

108TH CONGRESS
1ST SESSION

H. R. 2469

To amend the Social Security Act to modify the Medicare Program.

IN THE HOUSE OF REPRESENTATIVES

JUNE 12, 2003

Mr. TERRY (for himself, Mr. TANCREDO, Mrs. MUSGRAVE, Mr. SESSIONS, Mr. MANZULLO, and Mr. JENKINS) 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 modify the Medicare Program.

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

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

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Medicare Reform Act of 2003”.

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

Sec. 1. Short title; table of contents.

Sec. 2. Establishment of Medicare premium support system.

“TITLE XXII—ESTABLISHMENT OF MEDICARE PREMIUM
SUPPORT SYSTEM

“Sec. 2200. Construction; references; general definitions.

“PART A—PREMIUM SUPPORT SYSTEM

“Sec. 2201. Offering of benefits through Medicare plans.

“Sec. 2202. Standard and high option Medicare plans.

“Sec. 2203. Submission of benefit packages and premium rates for Medicare plans.

“Sec. 2204. Government contribution toward coverage and beneficiary premium.

“Sec. 2205. Subsidized premiums for low-income individuals to enroll in high option Medicare plans.

“Sec. 2206. Relation to certain laws; treatment of current plans.

“PART B—MEDICARE TRUST FUND

“Sec. 2211. Medicare Trust Fund.

“Sec. 2212. Programmatic insolvency and limitation on general revenue financing.

Sec. 3. Conforming amendments to the Internal Revenue Code of 1986.

1 SEC. 2. ESTABLISHMENT OF MEDICARE PREMIUM SUP-
2 PORT SYSTEM.

3 The Social Security Act is amended by adding at the
4 end the following:

5 “TITLE XXII—ESTABLISHMENT OF MEDICARE
6 PREMIUM SUPPORT SYSTEM

7 “SEC. 2200. CONSTRUCTION; REFERENCES; GENERAL DEFINI-
8 TIONS.

9 “(a) CONSTRUCTION OF TITLE.—The provisions of
10 this title shall be construed to modify and supersede the
11 provisions and operation of title XVIII to the extent such
12 provisions are inconsistent with the provisions of this title.

13 “(b) REFERENCES TO MEDICARE PROVISIONS.—Any
14 reference in any law or regulation (other than in this title)
15 to any provision of title XVIII is deemed a reference to

1 such provision as modified through the operation of this
2 title.

3 “(c) DEFINITIONS RELATING TO MEDICARE
4 PLANS.—

5 “(1) MEDICARE PLAN.—The term ‘Medicare
6 plan’ means a health benefits plan which the Sec-
7 retary permits to be offered by an entity that is li-
8 censed under State law to provide health benefits
9 plans in the State involved to Medicare beneficiaries
10 under this title.

11 “(2) HIGH OPTION MEDICARE PLAN.—The term
12 ‘high option Medicare plan’ means a Medicare plan
13 that includes stop loss coverage consistent with sec-
14 tion 2202(b).

15 “(3) STANDARD MEDICARE PLAN.—The term
16 ‘standard Medicare plan’ means a Medicare plan
17 that is not a high option Medicare plan.

18 “(4) FEHBP.—The term ‘FEHBP’ means the
19 Federal Employees Health Benefits program under
20 chapter 89 of title 5, United States Code.

21 “(d) OTHER GENERAL DEFINITIONS.—For purposes
22 of this title:

23 “(1) MEDICARE BENEFICIARY.—The term
24 ‘Medicare beneficiary’ means an individual entitled

1 to benefits under part A of title XVIII, enrolled for
2 benefits under part B of such title, or both.

3 “(2) MEDICARE TRUST FUND.—The term
4 ‘Medicare Trust Fund’ means such trust fund as es-
5 tablished under section 2211.

