

110TH CONGRESS
1ST SESSION

H. R. 1111

To amend titles XIX and XXI of the Social Security Act to ensure that every uninsured child in America has health insurance coverage, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 16, 2007

Mr. WAXMAN (for himself, Mr. ABERCROMBIE, Mr. ALLEN, Mrs. CAPPS, Mrs. CHRISTENSEN, Mr. CLAY, Mr. CUMMINGS, Mr. DAVIS of Illinois, Mr. AL GREEN of Texas, Mr. GRIJALVA, Ms. HARMAN, Mr. HIGGINS, Mr. HINCHEY, Ms. MATSUI, Ms. MCCOLLUM of Minnesota, Mr. MCDERMOTT, Mr. McNULTY, Mr. MEEK of Florida, Mr. MICHAUD, Mr. OLVER, Mr. ORTIZ, Mr. PAYNE, Mr. RANGEL, Mr. REYES, Mr. ROTHMAN, Ms. ROYBAL-ALLARD, Mr. RUSH, Ms. SCHAKOWSKY, Mr. SERRANO, Ms. SOLIS, Mr. STARK, Mr. THOMPSON of Mississippi, Mr. TIERNEY, Mr. TOWNS, Ms. WOOLSEY, and Mr. WYNN) introduced the following bill; which was referred to the Committee on Energy and Commerce, and in addition to the Committees on Ways and Means and Education and Labor, 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 titles XIX and XXI of the Social Security Act to ensure that every uninsured child in America has health insurance 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 “Kids Come First Act of 2007”.

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

Sec. 1. Short title; table of contents.

Sec. 2. Findings.

**TITLE I—EXPANDED COVERAGE OF CHILDREN UNDER MEDICAID
AND SCHIP**

Sec. 101. State option to receive 100 percent FMAP for medical assistance for
children in poverty in exchange for expanded coverage of chil-
dren in working poor families under Medicaid or SCHIP.

Sec. 102. Elimination of cap on SCHIP funding for States that expand eligi-
bility for children.

**TITLE II—STATE OPTIONS FOR INCREMENTAL CHILD COVERAGE
EXPANSIONS**

Sec. 201. State option to provide wrap-around SCHIP coverage to children who
have other health coverage.

Sec. 202. State option to enroll low-income children of State employees in
SCHIP.

Sec. 203. Optional coverage of legal immigrant children under Medicaid and
SCHIP.

Sec. 204. State option for passive renewal of eligibility for children under Med-
icaid and SCHIP.

**TITLE III—TAX INCENTIVES FOR HEALTH INSURANCE
COVERAGE OF CHILDREN**

Sec. 301. Refundable credit for health insurance coverage of children.

Sec. 302. Forfeiture of personal exemption for any child not covered by health
insurance.

TITLE IV—MISCELLANEOUS

Sec. 401. Requirement for group market health insurers to offer dependent cov-
erage option for workers with children.

Sec. 402. Effective date.

6 **SEC. 2. FINDINGS.**

7 Congress makes the following findings:

8 (1) **NEED FOR UNIVERSAL COVERAGE.**—

9 (A) Currently, there are 9,000,000 chil-
10 dren under the age of 19 that are uninsured.

1 One out of every 8 children are uninsured while
2 1 in 5 Hispanic children and 1 in 7 African
3 American children are uninsured. Three-quar-
4 ters, approximately 6,800,000, of these children
5 are eligible but not enrolled in the Medicaid
6 program or the State Children's Health Insur-
7 ance Program (SCHIP). Long-range studies
8 found that 1 in 3 children went without health
9 insurance for all or part of 2002 and 2003.

10 (B) Low-income children are 3 times as
11 likely as children in higher income families to
12 be uninsured. It is estimated that 65 percent of
13 uninsured children have at least 1 parent work-
14 ing full time over the course of the year.

15 (C) It is estimated that 50 percent of all
16 legal immigrant children in families with in-
17 come that is less than 200 percent of the Fed-
18 eral poverty line are uninsured. In States with-
19 out programs to cover immigrant children, 57
20 percent of noncitizen children are uninsured.

21 (D) Children in the Southern and Western
22 parts of the United States were nearly 1.7
23 times more likely to be uninsured than children
24 in the Northeast. In the Northeast, 9.4 percent
25 of children are uninsured while in the Midwest,

1 8.3 percent are uninsured. The South's rate of
2 uninsured children is 14.3 percent while the
3 West has an uninsured rate of 13 percent.

4 (E) Children's health care needs are ne-
5 glected in the United States. One out of every
6 5 children has problems accessing needed care
7 and one-quarter of young children in the United
8 States are not fully up to date on their basic
9 immunizations. One-third of children with
10 chronic asthma do not get a prescription for the
11 necessary medications to manage the disease
12 and 1 out of every 4 children do not receive an-
13 nual dental exams.

14 (F) Children without health insurance are
15 twice as likely as insured children to not receive
16 any medical care in a given year. According to
17 the Centers for Disease Control and Prevention,
18 nearly 1/2 of all uninsured children have not had
19 a well-child visit in the past year. One in 6 un-
20 insured children had a delayed or unmet med-
21 ical need in the past year. Minority children are
22 less likely to receive proven treatments such as
23 prescription medications to treat chronic dis-
24 ease.

1 (G) There are 7,600,000 young adults be-
2 tween the ages of 19 and 20. In the United
3 States, approximately 28 percent, or 2,100,000
4 individuals, of this group are uninsured.

