently re-  
 8 enrolling under this subsection if the individual is el-  
 9 igible to enroll under this subsection at that time.”.

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

12 (1) in subsection (a), by striking “and” at the  
 13 end of paragraph (1), by striking the period at the  
 14 end of paragraph (2) and inserting “; and”, and by  
 15 adding at the end the following new paragraph:

16 “(3) individuals whose coverage under this part  
 17 would terminate because of subsection (d)(1)(B)(ii)  
 18 are provided notice and an opportunity to continue  
 19 enrollment in accordance with section  
 20 1859E(c)(1).”;

21 (2) in subsection (b), by inserting after Not-  
 22 withstanding any other provision of law, (1) the fol-  
 23 lowing:

24 “(2) DISPLACED WORKERS AND SPOUSES.—In  
 25 the case of individuals eligible to enroll under this

1 part under section 1859(c), the following rules  
2 apply:

3 “(A) INITIAL ENROLLMENT PERIOD.—If  
4 the individual is first eligible to enroll under  
5 such section for January 2001, the enrollment  
6 period shall begin on November 1, 2000, and  
7 shall end on February 28, 2001. Any such en-  
8 rollment before January 1, 2001, is conditioned  
9 upon compliance with the conditions of eligi-  
10 bility for January 2001.

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

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

21 “(B) TERMINATION BASED ON AGE.—

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

24 “(ii) AT AGE 62 FOR DISPLACED  
25 WORKERS AND SPOUSES.—In the case of

1 an individual enrolled under this part pur-  
2 suant to section 1859(c), subject to sub-  
3 section (a)(1), the individual attains 62  
4 years of age.”;

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

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

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

18 “(C) AGE OR MEDICARE ELIGIBILITY.—  
19 “(i) IN GENERAL.—The termination  
20 of a coverage period under paragraph  
21 (1)(A)(iii) or (1)(B)(i) shall take effect as  
22 of the first day of the month in which the  
23 individual attains 65 years of age or be-  
24 comes entitled to benefits under part A or  
25 enrolled for benefits under part B.

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

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

11                   “(D) ACCESS TO COVERAGE.—The termi-  
12                   nation of a coverage period under paragraph  
13                   (1)(C) shall take effect on the date on which  
14                   the individual is eligible to begin a period of  
15                   creditable coverage (as defined in section  
16                   2701(c) of the Public Health Service Act)  
17                   under a group health plan or under a Federal  
18                   health insurance program.”.

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

21                   (1) in subsection (a)(1), by adding at the end  
22                   the following:

23                   “(B) BASE MONTHLY PREMIUM FOR INDI-  
24                   VIDUALS UNDER 62 YEARS OF AGE.—A base  
25                   monthly premium for individuals under 62

1 years of age, equal to  $\frac{1}{12}$  of the base annual  
2 premium rate computed under subsection (d)(3)  
3 for each premium area and age cohort.”; and  
4 (2) by adding at the end the following new sub-  
5 section:

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

8 “(1) NATIONAL, PER CAPITA AVERAGE FOR AGE  
9 GROUPS.—

10 “(A) ESTIMATE OF AMOUNT.—The Sec-  
11 retary shall estimate the average, annual per  
12 capita amount that would be payable under this  
13 title with respect to individuals residing in the  
14 United States who meet the requirement of sec-  
15 tion 1859(c)(1)(A) within each of the age co-  
16 horts established under subparagraph (B) as if  
17 all such individuals within such cohort were eli-  
18 gible for (and enrolled) under this title during  
19 the entire year (and assuming that section  
20 1862(b)(2)(A)(i) did not apply).

21 “(B) AGE COHORTS.—For purposes of  
22 subparagraph (A), the Secretary shall establish  
23 separate age cohorts in 5 year age increments  
24 for individuals who have not attained 60 years

1 of ages and a separate cohort for individuals  
2 who have attained 60 years of age.

3 “(2) GEOGRAPHIC ADJUSTMENT.—The Sec-  
4 retary shall adjust the amount determined under  
5 paragraph (1)(A) for each premium area (specified  
6 under subsection (a)(3)) in the same manner and to  
7 the same extent as the Secretary provides for adjust-  
8 ments under subsection (b)(2).

