H. R. 1205

To amend the Social Security Act to guarantee comprehensive health care coverage for all children born after 2004.

IN THE HOUSE OF REPRESENTATIVES

MARCH 11, 2003

Mr. STARK (for himself, Mr. FRANK of Massachusetts, Ms. WOOLSEY, Ms. NORTON, Mr. NADLER, Ms. SCHAKOWSKY, Mr. GREEN of Texas, Mr. CARSON of Oklahoma, Mr. LANTOS, Mr. KILDEE, Mr. PASTOR, Ms. DELAURA, Mr. ABERCROMBIE, Mr. CONYERS, Mr. OLVER, Mr. SERRANO, Ms. JACKSON-LEE of Texas, Mr. HINCHEN, Mr. SCOTT of Virginia, Mr. CLAY, Mrs. CHRISTENSEN, Ms. MILLER-MCDONALD, Mr. GEORGE MILLER of California, Mr. McDERMOTT, Mr. OWENS, Mr. LATOURETTE, Mr. FALEOMAIVAEGA, Ms. SOLIS, Mr. TIERNEY, Mr. STUPAK, Mr. KUCINICH, Mr. BRADY of Pennsylvania, Ms. BALDWIN, Mr. EVANS, and Ms. BERKLEY) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Energy 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 Social Security Act to guarantee comprehensive health care coverage for all children born after 2004.

1  Be it enacted by the Senate and House of Representa-

2  tives of the United States of America in Congress assembled,
SECTION 1. SHORT TITLE; TABLE OF CONTENTS; FINDINGS.

(a) SHORT TITLE.—This Act may be cited as the “MediKids Health Insurance Act of 2003”.

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

Sec.  1. Short title; table of contents; findings.

“TITLE XXII—MEDIKIDS PROGRAM

“Sec. 2201. Eligibility.
“Sec. 2202. Benefits.
“Sec. 2203. Premiums.
“Sec. 2204. MediKids Trust Fund.
“Sec. 2205. Oversight and accountability.
“Sec. 2206. Addition of care coordination services.
“Sec. 2207. Administration and miscellaneous.

Sec.  3. MediKids premium.
Sec.  4. Refundable credit for cost-sharing expenses under MediKids program.
Sec.  5. Report on long-term revenues.

(c) FINDINGS.—Congress finds the following:

(1) More than 9 million American children are uninsured.

(2) Children who are uninsured receive less medical care and less preventive care and have a poorer level of health, which result in lifetime costs to themselves and to the entire American economy.

(3) Although SCHIP and Medicaid are successfully extending a health coverage safety net to a growing portion of the vulnerable low-income population of uninsured children, they alone cannot achieve 100 percent health insurance coverage for our nation’s children due to inevitable gaps during outreach and enrollment, fluctuations in eligibility,
variations in access to private insurance at all income levels, and variations in States’ ability to provide required matching funds.

(4) As all segments of society continue to become more transient, with many changes in employment over the working lifetime of parents, the need for a reliable safety net of health insurance which follows children across State lines, already a major problem for the children of migrant and seasonal farmworkers, will become a major concern for all families in the United States.

(5) The medicare program has successfully evolved over the years to provide a stable, universal source of health insurance for the nation’s disabled and those over age 65, and provides a tested model for designing a program to reach out to America’s children.

(6) The problem of insuring 100 percent of all American children could be gradually solved by automatically enrolling all children born after December 31, 2004, in a program modeled after Medicare (and to be known as “MediKids”), and allowing those children to be transferred into other equivalent or better insurance programs, including either private insurance, SCHIP, or Medicaid, if they are eligible.
to do so, but maintaining the child’s default enroll-
ment in MediKids for any times when the child’s ac-
cess to other sources of insurance is lost.

(7) A family’s freedom of choice to use other in-
surers to cover children would not be interfered with
in any way, and children eligible for SCHIP and
Medicaid would continue to be enrolled in those pro-
grams, but the underlying safety net of MediKids
would always be available to cover any gaps in insur-
ance due to changes in medical condition, employ-
ment, income, or marital status, or other changes af-
fecting a child’s access to alternate forms of insur-
ance.