5 (H) Chronic illness and disability among
6 children are on the rise. Children most at risk
7 for chronic illness and disability are children
8 who are most likely to be poor and uninsured.

9 (2) ROLE OF THE MEDICAID AND STATE CHIL-
10 DREN'S HEALTH INSURANCE PROGRAMS.—

11 (A) The Medicaid program and SCHIP
12 serve as a crucial health safety net for
13 30,000,000 children. During the recent eco-
14 nomic downturn and the highest number of un-
15 insured individuals ever recorded in the United
16 States, the Medicaid program and SCHIP off-
17 set losses in employer-sponsored coverage.
18 While the number of children living in low-in-
19 come families increased between 2000 and
20 2005, the number of uninsured children fell due
21 to the Medicaid program and SCHIP.

22 (B) 28,000,000 children are enrolled today
23 in the Medicaid program, accounting for 1/2 of
24 all enrollees and only 18 percent of total pro-
25 gram costs.

1 (C) The Medicaid program and SCHIP do
2 more than just fill in the gaps. Gains in public
3 coverage have reduced the percentage of low-in-
4 come uninsured children by $\frac{1}{3}$ from 1997 to
5 2005. In addition, a study found that publicly-
6 insured children are more likely to obtain med-
7 ical care, preventive care, and dental care than
8 similar low-income privately-insured children.

9 (D) Publicly funded programs such as the
10 Medicaid program and SCHIP actually improve
11 children's health. Children who are currently in-
12 sured by public programs are in better health
13 than they were a year ago. Expansion of cov-
14 erage for children and pregnant women under
15 the Medicaid program and SCHIP reduces
16 rates of avoidable hospitalizations by 22 percent
17 and has been proven to reduce childhood
18 deaths, infant mortality rates, and the incidence
19 of low birth weight.

20 (E) Studies have found that children en-
21 rolled in public insurance programs experienced
22 a 68-percent improvement in measures of school
23 performance.

24 (F) Despite the success of expansions in
25 general under the Medicaid program and

1 SCHIP, due to current budget constraints,
2 many States have stopped doing aggressive out-
3 reach and have raised premiums and cost-shar-
4 ing requirements on families under these pro-
5 grams. In addition, 8 States stopped enrollment
6 in SCHIP for a period of time between April
7 2003 and July 2004. As a result, SCHIP en-
8 rollment fell by 200,000 children for the first
9 time in the program's history.

10 (G) It is estimated that nearly 50 percent
11 of children covered through SCHIP do not re-
12 main in the program due to reenrollment bar-
13 riers. A recent study found that between 10 and
14 40 percent of these children are "lost" in the
15 system. Difficult renewal policies and reenroll-
16 ment barriers make seamless coverage in
17 SCHIP unattainable. Studies indicate that as
18 many as 67 percent of children who were eligi-
19 ble but not enrolled for SCHIP had applied for
20 coverage but were denied due to procedural
21 issues.

22 (H) While the Medicaid program and
23 SCHIP expansions to date have done much to
24 offset what otherwise would have been a signifi-
25 cant loss of coverage among children because of

1 declining access to employer coverage, the
 2 shortcomings of previous expansions, such as
 3 the failure to enroll all eligible children and
 4 caps on enrollment in SCHIP because of under-
 5 funding, also are clear.

6 **TITLE I—EXPANDED COVERAGE**
 7 **OF CHILDREN UNDER MED-**
 8 **ICAID AND SCHIP**

9 **SEC. 101. STATE OPTION TO RECEIVE 100 PERCENT FMAP**
 10 **FOR MEDICAL ASSISTANCE FOR CHILDREN**
 11 **IN POVERTY IN EXCHANGE FOR EXPANDED**
 12 **COVERAGE OF CHILDREN IN WORKING POOR**
 13 **FAMILIES UNDER MEDICAID OR SCHIP.**

14 (a) STATE OPTION.—Title XIX of the Social Security
 15 Act (42 U.S.C. 1396 et seq.) is amended by redesignating
 16 section 1939 as section 1940, and by inserting after sec-
 17 tion 1938 the following:

18 “STATE OPTION FOR INCREASED FMAP FOR MEDICAL AS-
 19 SISTANCE FOR CHILDREN IN POVERTY IN EXCHANGE
 20 FOR EXPANDED COVERAGE OF CHILDREN IN WORK-
 21 ING POOR FAMILIES UNDER THIS TITLE OR TITLE
 22 XXI

23 “SEC. 1939. (a) 100 PERCENT FMAP.—

24 “(1) IN GENERAL.—Notwithstanding any other
 25 provision of this title, in the case of a State that,
 26 through an amendment to each of its State plans

1 under this title and title XXI (or to a waiver of ei-
2 ther such plan), agrees to satisfy the conditions de-
3 scribed in subsections (b), (c), and (d), the Federal
4 medical assistance percentage shall be 100 percent
5 with respect to the total amount expended by the
6 State for providing medical assistance under this
7 title for each fiscal year quarter beginning on or
8 after the date described in subsection (e) for chil-
9 dren whose family income does not exceed 100 per-
10 cent of the poverty line.