6 “PART A—PREMIUM SUPPORT SYSTEM

7 **“SEC. 2201. OFFERING OF BENEFITS THROUGH MEDICARE**
8 **PLANS.**

9 “(a) ELECTION OF COVERAGE THROUGH A MEDI-
10 CARE PLAN.—

11 “(1) CONTINUED ENTITLEMENT TO MEDICARE
12 BENEFITS.—Effective January 1, 2008, in accord-
13 ance with this title, Medicare beneficiaries shall con-
14 tinue to be entitled to receive benefits under title
15 XVIII (as modified by this title) and with respect to
16 medicare beneficiaries first eligible for benefits on or
17 after January 1, 2008, shall only receive such bene-
18 fits through enrollment in a Medicare plan.

19 “(2) ELECTION FOR CERTAIN MEDICARE BENE-
20 FICIARIES TO RETAIN CURRENT MEDICARE BENE-
21 FITS PROGRAM.—In the case of a medicare bene-
22 ficiary who was first eligible for benefits under title
23 XVIII before January 1, 2008, such beneficiaries
24 may make a one-time, irrevocable election, in a form
25 and manner determined by the Secretary to continue

1 to receive benefits for items and services for which
2 payment may be made under title XVIII.

3 “(3) ENROLLMENT PROCESS.—The Secretary
4 shall establish a process for the enrollment of Medi-
5 care beneficiaries under Medicare plans that is
6 based, except as the Secretary may provide, upon
7 the process for enrollment for health plans under
8 FEHBP, including provision of information and
9 open enrollment and disenrollment opportunities.

10 “(4) CONTRACT PERIOD.—Each contract under
11 this part with an entity offering a Medicare plan
12 shall be for a term of at least 2 years, as determined
13 by the Secretary, and may be made automatically re-
14 newable from term to term in the absence of notice
15 by either party of intention to terminate at the end
16 of the current term.

17 “(5) PLAN PERIOD.—The plan period for a
18 Medicare plan offered by an entity with a contract
19 under paragraph (4) shall be a term of 2 years.

20 “(b) BENEFICIARY PROTECTIONS AND OTHER
21 QUALIFICATIONS FOR MEDICARE PLANS.—In order to be
22 offered as a Medicare plan under this part, except as pro-
23 vided in this title, the plan and the entity offering the plan
24 shall meet the requirements applicable to health benefits
25 plans and qualified carriers under FEHBP, including—

1 “(1) the offering and scope of benefits;

2 “(2) protections for beneficiaries enrolled in the
3 plans; and

4 “(3) requirements for financial solvency.

5 “(c) SELECTION OF PLANS.—

6 “(1) IN GENERAL.—With respect to each plan
7 period under subsection (a)(5), a medicare bene-
8 ficiary shall be deemed to have elected to remain en-
9 rolled in the medicare plan in which the beneficiary
10 was enrolled during the prior plan period.

11 “(2) DEFAULT.—In the case of a medicare ben-
12 eficiary who fails to enroll in a medicare plan for a
13 plan period, the Secretary shall provide for enroll-
14 ment of the beneficiary under a medicare plan of-
15 fered in the State in which the beneficiary resides
16 that the Secretary determines to be appropriate.

17 “(d) EXCLUSIVE PAYMENT METHODOLOGY.—Except
18 as provided in subsection (a)(2) and other provisions of
19 this title, for items and services furnished on or after Jan-
20 uary 1, 2008—

21 “(1) payment to an entity offering a Medicare
22 plan in the amounts provided under this title shall
23 be instead of any amounts that may be otherwise
24 payable under title XVIII; and

1 “(2) only the entity offering the Medicare plan
2 is eligible to receive payment for items and services
3 under such title.

4 **“SEC. 2202. STANDARD AND HIGH OPTION MEDICARE**
5 **PLANS.**

6 “(a) BENEFITS UNDER STANDARD PLANS.—Subject
7 to section 2203(b)(2), the Secretary may approve benefits
8 submitted under section 2203(a)(1) with respect to a
9 standard plan only if the plan include benefits for the
10 items and services described in subsection (d).

11 “(b) BENEFITS UNDER HIGH OPTION PLANS.—The
12 Secretary may approve the benefits submitted under sec-
13 tion 2203(a)(1) with respect to a high option Medicare
14 plan only if the plan includes benefits required for a stand-
15 ard plan under subsection (a) and also includes—

16 “(1) rates of beneficiary deductible, cost-shar-
17 ing, and coinsurance requirements that are lower
18 than such rates applicable under standard plans
19 under subsection (a); and

20 “(2) stop-loss coverage benefits that are de-
21 signed to limit the application of beneficiary cost-
22 sharing for covered benefits in a year after incurring
23 out-of-pocket covered expenditures that exceed a
24 limit applicable to health benefits plans under
25 FEHBP.