(8) The MediKids program can be administered
without impacting the finances or status of the exist-
ing Medicare program.

(9) The MediKids benefit package can be tai-
lored to the special needs of children and updated
over time.

(10) The financing of the program can be ad-
ministered without difficulty by a yearly payment of
affordable premiums through a family’s tax filing (or
adjustment of a family’s earned income tax credit).

(11) The cost of the program will gradually rise
as the number of children using MediKids as the in-
surer of last resort increases, and a future Congress always can accelerate or slow down the enrollment process as desired, while the societal costs for emergency room usage, lost productivity and work days, and poor health status for the next generation of Americans will decline.

(12) Over time 100 percent of American children will always have basic health insurance, and we can therefore expect a healthier, more equitable, and more productive society.

**SEC. 2. BENEFITS FOR ALL CHILDREN BORN AFTER 2004.**

(a) IN GENERAL.—The Social Security Act is amended by adding at the end the following new title:

“TITLE XXII—MEDIKIDS PROGRAM

**SEC. 2201. ELIGIBILITY.**

“(a) ELIGIBILITY OF INDIVIDUALS BORN AFTER DECEMBER 31, 2004; ALL CHILDREN UNDER 23 YEARS OF AGE IN SIXTH YEAR.—An individual who meets the following requirements with respect to a month is eligible to enroll under this title with respect to such month:

“(1) AGE.—

“(A) FIRST YEAR.—During the first year in which this title is effective, the individual has not attained 6 years of age.
“(B) SECOND YEAR.—During the second year in which this title is effective, the individual has not attained 11 years of age.

“(C) THIRD YEAR.—During the third year in which this title is effective, the individual has not attained 16 years of age.

“(D) FOURTH YEAR.—During the fourth year in which this title is effective, the individual has not attained 21 years of age.

“(E) FIFTH AND SUBSEQUENT YEARS.—During the fifth year in which this title is effective and each subsequent year, the individual has not attained 23 years of age.

“(2) CITIZENSHIP.—The individual is a citizen or national of the United States or is permanently residing in the United States under color of law.

“(b) ENROLLMENT PROCESS.—An individual may enroll in the program established under this title only in such manner and form as may be prescribed by regulations, and only during an enrollment period prescribed by the Secretary consistent with the provisions of this section. Such regulations shall provide a process under which—

“(1) individuals who are born in the United States after December 31, 2004, are deemed to be enrolled at the time of birth and a parent or guard-
ian of such an individual is permitted to pre-enroll
in the month prior to the expected month of birth;

“(2) individuals who are born outside the
United States after such date and who become eligi-
ble to enroll by virtue of immigration into (or an ad-
justment of immigration status in) the United
States are deemed enrolled at the time of entry or
adjustment of status;

“(3) eligible individuals may otherwise be en-
rolled at such other times and manner as the Sec-
retary shall specify, including the use of outstationed
eligibility sites as described in section
1902(a)(55)(A) and the use of presumptive eligi-
bility provisions like those described in section
1920A; and

“(4) at the time of automatic enrollment of a
child, the Secretary provides for issuance to a parent
or custodian of the individual a card evidencing cov-
erage under this title and for a description of such
coverage.

The provisions of section 1837(h) apply with respect to
enrollment under this title in the same manner as they
apply to enrollment under part B of title XVIII.

“(c) DATE COVERAGE BEGINS.—
“(1) IN GENERAL.—The period during which an individual is entitled to benefits under this title shall begin as follows, but in no case earlier than January 1, 2005:

“(A) In the case of an individual who is enrolled under paragraph (1) or (2) of subsection (b), the date of birth or date of obtaining appropriate citizenship or immigration status, as the case may be.

“(B) In the case of an another individual who enrolls (including pre-enrolls) before the month in which the individual satisfies eligibility for enrollment under subsection (a), the first day of such month of eligibility.

“(C) In the case of an another individual who enrolls during or after the month in which the individual first satisfies eligibility for enrollment under such subsection, the first day of the following month.