11 “(2) LIMITATION ON SCOPE OF APPLICATION
12 OF INCREASE.—The increase in the Federal medical
13 assistance percentage for a State under this section
14 shall apply only with respect to the total amount ex-
15 pended for providing medical assistance under this
16 title for a fiscal year quarter for children described
17 in paragraph (1) and shall not apply with respect
18 to—

19 “(A) any other payments made under this
20 title, including disproportionate share hospital
21 payments described in section 1923;

22 “(B) payments under title IV or XXI; or

23 “(C) any payments made under this title
24 or title XXI that are based on the enhanced
25 FMAP described in section 2105(b).

1 “(b) ELIGIBILITY EXPANSIONS.—The condition de-
2 scribed in this subsection is that the State agrees to do
3 the following:

4 “(1) COVERAGE UNDER MEDICAID OR SCHIP
5 FOR CHILDREN IN FAMILIES WHOSE INCOME DOES
6 NOT EXCEED 300 PERCENT OF THE POVERTY
7 LINE.—

8 “(A) IN GENERAL.—The State agrees to
9 provide medical assistance under this title or
10 child health assistance under title XXI to chil-
11 dren whose family income exceeds the medicaid
12 applicable income level (as defined in section
13 2110(b)(4) but by substituting ‘January 1,
14 2007’ for ‘March 31, 1997’), but does not ex-
15 ceed 300 percent of the poverty line.

16 “(B) STATE OPTION TO EXPAND COV-
17 ERAGE THROUGH SUBSIDIZED PURCHASE OF
18 FAMILY COVERAGE.—A State may elect to carry
19 out subparagraph (A) through the provision of
20 assistance for the purchase of dependent cov-
21 erage under a group health plan or health in-
22 surance coverage if—

23 “(i) the dependent coverage is con-
24 sistent with the benefit standards under

1 this title or title XXI, as approved by the
2 Secretary; and

3 “(ii) the State provides ‘wrap-around’
4 coverage under this title or title XXI.

5 “(C) DEEMED SATISFACTION FOR CERTAIN
6 STATES.—A State that, as of January 1, 2007,
7 provides medical assistance under this title or
8 child health assistance under title XXI to chil-
9 dren whose family income is 300 percent of the
10 poverty line shall be deemed to satisfy this
11 paragraph.

12 “(2) COVERAGE FOR CHILDREN UNDER AGE
13 21.—The State agrees to define a child for purposes
14 of this title and title XXI as an individual who has
15 not attained 21 years of age.

16 “(3) OPPORTUNITY FOR HIGHER INCOME CHIL-
17 DREN TO PURCHASE SCHIP COVERAGE.—The State
18 agrees to permit any child whose family income ex-
19 ceeds 300 percent of the poverty line to purchase
20 full or ‘wrap-around’ coverage under title XXI at the
21 full cost of providing such coverage, as determined
22 by the State.

23 “(4) COVERAGE FOR LEGAL IMMIGRANT CHIL-
24 DREN.—The State agrees to—

1 “(A) provide medical assistance under this
2 title and child health assistance under title XXI
3 for alien children who are lawfully residing in
4 the United States (including battered aliens de-
5 scribed in section 431(c) of the Personal Re-
6 sponsibility and Work Opportunity Reconcili-
7 ation Act of 1996) and who are otherwise eligi-
8 ble for such assistance in accordance with sec-
9 tion 1903(v)(4) and 2107(e)(1)(F); and

10 “(B) not establish or enforce barriers that
11 deter applications by such aliens, including
12 through the application of the removal of the
13 barriers described in subsection (c).

14 “(c) REMOVAL OF ENROLLMENT AND ACCESS BAR-
15 RIERS.—The condition described in this subsection is that
16 the State agrees to do the following:

17 “(1) PRESUMPTIVE ELIGIBILITY FOR CHIL-
18 DREN.—The State agrees to—

19 “(A) provide presumptive eligibility for
20 children under this title and title XXI in ac-
21 cordance with section 1920A; and

22 “(B) treat any items or services that are
23 provided to an uncovered child (as defined in
24 section 2110(c)(8)) who is determined ineligible
25 for medical assistance under this title as child

1 health assistance for purposes of paying a pro-
2 vider of such items or services, so long as such
3 items or services would be considered child
4 health assistance for a targeted low-income
5 child under title XXI.

6 “(2) ADOPTION OF 12-MONTH CONTINUOUS EN-
7 ROLLMENT.—The State agrees to provide that eligi-
8 bility for assistance under this title and title XXI
9 shall not be regularly redetermined more often than
10 once every year for children.

11 “(3) ACCEPTANCE OF SELF-DECLARATION OF
12 INCOME.—The State agrees to permit the family of
13 a child applying for medical assistance under this
14 title or child health assistance under title XXI to de-
15 clare and certify by signature under penalty of per-
16 jury family income for purposes of collecting finan-
17 cial eligibility information.

18 “(4) ADOPTION OF ACCEPTANCE OF ELIGI-
19 BILITY DETERMINATIONS FOR OTHER ASSISTANCE
20 PROGRAMS.—The State agrees to accept determina-
21 tions (made within a reasonable period, as found by
22 the State, before its use for this purpose) of an indi-
23 vidual’s family or household income made by a Fed-
24 eral or State agency (or a public or private entity
25 making such determination on behalf of such agen-

1 cy), including the agencies administering the Food
2 Stamp Act of 1977, the Richard B. Russell National
3 School Lunch Act, and the Child Nutrition Act of
4 1966, notwithstanding any differences in budget
5 unit, disregard, deeming, or other methodology, but
6 only if—

7 “(A) such agency has fiscal liabilities or
8 responsibilities affected or potentially affected
9 by such determinations; and

10 “(B) any information furnished by such
11 agency pursuant to this subparagraph is used
12 solely for purposes of determining eligibility for
13 medical assistance under this title or for child
14 health assistance under title XXI.