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

16 “(4) PRO-RATION OF PREMIUMS TO REFLECT  
17 COVERAGE DURING A PART OF A MONTH.—If the  
18 Secretary provides for coverage of portions of a  
19 month under section 1859A(c)(2), the Secretary  
20 shall pro-rate the premiums attributable to such cov-  
21 erage under this section to reflect the portion of the  
22 month so covered.”.

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

1 “(d) ADDITIONAL ADMINISTRATIVE PROVISIONS.—

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

14 “(2) ARRANGEMENTS WITH STATES FOR DE-  
15 TERMINATIONS RELATING TO UNEMPLOYMENT COM-  
16 PENSATION ELIGIBILITY.—The Secretary may pro-  
17 vide for appropriate arrangements with States for  
18 the determination of whether individuals in the State  
19 meet or would meet the requirements of section  
20 1859(e)(1)(C)(i).”.

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

1 **TITLE III—COBRA PROTECTION**  
2 **FOR EARLY RETIREES**  
3 **Subtitle A—Amendments to the**  
4 **Employee Retirement Income**  
5 **Security Act of 1974**

6 **SEC. 301. COBRA CONTINUATION BENEFITS FOR CERTAIN**  
7 **RETIRED WORKERS WHO LOSE RETIREE**  
8 **HEALTH COVERAGE.**

9 (a) ESTABLISHMENT OF NEW QUALIFYING  
10 EVENT.—

11 (1) IN GENERAL.—Section 603 of the Employee  
12 Retirement Income Security Act of 1974 (29 U.S.C.  
13 1163) is amended by inserting after paragraph (6)  
14 the following new paragraph:

15 “(7) The termination or substantial reduction  
16 in benefits (as defined in section 607(7)) of group  
17 health plan coverage as a result of plan changes or  
18 termination in the case of a covered employee who  
19 is a qualified retiree.”.

20 (2) QUALIFIED RETIREE; QUALIFIED BENE-  
21 FICIARY; AND SUBSTANTIAL REDUCTION DE-  
22 FINED.—Section 607 of such Act (29 U.S.C. 1167)  
23 is amended—

24 (A) in paragraph (3)—

1 (i) in subparagraph (A), by inserting  
2 “except as otherwise provided in this para-  
3 graph,” after “means,”; and

4 (ii) by adding at the end the following  
5 new subparagraph:

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

14 (B) by adding at the end the following new  
15 paragraphs:

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

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

21 “(B) was receiving group health coverage  
22 under the plan by reason of the retirement of  
23 the covered employee.

24 “(7) SUBSTANTIAL REDUCTION.—The term  
25 ‘substantial reduction’—

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

17           “(B) includes an increase in premiums re-  
18           quired to an amount that exceeds the premium  
19           level described in the fourth sentence of section  
20           602(3).”.

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

24           (1) in clause (ii), by inserting “or 603(7)” after  
25           “603(6)”;

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

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

4           (4) by redesignating clause (v) as clause (iv)  
5           and by moving such clause to immediately follow  
6           clause (iii); and

7           (5) by inserting after such clause (iv) the fol-  
8           lowing new clause:

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

18   “(I) the date that is 36 months  
19   after the earlier of the date the quali-  
20   fied retiree becomes entitled to bene-  
21   fits under title XVIII of the Social Se-  
22   curity Act, or the date of the death of  
23   the qualified retiree; or

1                   “(II) the date that is 36 months  
2                   after the date of the qualifying  
3                   event.”.

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

8           (1) by striking “The coverage” and inserting  
9           the following:

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

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

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

1 coverage option as may be offered and elected  
2 by the qualified beneficiary involved.”.

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

14 (e) NOTICE.—Section 606(a) of such Act (29 U.S.C.  
15 1166) is amended—

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

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

22 (f) EFFECTIVE DATES.—

23 (1) IN GENERAL.—The amendments made by  
24 this section (other than subsection (e)(2)) shall  
25 apply to qualifying events occurring on or after Jan-

1 uary 6, 2000. In the case of a qualifying event oc-  
 2 ccurring on or after such date and before the date of  
 3 the enactment of this Act, such event shall be  
 4 deemed (for purposes of such amendments) to have  
 5 occurred on the date of the enactment of this Act.