“(2) AUTHORITY TO PROVIDE FOR PARTIAL MONTHS OF COVERAGE.—Under regulations, the Secretary may, in the Secretary’s discretion, provide for coverage periods that include portions of a month in order to avoid lapses of coverage.
“(3) Limitation on Payments.—No payments may be made under this title with respect to the expenses of an individual enrolled under this title unless such expenses were incurred by such individual during a period which, with respect to the individual, is a coverage period under this section.

“(d) Expiration of Eligibility.—An individual’s coverage period under this part shall continue until the individual’s enrollment has been terminated because the individual no longer meets the requirements of subsection (a) (whether because of age or change in immigration status).

“(e) Entitlement to MediKids Benefits For Enrolled Individuals.—An individual enrolled under this section is entitled to the benefits described in section 2202.

“(f) Low-Income Information.—At the time of enrollment of a child under this title, the Secretary shall make an inquiry as to whether or not the family income of the family that includes the child is less than 150 percent of the poverty line for a family of the size involved. If the family income is below such level, the Secretary shall encode in the identification card issued in connection with eligibility under this title a code indicating such fact. The Secretary also shall provide for a toll-free telephone line
at which providers can verify whether or not such a child is in a family the income of which is below such level.

“(g) CONSTRUCTION.—Nothing in this title shall be construed as requiring (or preventing) an individual who is enrolled under this section from seeking medical assistance under a State medicaid plan under title XIX or child health assistance under a State child health plan under title XXI.

“SEC. 2202. BENEFITS.

“(a) SECRETARIAL SPECIFICATION OF BENEFIT PACKAGE.—

“(1) IN GENERAL.—The Secretary shall specify the benefits to be made available under this title consistent with the provisions of this section and in a manner designed to meet the health needs of enrollees.

“(2) UPDATING.—The Secretary shall update the specification of benefits over time to ensure the inclusion of age-appropriate benefits to reflect the enrollee population.

“(3) ANNUAL UPDATING.—The Secretary shall establish procedures for the annual review and updating of such benefits to account for changes in medical practice, new information from medical re-
search, and other relevant developments in health
science.

“(4) INPUT.—The Secretary shall seek the
input of the pediatric community in specifying and
updating such benefits.

“(5) LIMITATION ON UPDATING.—In no case
shall updating of benefits under this subsection re-
sult in a failure to provide benefits required under
subsection (b).

“(b) INCLUSION OF CERTAIN BENEFITS.—

“(1) MEDICARE CORE BENEFITS.—Such bene-
fits shall include (to the extent consistent with other
provisions of this section) at least the same benefits
(including coverage, access, availability, duration,
and beneficiary rights) that are available under
parts A and B of title XVIII.

“(2) ALL REQUIRED MEDICAID BENEFITS.—
Such benefits shall also include all items and serv-
ices for which medical assistance is required to be
provided under section 1902(a)(10)(A) to individuals
described in such section, including early and peri-
odic screening, diagnostic services, and treatment
services.
“(3) Inclusion of prescription drugs.—
Such benefits also shall include (as specified by the
Secretary) prescription drugs and biologicals.

“(4) Cost-sharing.—

“(A) In general.—Subject to subpara-
graph (B), such benefits also shall include the
cost-sharing (in the form of deductibles, coin-
surance, and copayments) applicable under title
XVIII with respect to comparable items and
services, except that no cost-sharing shall be
imposed with respect to early and periodic
screening and diagnostic services included
under paragraph (2).

“(B) No cost-sharing for lowest in-
come children.—Such benefits shall not in-
clude any cost-sharing for children in families
the income of which (as determined for pur-
poses of section 1905(p)) does not exceed 150
percent of the official income poverty line (re-
ferred to in such section) applicable to a family
of the size involved.

“(C) Refundable credit for cost-
sharing for other low-income chil-
dren.—For a refundable credit for cost-sharing in the case of children in certain families,
see section 35 of the Internal Revenue Code of 1986.

“(c) Payment Schedule.—The Secretary, with the assistance of the Medicare Payment Advisory Commission, shall develop and implement a payment schedule for benefits covered under this title. To the extent feasible, such payment schedule shall be consistent with comparable payment schedules and reimbursement methodologies applied under parts A and B of title XVIII.

“(d) Input.—The Secretary shall specify such benefits and payment schedules only after obtaining input from appropriate child health providers and experts.