15 “(5) NO ASSETS TEST.—The State agrees to
16 not (or demonstrates that it does not) apply any as-
17 sets or resources test for eligibility under this title
18 or title XXI with respect to children.

19 “(6) ELIGIBILITY DETERMINATIONS AND REDE-
20 TERMINATIONS.—

21 “(A) IN GENERAL.—The State agrees for
22 purposes of initial eligibility determinations and
23 redeterminations of children under this title and
24 title XXI not to require a face-to-face interview

1 and to permit applications and renewals by
2 mail, telephone, and the Internet.

3 “(B) NONDUPLICATION OF INFORMA-
4 TION.—

5 “(i) IN GENERAL.—For purposes of
6 redeterminations of eligibility for currently
7 or previously enrolled children under this
8 title and title XXI, the State agrees to use
9 all information in its possession (including
10 information available to the State under
11 other Federal or State programs) to deter-
12 mine eligibility or redetermine continued
13 eligibility before seeking similar informa-
14 tion from parents.

15 “(ii) RULE OF CONSTRUCTION.—
16 Nothing in clause (i) shall be construed as
17 limiting any obligation of a State to pro-
18 vide notice and a fair hearing before deny-
19 ing, terminating, or reducing a child’s cov-
20 erage based on such information in the
21 possession of the State.

22 “(7) NO WAITING LIST FOR CHILDREN UNDER
23 SCHIP.—The State agrees to not impose any numer-
24 ical limitation, waiting list, waiting period, or similar
25 limitation on the eligibility of children for child

1 health assistance under title XXI or to establish or
2 enforce other barriers to the enrollment of eligible
3 children based on the date of their application for
4 coverage.

5 “(8) ADEQUATE PROVIDER PAYMENT RATES.—
6 The State agrees to—

7 “(A) establish payment rates for children’s
8 health care providers under this title that are
9 no less than the average of payment rates for
10 similar services for such providers provided
11 under the benchmark benefit packages de-
12 scribed in section 2103(b);

13 “(B) establish such rates in amounts that
14 are sufficient to ensure that children enrolled
15 under this title or title XXI have adequate ac-
16 cess to comprehensive care, in accordance with
17 the requirements of section 1902(a)(30)(A);
18 and

19 “(C) include provisions in its contracts
20 with providers under this title guaranteeing
21 compliance with these requirements.

22 “(d) MAINTENANCE OF MEDICAID ELIGIBILITY LEV-
23 ELS FOR CHILDREN.—

24 “(1) IN GENERAL.—The condition described in
25 this subsection is that the State agrees to maintain

1 eligibility income, resources, and methodologies ap-
2 plied under this title (including under a waiver of
3 such title or under section 1115) with respect to
4 children that are no more restrictive than the eligi-
5 bility income, resources, and methodologies applied
6 with respect to children under this title (including
7 under such a waiver) as of January 1, 2007.

8 “(2) RULE OF CONSTRUCTION.—Nothing in
9 this section shall be construed as implying that a
10 State does not have to comply with the minimum in-
11 come levels required for children under section
12 1902(l)(2).

13 “(e) DATE DESCRIBED.—The date described in this
14 subsection is the date on which, with respect to a State,
15 a plan amendment that satisfies the requirements of sub-
16 sections (b), (c), and (d) is approved by the Secretary.

17 “(f) DEFINITION OF POVERTY LINE.—In this sec-
18 tion, the term ‘poverty line’ has the meaning given that
19 term in section 2110(c)(5).”.

20 (b) CONFORMING AMENDMENTS.—

21 (1) The third sentence of section 1905(b) of the
22 Social Security Act (42 U.S.C. 1396d(b)) is amend-
23 ed by inserting before the period the following: “,
24 and with respect to amounts expended for medical
25 assistance for children on or after the date described

1 in subsection (e) of section 1939, in the case of a
2 State that has, in accordance with such section, an
3 approved plan amendment under this title and title
4 XXI”.

5 (2) Section 1903(f)(4) of the Social Security
6 Act (42 U.S.C. 1396b(f)(4)) is amended—

7 (A) in subparagraph (C), by adding “or”
8 after “section 1611(b)(1),”; and

9 (B) by inserting after subparagraph (C),
10 the following:

11 “(D) who would not receive such medical assist-
12 ance but for State electing the option under section
13 1939 and satisfying the conditions described in sub-
14 sections (b), (c), and (d) of such section,”.

15 **SEC. 102. ELIMINATION OF CAP ON SCHIP FUNDING FOR**
16 **STATES THAT EXPAND ELIGIBILITY FOR**
17 **CHILDREN.**

18 (a) IN GENERAL.—Section 2105 of the Social Secu-
19 rity Act (42 U.S.C. 1397dd) is amended by adding at the
20 end the following:

21 “(h) **GUARANTEED FUNDING FOR CHILD HEALTH**
22 **ASSISTANCE FOR COVERAGE EXPANSION STATES.**—

23 “(1) IN GENERAL.—Only in the case of a State
24 that has, in accordance with section 1939, an ap-
25 proved plan amendment under this title and title

1 XIX, any payment cap that would otherwise apply to
2 the State under this title as a result of having ex-
3 pended all allotments available for expenditure by
4 the State with respect to a fiscal year shall not apply
5 with respect to amounts expended by the State on
6 or after the date described in section 1939(e).