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

## 12 **Subtitle B—Amendments to the** 13 **Public Health Service Act**

### 14 **SEC. 311. COBRA CONTINUATION BENEFITS FOR CERTAIN** 15 **RETIRED WORKERS WHO LOSE RETIREE** 16 **HEALTH COVERAGE.**

17 (a) ESTABLISHMENT OF NEW QUALIFYING  
 18 EVENT.—

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

23 “(6) The termination or substantial reduction  
 24 in benefits (as defined in section 2208(6)) of group  
 25 health plan coverage as a result of plan changes or

1 termination in the case of a covered employee who  
2 is a qualified retiree.”.

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

7 (A) in paragraph (3)—

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

11 (ii) by adding at the end the following  
12 new subparagraph:

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

22 (B) by adding at the end the following new  
23 paragraphs:

24 “(5) QUALIFIED RETIREE.—The term ‘qualified  
25 retiree’ means, with respect to a qualifying event de-

1 scribed in section 2203(6), a covered employee who,  
2 at the time of the event—

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

4 “(B) was receiving group health coverage  
5 under the plan by reason of the retirement of  
6 the covered employee.

7 “(6) SUBSTANTIAL REDUCTION.—The term  
8 ‘substantial reduction’—

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

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

5           (b) DURATION OF COVERAGE THROUGH AGE 65.—  
 6 Section 2202(2)(A) of such Act (42 U.S.C. 300bb-  
 7 2(2)(A)) is amended—

8           (1) by redesignating clause (iii) as clause (iv);  
 9           and

10           (2) by inserting after clause (ii) the following  
 11           new clause:

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

21   “(I) the date that is 36 months  
 22   after the earlier of the date the quali-  
 23   fied retiree becomes entitled to bene-  
 24   fits under title XVIII of the Social Se-

1 curity Act, or the date of the death of  
2 the qualified retiree; or

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

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

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

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

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

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

1           tion of the plan and qualified beneficiary) such  
2           other coverage option as may be offered and  
3           elected by the qualified beneficiary involved.”.

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

15           (e) NOTICE.—Section 2206(a) of such Act (42 U.S.C.  
16 300bb–6(a)) is amended—

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

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

23           (f) EFFECTIVE DATES.—

24           (1) IN GENERAL.—The amendments made by  
25           this section (other than subsection (e)(2)) shall

1 apply to qualifying events occurring on or after Jan-  
 2 uary 6, 2000. In the case of a qualifying event oc-  
 3 ccurring on or after such date and before the date  
 4 of the enactment of this Act, such event shall be  
 5 deemed (for purposes of such amendments) to have  
 6 occurred on the date of the enactment of this Act.

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

## 13 **Subtitle C—Amendments to the** 14 **Internal Revenue Code of 1986**

### 15 **SEC. 321. COBRA CONTINUATION BENEFITS FOR CERTAIN** 16 **RETIRED WORKERS WHO LOSE RETIREE** 17 **HEALTH COVERAGE.**

18 (a) ESTABLISHMENT OF NEW QUALIFYING  
 19 EVENT.—

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

24 “(G) The termination or substantial reduc-  
 25 tion in benefits (as defined in subsection (g)(6))

1 of group health plan coverage as a result of  
 2 plan changes or termination in the case of a  
 3 covered employee who is a qualified retiree.”.

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

8 (A) in paragraph (1)—

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

12 (ii) by adding at the end the following  
 13 new subparagraph:

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

23 (B) by adding at the end the following new  
 24 paragraphs:

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

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

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

9           “(6) SUBSTANTIAL REDUCTION.—The term  
10 ‘substantial reduction’—

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



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

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

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

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

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

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

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

24 “(ii) CERTAIN RETIREES.—In the  
 25 case of a qualifying event described in

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

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

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

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

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

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

10 (f) EFFECTIVE DATES.—

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

19 (2) ADVANCE NOTICE OF TERMINATIONS AND  
20 REDUCTIONS.—The amendment made by subsection  
21 (e)(2) shall apply to qualifying events occurring  
22 after the date of the enactment of this Act, except  
23 that in no case shall notice be required under such  
24 amendment before such date.

1                   **TITLE IV—FINANCING**

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

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

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

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

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

○