“(e) Enrollment in Health Plans.—The Secretary shall provide for the offering of benefits under this title through enrollment in a health benefit plan that meets the same (or similar) requirements as the requirements that apply to Medicare+Choice plans under part C of title XVIII. In the case of individuals enrolled under this title in such a plan, the Medicare+Choice capitation rate described in section 1853(c) shall be adjusted in an appropriate manner to reflect differences between the population served under this title and the population under title XVIII.

“SEC. 2203. PREMIUMS.

“(a) Amount of Monthly Premiums.—
“(1) IN GENERAL.—The Secretary shall, during September of each year (beginning with 2004), establish a monthly MediKids premium for the following year. Subject to paragraph (2), the monthly MediKids premium for a year is equal to $\frac{1}{12}$ of the annual premium rate computed under subsection (b).

“(2) ELIMINATION OF MONTHLY PREMIUM FOR DEMONSTRATION OF EQUIVALENT COVERAGE (INCLUDING COVERAGE UNDER LOW-INCOME PROGRAMS).—The amount of the monthly premium imposed under this section for an individual for a month shall be zero in the case of an individual who demonstrates to the satisfaction of the Secretary that the individual has basic health insurance coverage for that month. For purposes of the previous sentence enrollment in a medicaid plan under title XIX, a State child health insurance plan under title XXI, or under the medicare program under title XVIII is deemed to constitute basic health insurance coverage described in such sentence.

“(b) ANNUAL PREMIUM.—

“(1) NATIONAL, PER CAPITA AVERAGE.—The Secretary shall estimate the average, annual per capita amount that would be payable under this title
with respect to individuals residing in the United States who meet the requirement of section 2201(a)(1) as if all such individuals were eligible for (and enrolled) under this title during the entire year (and assuming that section 1862(b)(2)(A)(i) did not apply).

“(2) ANNUAL PREMIUM.—Subject to subsection (d), the annual premium under this subsection for months in a year is equal to 25 percent of the average, annual per capita amount estimated under paragraph (1) for the year.

“(c) PAYMENT OF MONTHLY PREMIUM.—

“(1) PERIOD OF PAYMENT.—In the case of an individual who participates in the program established by this title, subject to subsection (d), the monthly premium shall be payable for the period commencing with the first month of the individual’s coverage period and ending with the month in which the individual’s coverage under this title terminates.

“(2) COLLECTION THROUGH TAX RETURN.—For provisions providing for the payment of monthly premiums under this subsection, see section 59B of the Internal Revenue Code of 1986.

“(3) PROTECTIONS AGAINST FRAUD AND ABUSE.—The Secretary shall develop, in coordina-
tion with States and other health insurance issuers, administrative systems to ensure that claims which are submitted to more than one payor are coordinated and duplicate payments are not made.

“(d) REDUCTION IN PREMIUM FOR CERTAIN LOW-INCOME FAMILIES.—For provisions reducing the premium under this section for certain low-income families, see section 59B(c) of the Internal Revenue Code of 1986.

“SEC. 2204. MEDIKIDS TRUST FUND.

“(a) ESTABLISHMENT OF TRUST FUND.—

“(1) IN GENERAL.—There is hereby created on the books of the Treasury of the United States a trust fund to be known as the ‘MediKids Trust Fund’ (in this section referred to as the ‘Trust Fund’). The Trust Fund shall consist of such gifts and bequests as may be made as provided in section 201(i)(1) and such amounts as may be deposited in, or appropriated to, such fund as provided in this title.

“(2) PREMIUMS.—Premiums collected under section 2203 shall be transferred to the Trust Fund.

“(b) INCORPORATION OF PROVISIONS.—

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

“(2) MISCELLANEOUS REFERENCES.—In applying provisions of section 1841 under paragraph (1)—

“(A) any reference in such section to ‘this part’ is construed to refer to title XXII;

“(B) any reference in section 1841(h) to section 1840(d) and in section 1841(i) to sections 1840(b)(1) and 1842(g) are deemed references to comparable authority exercised under this title;

“(C) payments may be made under section 1841(g) to the Trust Funds under sections 1817 and 1841 as reimbursement to such funds for payments they made for benefits provided under this title; and

“(D) the Board of Trustees of the MediKids Trust Fund shall be the same as the Board of Trustees of the Federal Supplementary Medical Insurance Trust Fund.