7 “(2) APPROPRIATION.—There is appropriated,
8 out of any money in the Treasury not otherwise ap-
9 propriated, such sums as may be necessary for the
10 purpose of paying a State described in paragraph
11 (1) for each quarter beginning on or after the date
12 described in section 1939(e), an amount equal to the
13 enhanced FMAP of expenditures described in para-
14 graph (1) and incurred during such quarter.”.

15 (b) CONFORMING AMENDMENTS.—Section 2104 of
16 the Social Security Act (42 U.S.C. 1397dd) is amended—

17 (1) in subsection (a), by inserting “and section
18 2105(h)” after “subsection (d)”;

19 (2) in subsection (b)(1), by striking “and sub-
20 section (d)” and inserting “, subsection (d), and sec-
21 tion 2105(h)”;

22 (3) in subsection (c)(1), by inserting “and sec-
23 tion 2105(h)” after “subsection (d)”.

1 **TITLE II—STATE OPTIONS FOR**
2 **INCREMENTAL CHILD COV-**
3 **ERAGE EXPANSIONS**

4 **SEC. 201. STATE OPTION TO PROVIDE WRAP-AROUND**
5 **SCHIP COVERAGE TO CHILDREN WHO HAVE**
6 **OTHER HEALTH COVERAGE.**

7 (a) IN GENERAL.—Section 2110(b) of the Social Se-
8 curity Act (42 U.S.C. 1397jj(b)) is amended—

9 (1) in paragraph (1)(C), by inserting “, subject
10 to paragraph (5),” after “under title XIX or”; and

11 (2) by adding at the end the following new
12 paragraph:

13 “(5) STATE OPTION TO PROVIDE WRAP-AROUND
14 COVERAGE.—

15 “(A) IN GENERAL.—A State may waive
16 the requirement of paragraph (1)(C) that a tar-
17 geted low-income child may not be covered
18 under a group health plan or under health in-
19 surance coverage in order to provide—

20 “(i) items or services that are not cov-
21 ered, or are only partially covered, under
22 such plan or coverage; or

23 “(ii) cost-sharing protection.

24 “(B) ELIGIBILITY.—In waiving such re-
25 quirement, a State may limit the application of

1 the waiver to children whose family income does
2 not exceed a level specified by the State, so long
3 as the level so specified does not exceed the
4 maximum income level otherwise established for
5 other children under the State child health
6 plan.

7 “(C) CONTINUED APPLICATION OF DUTY
8 TO PREVENT SUBSTITUTION OF EXISTING COV-
9 ERAGE.—Nothing in this paragraph shall be
10 construed as modifying the application of sec-
11 tion 2102(b)(3)(C) to a State.”.

12 (b) APPLICATION OF ENHANCED MATCH UNDER
13 MEDICAID.—Section 1905 of such Act (42 U.S.C. 1396d)
14 is amended—

15 (1) in subsection (b), in the fourth sentence, by
16 striking “subsection (u)(3)” and inserting “, (u)(3),
17 or (u)(4)”; and

18 (2) in subsection (u), by redesignating para-
19 graph (4) as paragraph (5) and by inserting after
20 paragraph (3) the following:

21 “(4) For purposes of subsection (b), the expenditures
22 described in this paragraph are expenditures for items and
23 services for children described in section 2110(b)(5).”.

1 (c) APPLICATION OF SECONDARY PAYOR PROVI-
 2 SIONS.—Section 2107(e)(1) of such Act (42 U.S.C.
 3 1397gg(e)(1)) is amended—

4 (1) by redesignating subparagraphs (B)
 5 through (D) as subparagraphs (C) through (E), re-
 6 spectively; and

7 (2) by inserting after subparagraph (A) the fol-
 8 lowing new subparagraph:

9 “(B) Section 1902(a)(25) (relating to co-
 10 ordination of benefits and secondary payor pro-
 11 visions) with respect to children covered under
 12 a waiver described in section 2110(b)(5).”.

13 **SEC. 202. STATE OPTION TO ENROLL LOW-INCOME CHIL-**
 14 **DREN OF STATE EMPLOYEES IN SCHIP.**

15 Section 2110(b)(2) of the Social Security Act (42
 16 U.S.C. 1397jj(b)(2)) is amended—

17 (1) by redesignating subparagraphs (A) and
 18 (B) as clauses (i) and (ii), respectively and realign-
 19 ing the left margins of such clauses appropriately;

20 (2) by striking “Such term” and inserting the
 21 following:

22 “(A) IN GENERAL.—Such term”; and

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

24 “(B) STATE OPTION TO ENROLL LOW-IN-
 25 COME CHILDREN OF STATE EMPLOYEES.—At

1 the option of a State, subparagraph (A)(ii) shall
2 not apply to any low-income child who would
3 otherwise be eligible for child health assistance
4 under this title but for such subparagraph.”.