“SEC. 2205. OVERSIGHT AND ACCOUNTABILITY.

“(a) THROUGH ANNUAL REPORTS OF TRUSTEES.—The Board of Trustees of the MediKids Trust Fund under
section 2204(b)(1) shall report on an annual basis to Con-
gress concerning the status of the Trust Fund and the
need for adjustments in the program under this title to
maintain financial solvency of the program under this
title.

“(b) Periodic GAO Reports.—The Comptroller
General of the United States shall periodically submit to
Congress reports on the adequacy of the financing of cov-
erage provided under this title. The Comptroller General
shall include in such report such recommendations for ad-
justments in such financing and coverage as the Com-
troller General deems appropriate in order to maintain fi-
nancial solvency of the program under this title.

“SEC. 2206. INCLUSION OF CARE COORDINATION SERVICES.

“(a) In General.—

“(1) Program Authority.—The Secretary,
beginning in 2005, may implement a care coordina-
tion services program in accordance with the provi-
sions of this section under which, in appropriate cir-
cumstances, eligible individuals may elect to have
health care services covered under this title managed
and coordinated by a designated care coordinator.

“(2) Administration by Contract.—The
Secretary may administer the program under this
section through a contract with an appropriate pro-
gram administrator.

“(3) COVERAGE.—Care coordination services
furnished in accordance with this section shall be
treated under this title as if they were included in
the definition of medical and other health services
under section 1861(s) and benefits shall be available
under this title with respect to such services without
the application of any deductible or coinsurance.

“(b) ELIGIBILITY CRITERIA; IDENTIFICATION AND
NOTIFICATION OF ELIGIBLE INDIVIDUALS.—

“(1) INDIVIDUAL ELIGIBILITY CRITERIA.—The
Secretary shall specify criteria to be used in making
a determination as to whether an individual may ap-
propriately be enrolled in the care coordination serv-
ices program under this section, which shall include
at least a finding by the Secretary that for cohorts
of individuals with characteristics identified by the
Secretary, professional management and coordina-
tion of care can reasonably be expected to improve
processes or outcomes of health care and to reduce
aggregate costs to the programs under this title.

“(2) PROCEDURES TO FACILITATE ENROLL-
MENT.—The Secretary shall develop and implement
procedures designed to facilitate enrollment of eligible individuals in the program under this section.

“(c) ENROLLMENT OF INDIVIDUALS.—

“(1) SECRETARY’S DETERMINATION OF ELIGIBILITY.—The Secretary shall determine the eligibility for services under this section of individuals who are enrolled in the program under this section and who make application for such services in such form and manner as the Secretary may prescribe.

“(2) ENROLLMENT PERIOD.—

“(A) EFFECTIVE DATE AND DURATION.—

Enrollment of an individual in the program under this section shall be effective as of the first day of the month following the month in which the Secretary approves the individual’s application under paragraph (1), shall remain in effect for one month (or such longer period as the Secretary may specify), and shall be automatically renewed for additional periods, unless terminated in accordance with such procedures as the Secretary shall establish by regulation. Such procedures shall permit an individual to disenroll for cause at any time and without cause at re-enrollment intervals.
“(B) LIMITATION ON REENROLLMENT.—
The Secretary may establish limits on an individual’s eligibility to reenroll in the program under this section if the individual has disenrolled from the program more than once during a specified time period.

“(d) PROGRAM.—The care coordination services program under this section shall include the following elements:

“(1) BASIC CARE COORDINATION SERVICES.—

“(A) IN GENERAL.—Subject to the cost-effectiveness criteria specified in subsection (b)(1), except as otherwise provided in this section, enrolled individuals shall receive services described in section 1905(t)(1) and may receive additional items and services as described in subparagraph (B).

“(B) ADDITIONAL BENEFITS.—The Secretary may specify additional benefits for which payment would not otherwise be made under this title that may be available to individuals enrolled in the program under this section (subject to an assessment by the care coordinator of an individual’s circumstance and need for such benefits) in order to encourage enrollment in,
or to improve the effectiveness of, such pro-
gram.

“(2) CARE COORDINATION REQUIREMENT.—
Notwithstanding any other provision of this title, the
Secretary may provide that an individual enrolled in
the program under this section may be entitled to
payment under this title for any specified health
care items or services only if the items or services
have been furnished by the care coordinator, or co-
ordinated through the care coordination services pro-
gram. Under such provision, the Secretary shall pre-
scribe exceptions for emergency medical services as
described in section 1852(d)(3), and other excep-
tions determined by the Secretary for the delivery of
timely and needed care.

“(e) CARE COORDINATORS.—

“(1) CONDITIONS OF PARTICIPATION.—In order
to be qualified to furnish care coordination services
under this section, an individual or entity shall—

“(A) be a health care professional or entity
(which may include physicians, physician group
practices, or other health care professionals or
entities the Secretary may find appropriate)
meeting such conditions as the Secretary may
specify;
“(B) have entered into a care coordination agreement; and

“(C) meet such criteria as the Secretary may establish (which may include experience in the provision of care coordination or primary care physician’s services).

“(2) AGREEMENT TERM; PAYMENT.—

“(A) DURATION AND RENEWAL.—A care coordination agreement under this subsection shall be for one year and may be renewed if the Secretary is satisfied that the care coordinator continues to meet the conditions of participation specified in paragraph (1).

“(B) PAYMENT FOR SERVICES.—The Secretary may negotiate or otherwise establish payment terms and rates for services described in subsection (d)(1).

“(C) LIABILITY.—Case coordinators shall be subject to liability for actual health damages which may be suffered by recipients as a result of the care coordinator’s decisions, failure or delay in making decisions, or other actions as a care coordinator.

“(D) TERMS.—In addition to such other terms as the Secretary may require, an agree-
ment under this section shall include the terms specified in subparagraphs (A) through (C) of section 1905(t)(3).

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“SEC. 2207. ADMINISTRATION AND MISCELLANEOUS.

“(a) IN GENERAL.—Except as otherwise provided in this title—

“(1) the Secretary shall enter into appropriate contracts with providers of services, other health care providers, carriers, and fiscal intermediaries, taking into account the types of contracts used under title XVIII with respect to such entities, to administer the program under this title;

“(2) individuals enrolled under this title shall be treated for purposes of title XVIII as though the individuals were entitled to benefits under part A and enrolled under part B of such title;

“(3) benefits described in section 2202 that are payable under this title to such individuals shall be paid in a manner specified by the Secretary (taking into account, and based to the greatest extent practicable upon, the manner in which they are provided under title XVIII);

“(4) provider participation agreements under title XVIII shall apply to enrollees and benefits
under this title in the same manner as they apply
to enrollees and benefits under title XVIII; and

“(5) individuals entitled to benefits under this
title may elect to receive such benefits under health
plans in a manner, specified by the Secretary, simi-
lar to the manner provided under part C of title
XVIII.

“(b) COORDINATION WITH MEDICAID AND
SCHIP.—Notwithstanding any other provision of law, in-
dividuals entitled to benefits for items and services under
this title who also qualify for benefits under title XIX or
XXI or any other Federally funded program may continue
to qualify and obtain benefits under such other title or
program, and in such case such an individual shall elect
either—

“(1) such other title or program to be primary
payor to benefits under this title, in which case no
benefits shall be payable under this title and the
monthly premium under section 2203 shall be zero;
or

“(2) benefits under this title shall be primary
payor to benefits provided under such program or
title, in which case the Secretary shall enter into
agreements with States as may be appropriate to
provide that, in the case of such individuals, the ben-
benefits under titles XIX and XXI or such other pro-
gram (including reduction of cost-sharing) are pro-
vided on a ‘wrap-around’ basis to the benefits under
this title.”.

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

(1) Section 201(i)(1) of the Social Security Act
(42 U.S.C. 401(i)(1)) is amended by striking “or the
Federal Supplementary Medical Insurance Trust
Fund” and inserting “the Federal Supplementary
Medical Insurance Trust Fund, and the MediKids
Trust Fund”.