5 **SEC. 203. OPTIONAL COVERAGE OF LEGAL IMMIGRANT**
6 **CHILDREN UNDER MEDICAID AND SCHIP.**

7 (a) **MEDICAID PROGRAM.**—Section 1903(v) of the
8 Social Security Act (42 U.S.C. 1396b(v)) is amended—
9 (1) in paragraph (1), by striking “paragraph
10 (2)” and inserting “paragraphs (2) and (4)”; and
11 (2) by adding at the end the following:

12 “(4)(A) A State may elect (in a plan amendment
13 under this title) to provide medical assistance under this
14 title for aliens—

15 “(i) who are lawfully residing in the United
16 States (including battered aliens described in section
17 431(c) of the Personal Responsibility and Work Op-
18 portunity Reconciliation Act of 1996); and

19 “(ii) who are otherwise eligible for such assist-
20 ance, within the eligibility category of children (as
21 defined under such plan), including optional targeted
22 low-income children described in section
23 1905(u)(2)(B).

24 “(B)(i) In the case of a State that has elected to pro-
25 vide medical assistance to a category of aliens under sub-

1 paragraph (A), no debt shall accrue under an affidavit of
 2 support against any sponsor of such an alien on the basis
 3 of provision of assistance to such category and the cost
 4 of such assistance shall not be considered as an unreim-
 5 bursed cost.

6 “(ii) The provisions of sections 401(a), 402(b), 403,
 7 and 421 of the Personal Responsibility and Work Oppor-
 8 tunity Reconciliation Act of 1996 shall not apply to a
 9 State that makes an election under subparagraph (A).”.

10 (b) TITLE XXI.—Section 2107(e)(1) of the Social
 11 Security Act (42 U.S.C. 1397gg(e)(1)), as amended by
 12 section 201(c), is amended redesignating subparagraph
 13 (E) as subparagraph (F) and by inserting after subpara-
 14 graph (D) the following:

15 “(E) Section 1903(v)(4) (relating to op-
 16 tional coverage of permanent resident alien chil-
 17 dren), but only if the State has elected to apply
 18 such section to that category of children under
 19 title XIX.”.

20 **SEC. 204. STATE OPTION FOR PASSIVE RENEWAL OF ELIGI-**
 21 **BILITY FOR CHILDREN UNDER MEDICAID**
 22 **AND SCHIP.**

23 (a) IN GENERAL.—Section 1902(l) of the Social Se-
 24 curity Act (42 U.S.C. 1396a(l)) is amended by adding at
 25 the end the following:

1 “(5) Notwithstanding any other provision of this title,
2 a State may provide that an individual who has not at-
3 tained 21 years of age who has been determined eligible
4 for medical assistance under this title shall remain eligible
5 for medical assistance until such time as the State has
6 information demonstrating that the individual is no longer
7 so eligible.”.

8 (b) APPLICATION UNDER TITLE XXI.—Section
9 2107(e)(1) of the Social Security Act (42 U.S.C.
10 1397gg(e)), as amended by section 201(c) and 203(b), is
11 amended—

12 (1) by redesignating subparagraphs (C) through
13 (F) as subparagraphs (D) through (G), respectively;
14 and

15 (2) by inserting after subparagraph (B), the
16 following:

17 “(C) Section 1902(l)(5) (relating to pas-
18 sive renewal of eligibility for children).”.

19 **TITLE III—TAX INCENTIVES FOR**
20 **HEALTH INSURANCE COV-**
21 **ERAGE OF CHILDREN**

22 **SEC. 301. REFUNDABLE CREDIT FOR HEALTH INSURANCE**
23 **COVERAGE OF CHILDREN.**

24 (a) IN GENERAL.—Subpart C of part IV of sub-
25 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 (relating to refundable credits) is amended by redese-
2 ignating section 36 as section 37 and by inserting after
3 section 35 the following new section:

4 **“SEC. 36. HEALTH INSURANCE COVERAGE OF CHILDREN.**

5 “(a) IN GENERAL.—In the case of an individual,
6 there shall be allowed as a credit against the tax imposed
7 by this subtitle an amount equal to so much of the amount
8 paid during the taxable year, not compensated for by in-
9 surance or otherwise, for qualified health insurance for
10 each dependent child of the taxpayer, as exceeds 5 percent
11 of the adjusted gross income of such taxpayer for such
12 taxable year.

13 “(b) DEPENDENT CHILD.—For purposes of this sec-
14 tion, the term ‘dependent child’ means any child (as de-
15 fined in section 152(f)(1)) who has not attained the age
16 of 19 as of the close of the calendar year in which the
17 taxable year of the taxpayer begins and with respect to
18 whom a deduction under section 151 is allowable to the
19 taxpayer.

20 “(c) QUALIFIED HEALTH INSURANCE.—For pur-
21 poses of this section—

22 “(1) IN GENERAL.—The term ‘qualified health
23 insurance’ means insurance, either employer-pro-
24 vided or made available under title XIX or XXI of
25 the Social Security Act, which constitutes medical

1 care as defined in section 213(d) without regard
2 to—

3 “(A) paragraph (1)(C) thereof, and

4 “(B) so much of paragraph (1)(D) thereof
5 as relates to qualified long-term care insurance
6 contracts.

7 “(2) EXCLUSION OF CERTAIN OTHER CON-
8 TRACTS.—Such term shall not include insurance if a
9 substantial portion of its benefits are excepted bene-
10 fits (as defined in section 9832(c)).