(2) Section 201(g)(1)(A) of such Act (42
U.S.C. 401(g)(1)(A)) is amended by striking “ and
the Federal Supplementary Medical Insurance Trust
Fund established by title XVIII” and inserting “, the Federal Supplementary Medical Insurance Trust
Fund, and the MediKids Trust Fund established by
title XVIII”.

(3) Section 1853(c) of such Act (42 U.S.C.
1395w–23(c)) is amended—

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

(B) by adding at the end the following:
“(8) ADJUSTMENT FOR MEDIKIDS.—In applying this subsection with respect to individuals entitled to benefits under title XXII, the Secretary shall provide for an appropriate adjustment in the Medicare+Choice capitation rate as may be appropriate to reflect differences between the population served under such title and the population under parts A and B.”.

(e) MAINTENANCE OF MEDICAID ELIGIBILITY AND BENEFITS FOR CHILDREN.—

(1) IN GENERAL.—In order for a State to continue to be eligible for payments under section 1903(a) of the Social Security Act (42 U.S.C. 1396b(a))—

(A) the State may not reduce standards of eligibility, or benefits, provided under its State medicaid plan under title XIX of the Social Security Act or under its State child health plan under title XXI of such Act for individuals under 23 years of age below such standards of eligibility, and benefits, in effect on the date of the enactment of this Act; and

(B) the State shall demonstrate to the satisfaction of the Secretary of Health and Human Services that any savings in State expenditures
under title XIX or XXI of the Social Security Act that results from children from enrolling under title XXII of such Act shall be used in a manner that improves services to beneficiaries under title XIX of such Act, such as through increases in provider payment rates, expansion of eligibility, improved nurse and nurse aide staffing and improved inspections of nursing facilities, and coverage of additional services.

(2) MediKIDS AS PRIMARY PAYOR.—In applying title XIX of the Social Security Act, the MediKIDS program under title XXII of such Act shall be treated as a primary payor in cases in which the election described in section 2207(b)(2) of such Act, as added by subsection (a), has been made.

(d) EXPANSION OF MedPAC MEMBERSHIP TO 19.—

(1) IN GENERAL.—Section 1805(c) of the Social Security Act (42 U.S.C. 1395b–6(c)) is amended—

(A) in paragraph (1), by striking “17” and inserting “19”; and

(B) in paragraph (2)(B), by inserting “experts in children’s health,” after “other health professionals,”.
(2) Initial terms of additional members.—

(A) In general.—For purposes of staggering the initial terms of members of the Medicare Payment Advisory Commission under section 1805(c)(3) of the Social Security Act (42 U.S.C. 1395b–6(c)(3)), the initial terms of the 2 additional members of the Commission provided for by the amendment under subsection (a)(1) are as follows:

(i) One member shall be appointed for

1 year.

(ii) One member shall be appointed

for 2 years.

(B) Commencement of terms.—Such terms shall begin on January 1, 2004.

SEC. 3. MEDIKIDS PREMIUM.

(a) General rule.—Subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to determination of tax liability) is amended by adding at the end the following new part:

PART VIII—MEDIKIDS PREMIUM

“Sec. 59B. MediKids premium.
"SEC. 59B. MEDIKIDS PREMIUM.

(a) Imposition of Tax.—In the case of an individual to whom this section applies, there is hereby imposed (in addition to any other tax imposed by this subtitle) a MediKids premium for the taxable year.

(b) Individuals Subject to Premium.—

(1) In general.—This section shall apply to an individual if the taxpayer has a MediKid at any time during the taxable year.

(2) MediKid.—For purposes of this section, the term ‘MediKid’ means, with respect to a taxpayer, any individual with respect to whom the taxpayer is required to pay a premium under section 2203(c) of the Social Security Act for any month of the taxable year.

(c) Amount of Premium.—For purposes of this section, the MediKids premium for a taxable year is the sum of the monthly premiums under section 2203 of the Social Security Act for months in the taxable year.

(d) Exceptions Based on Adjusted Gross Income.—

(1) Exemption for Very Low-Income Taxpayers.—

(A) In general.—No premium shall be imposed by this section on any taxpayer having
an adjusted gross income not in excess of the exemption amount.

“(B) EXEMPTION AMOUNT.—For purposes of this paragraph, the exemption amount is—

“(i) $17,910 in the case of a taxpayer having 1 MediKid,

“(ii) $22,530 in the case of a taxpayer having 2 MediKids,

“(iii) $27,150 in the case of a taxpayer having 3 MediKids, and

“(iv) $31,770 in the case of a taxpayer having 4 or more MediKids.

“(C) PHASEOUT OF EXEMPTION.—In the case of a taxpayer having an adjusted gross income which exceeds the exemption amount but does not exceed twice the exemption amount, the premium shall be the amount which bears the same ratio to the premium which would (but for this subparagraph) apply to the taxpayer as such excess bears to the exemption amount.

“(D) INFLATION ADJUSTMENT OF EXEMPTION AMOUNTS.—In the case of any taxable year beginning in a calendar year after 2002, each dollar amount contained in subparagraph
(C) shall be increased by an amount equal to the product of—

“(i) such dollar amount, and

“(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2001’ for ‘calendar year 1992’ in sub-

paragraph (B) thereof.

If any increase determined under the preceding sentence is not a multiple of $50, such increase shall be rounded to the nearest multiple of $50.

“(2) Premium limited to 5 percent of adjusted gross income.—In no event shall any taxpayer be required to pay a premium under this section in excess of an amount equal to 5 percent of the taxpayer’s adjusted gross income.

“(e) Coordination with Other Provisions.—

“(1) Not treated as medical expense.—For purposes of this chapter, any premium paid under this section shall not be treated as expense for medical care.

“(2) Not treated as tax for certain purposes.—The premium paid under this section shall
not be treated as a tax imposed by this chapter for purposes of determining—

“(A) the amount of any credit allowable under this chapter, or

“(B) the amount of the minimum tax imposed by section 55.

“(3) Treatment Under Subtitle F.—For purposes of subtitle F, the premium paid under this section shall be treated as if it were a tax imposed by section 1.”.

(b) Technical Amendments.—

(1) Subsection (a) of section 6012 of such Code is amended by inserting after paragraph (9) the following new paragraph:

“(10) Every individual liable for a premium under section 59B.”.

(2) The table of parts for subchapter A of chapter 1 of such Code is amended by adding at the end the following new item:

“Part VIII. MediKids premium.”.

(c) Effective Date.—The amendments made by this section shall apply to months beginning after December 2004, in taxable years ending after such date.
SEC. 4. REFUNDABLE CREDIT FOR COST-SHARING EXPENSES UNDER MEDIKIDS PROGRAM.

(a) In General.—Subpart C of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to refundable credits) is amended by redesignating section 36 as section 37 and by inserting after section 35 the following new section:

"SEC. 36. COST-SHARING EXPENSES UNDER MEDIKIDS PROGRAM.

"(a) Allowance of Credit.—In the case of an individual who has a MediKid (as defined in section 59B) at any time during the taxable year, there shall be allowed as a credit against the tax imposed by this subtitle an amount equal to 50 percent of the amount paid by the taxpayer during the taxable year as cost-sharing under section 2202(b)(4) of the Social Security Act.

"(b) Limitation Based on Adjusted Gross Income.—The amount of the credit which would (but for this subsection) be allowed under this section for the taxable year shall be reduced (but not below zero) by an amount which bears the same ratio to such amount of credit as the excess of the taxpayer's adjusted gross income for such taxable year over the exemption amount (as defined in section 59B(d)) bears to such exemption amount."

(b) Technical Amendments.—
(1) Paragraph (2) of section 1324(b) of title 31, United States Code, is amended by inserting before the period "or from section 36 of such Code".

(2) The table of sections for subpart C of part IV of subchapter A of chapter 1 of such Code is amended by striking the last item and inserting the following new items:

"Sec. 36. Cost-sharing expenses under MediKids program.
"Sec. 37. Overpayments of tax."

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2004.

SEC. 5. REPORT ON LONG-TERM REVENUES.

Within one year after the date of the enactment of this Act, the Secretary of the Treasury shall propose a gradual schedule of progressive tax changes to fund the program under title XXII of the Social Security Act, as the number of enrollees grows in the out-years.