11 “(d) MEDICAL SAVINGS ACCOUNT AND HEALTH SAV-
12 INGS ACCOUNT CONTRIBUTIONS.—

13 “(1) IN GENERAL.—If a deduction would (but
14 for paragraph (2)) be allowed under section 220 or
15 223 to the taxpayer for a payment for the taxable
16 year to the medical savings account or health sav-
17 ings account of an individual, subsection (a) shall be
18 applied by treating such payment as a payment for
19 qualified health insurance for such individual.

20 “(2) DENIAL OF DOUBLE BENEFIT.—No deduc-
21 tion shall be allowed under section 220 or 223 for
22 that portion of the payments otherwise allowable as
23 a deduction under section 220 or 223 for the taxable
24 year which is equal to the amount of credit allowed
25 for such taxable year by reason of this subsection.

1 “(e) SPECIAL RULES.—

2 “(1) DETERMINATION OF INSURANCE COSTS.—

3 The Secretary shall provide rules for the allocation
4 of the cost of any qualified health insurance for fam-
5 ily coverage to the coverage of any dependent child
6 under such insurance.

7 “(2) COORDINATION WITH DEDUCTION FOR

8 HEALTH INSURANCE COSTS OF SELF-EMPLOYED IN-

9 DIVIDUALS.—In the case of a taxpayer who is eligi-
10 ble to deduct any amount under section 162(l) for
11 the taxable year, this section shall apply only if the
12 taxpayer elects not to claim any amount as a deduc-
13 tion under such section for such year.

14 “(3) COORDINATION WITH MEDICAL EXPENSE

15 AND HIGH DEDUCTIBLE HEALTH PLAN DEDUC-

16 TIONS.—The amount which would (but for this
17 paragraph) be taken into account by the taxpayer
18 under section 213 or 223 for the taxable year shall
19 be reduced by the credit (if any) allowed by this sec-
20 tion to the taxpayer for such year.

21 “(4) DENIAL OF CREDIT TO DEPENDENTS.—No

22 credit shall be allowed under this section to any indi-
23 vidual with respect to whom a deduction under sec-
24 tion 151 is allowable to another taxpayer for a tax-

1 able year beginning in the calendar year in which
2 such individual's taxable year begins.

3 “(5) DENIAL OF DOUBLE BENEFIT.—No credit
4 shall be allowed under subsection (a) if the credit
5 under section 35 is allowed and no credit shall be al-
6 lowed under 35 if a credit is allowed under this sec-
7 tion.

8 “(6) ELECTION NOT TO CLAIM CREDIT.—This
9 section shall not apply to a taxpayer for any taxable
10 year if such taxpayer elects to have this section not
11 apply for such taxable year.”.

12 (b) INFORMATION REPORTING.—

13 (1) IN GENERAL.—Subpart B of part III of
14 subchapter A of chapter 61 of the Internal Revenue
15 Code of 1986 (relating to information concerning
16 transactions with other persons) is amended by in-
17 serting after section 6050V the following new sec-
18 tion:

19 **“SEC. 6050W. RETURNS RELATING TO PAYMENTS FOR**
20 **QUALIFIED HEALTH INSURANCE.**

21 “(a) IN GENERAL.—Any governmental unit or any
22 person who, in connection with a trade or business con-
23 ducted by such person, receives payments during any cal-
24 endar year from any individual for coverage of a depend-
25 ent child (as defined in section 36(b)) of such individual

1 under creditable health insurance, shall make the return
2 described in subsection (b) (at such time as the Secretary
3 may by regulations prescribe) with respect to each indi-
4 vidual from whom such payments were received.

5 “(b) FORM AND MANNER OF RETURNS.—A return
6 is described in this subsection if such return—

7 “(1) is in such form as the Secretary may pre-
8 scribe, and

9 “(2) contains—

10 “(A) the name, address, and TIN of the
11 individual from whom payments described in
12 subsection (a) were received,

13 “(B) the name, address, and TIN of each
14 dependent child (as so defined) who was pro-
15 vided by such person with coverage under cred-
16 itable health insurance by reason of such pay-
17 ments and the period of such coverage, and

18 “(C) such other information as the Sec-
19 retary may reasonably prescribe.

20 “(c) CREDITABLE HEALTH INSURANCE.—For pur-
21 poses of this section, the term ‘creditable health insurance’
22 means qualified health insurance (as defined in section
23 36(c)).

24 “(d) STATEMENTS TO BE FURNISHED TO INDIVID-
25 UALS WITH RESPECT TO WHOM INFORMATION IS RE-

1 QUIRED.—Every person required to make a return under
2 subsection (a) shall furnish to each individual whose name
3 is required under subsection (b)(2)(A) to be set forth in
4 such return a written statement showing—

5 “(1) the name and address of the person re-
6 quired to make such return and the phone number
7 of the information contact for such person,

8 “(2) the aggregate amount of payments de-
9 scribed in subsection (a) received by the person re-
10 quired to make such return from the individual to
11 whom the statement is required to be furnished, and

12 “(3) the information required under subsection
13 (b)(2)(B) with respect to such payments.

14 The written statement required under the preceding sen-
15 tence shall be furnished on or before January 31 of the
16 year following the calendar year for which the return
17 under subsection (a) is required to be made.

18 “(e) RETURNS WHICH WOULD BE REQUIRED TO BE
19 MADE BY 2 OR MORE PERSONS.—Except to the extent
20 provided in regulations prescribed by the Secretary, in the
21 case of any amount received by any person on behalf of
22 another person, only the person first receiving such
23 amount shall be required to make the return under sub-
24 section (a).”.

25 (2) ASSESSABLE PENALTIES.—

1 (A) Subparagraph (B) of section
2 6724(d)(1) of such Code (relating to defini-
3 tions) is amended by striking “and” at the end
4 of clause (xx) and by inserting at the end the
5 following new clause:

6 “(xxi) section 6050W (relating to re-
7 turns relating to payments for qualified
8 health insurance), and”.

9 (B) Paragraph (2) of section 6724(d) of
10 such Code is amended by striking “or” at the
11 end of the next to last subparagraph, by strik-
12 ing the period at the end of the last subpara-
13 graph and inserting “, or”, and by adding at
14 the end the following new subparagraph:

15 “(DD) section 6050W(d) (relating to re-
16 turns relating to payments for qualified health
17 insurance).”.

18 (3) CLERICAL AMENDMENT.—The table of sec-
19 tions for subpart B of part III of subchapter A of
20 chapter 61 of such Code is amended by inserting
21 after the item relating to section 6050V the fol-
22 lowing new item:

“Sec. 6050W. Returns relating to payments for qualified health insurance.”.

23 (c) CONFORMING AMENDMENTS.—

1 (1) Paragraph (2) of section 1324(b) of title
2 31, United States Code, is amended by inserting be-
3 fore the period “, or from section 36 of such Code”.

4 (2) The table of sections for subpart C of part
5 IV of subchapter A of chapter 1 of the Internal Rev-
6 enue Code of 1986 is amended by striking the last
7 item and inserting the following new items:

“Sec. 36. Health insurance coverage of children.

“Sec. 37. Overpayments of tax.”.

8 (d) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to taxable years beginning after
10 December 31, 2006.

11 **SEC. 302. FORFEITURE OF PERSONAL EXEMPTION FOR ANY**
12 **CHILD NOT COVERED BY HEALTH INSUR-**
13 **ANCE.**

14 (a) IN GENERAL.—Section 151(d) of the Internal
15 Revenue Code of 1986 (relating to exemption amount) is
16 amended by adding at the end the following new para-
17 graph:

18 “(5) REDUCTION OF EXEMPTION AMOUNT FOR
19 ANY CHILD NOT COVERED BY HEALTH INSUR-
20 ANCE.—

21 “(A) IN GENERAL.—Except as otherwise
22 provided in this paragraph, the exemption
23 amount otherwise determined under this sub-
24 section for any dependent child (as defined in

1 section 36(b)) for any taxable year shall be re-
2 duced by the same percentage as the percentage
3 of such taxable year during which such depend-
4 ent child was not covered by qualified health in-
5 surance (as defined in section 36(c)).

6 “(B) FULL REDUCTION IF NO PROOF OF
7 COVERAGE IS PROVIDED.—For purposes of sub-
8 paragraph (A), in the case of any taxpayer who
9 fails to attach to the return of tax for any tax-
10 able year a copy of the statement furnished to
11 such taxpayer under section 6050W, the per-
12 centage reduction under such subparagraph
13 shall be deemed to be 100 percent.

14 “(C) NONAPPLICATION OF PARAGRAPH TO
15 TAXPAYERS IN LOWEST TAX BRACKET.—This
16 paragraph shall not apply to any taxpayer
17 whose taxable income for the taxable year does
18 not exceed the initial bracket amount deter-
19 mined under section 1(i)(1)(B).”.

20 (b) EFFECTIVE DATE.—The amendment made by
21 this section shall apply to taxable years beginning after
22 December 31, 2006.

1 **TITLE IV—MISCELLANEOUS**

2 **SEC. 401. REQUIREMENT FOR GROUP MARKET HEALTH IN-**
3 **SURERS TO OFFER DEPENDENT COVERAGE**
4 **OPTION FOR WORKERS WITH CHILDREN.**

5 (a) ERISA.—

6 (1) IN GENERAL.—Subpart B of part 7 of sub-
7 title B of title I of the Employee Retirement Income
8 Security Act of 1974 (29 U.S.C. 1185 et seq.) is
9 amended by adding at the end the following:

10 **“SEC. 714. REQUIREMENT TO OFFER OPTION TO PURCHASE**
11 **DEPENDENT COVERAGE FOR CHILDREN.**

12 “(a) REQUIREMENTS FOR COVERAGE.—A group
13 health plan, and a health insurance issuer providing health
14 insurance coverage in connection with a group health plan,
15 shall offer an individual who is enrolled in such coverage
16 the option to purchase dependent coverage for a child of
17 the individual.

18 “(b) NO EMPLOYER CONTRIBUTION REQUIRED.—An
19 employer shall not be required to contribute to the cost
20 of purchasing dependent coverage for a child by an indi-
21 vidual who is an employee of such employer.

22 “(c) DEFINITION OF CHILD.—In this section, the
23 term ‘child’ means an individual who has not attained 21
24 years of age.”.

1 “(c) DEFINITION OF CHILD.—In this section, the
2 term ‘child’ means an individual who has not attained 21
3 years of age.”.

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall apply with respect to plan years begin-
6 ning on or after January 1, 2007.

7 **SEC. 402. EFFECTIVE DATE.**

8 Unless otherwise provided, the amendments made by
9 this title shall take effect on October 1, 2007, and shall
10 apply to child health assistance and medical assistance
11 provided on or after that date without regard to whether
12 or not final regulations to carry out such amendments
13 have been promulgated by such date.

○