1 “(c) REQUIREMENT TO OFFER HIGH OPTION MEDI-
2 CARE PLAN.—The Secretary may not approve the offering
3 of a standard Medicare plan by an entity under this title
4 in an area unless the entity also offers a high option Medi-
5 care plan in that area that the Secretary approves under
6 this title.

7 “(d) BENEFITS DESCRIBED.—For purposes of this
8 part, a Medicare plan shall provide for coverage for the
9 following items and services that are medically necessary
10 and appropriate:

11 “(1) Hospital services, including inpatient, out-
12 patient, and 24-hour a day emergency services.

13 “(2) Services of health professionals, such as
14 physicians services and services that would be physi-
15 cians services if furnished by a physician but are
16 provided by any other licensed health care profes-
17 sional.

18 “(3) Emergency and ambulatory medical and
19 surgical services furnished by a facility that is not
20 a hospital.

21 “(4) Clinical preventive services.

22 “(5) Services for pregnant women.

23 “(6) Hospice care.

24 “(7) Home health care and home infusion drug
25 therapy services.

1 “(8) Extended care services, as defined in sec-
2 tion 1861(h).

3 “(9) Ambulance services, including ground, air,
4 and water transportation, as appropriate.

5 “(10) Outpatient laboratory, radiology, and di-
6 agnostic services.

7 “(11) Outpatient prescription drugs and
8 biologicals.

9 “(12) Outpatient rehabilitation services, includ-
10 ing outpatient occupational therapy, physical ther-
11 apy, and speech pathology services.

12 “(13) Durable medical equipment and pros-
13 thetic and orthotic devices.

14 “(14) Vision care, to the same extent such serv-
15 ices are a covered benefit under title XVIII as of the
16 date of the enactment of this Act.

17 “(e) SCOPE OF BENEFITS.—Each Medicare plan
18 shall establish the scope of benefits applicable under the
19 plan, subject to approval by the Secretary, including the
20 scope of outpatient prescription drugs under the plan, any
21 formulary restrictions for such drugs, and any copayment
22 structure under such formulary (if any).

23 “(f) PAPERWORK REDUCTION.—Each Medicare plan
24 shall comply with the provisions of part C of title XI, relat-
25 ing to administrative simplification and paperwork reduc-

1 tion with respect to health care transactions for health
2 care providers submitting claims to health plans.

3 “(g) LICENSURE.—Each entity offering a Medicare
4 plan shall be licensed under State law to provide health
5 benefits plans in the State.

6 **“SEC. 2203. SUBMISSION OF BENEFIT PACKAGES AND PRE-**
7 **MIUM RATES FOR MEDICARE PLANS.**

8 “(a) IN GENERAL.—Each entity that intends to offer
9 a Medicare plan in a year (beginning with 2008) in a State
10 shall submit to the Secretary, at such time (before the be-
11 ginning of each open enrollment period for each year) and
12 in such manner as the Secretary specifies, such informa-
13 tion as the Secretary may require to carry out title XVIII
14 (as modified by this title). Such information shall include
15 information on each of the following:

16 “(1) BENEFITS.—A description of the benefits
17 under the plan.

18 “(2) PREMIUM BID.—The premium proposed to
19 be charged for enrollment under the plan.

20 “(b) REVIEW AND APPROVAL BY SECRETARY.—

21 “(1) IN GENERAL.—The Secretary shall review
22 the benefits and premium bids submitted under sub-
23 section (a).

24 “(2) AUTHORITY TO NEGOTIATE.—The Sec-
25 retary may negotiate with the entities offering such

1 plans regarding such terms and conditions but may
2 approve such a submission only if the Secretary
3 finds that it complies with the requirements of this
4 section and section 2202. The terms and conditions
5 with respect to which the Secretary may negotiate
6 include—

7 “(A) the scope of benefits offered under
8 the plan;

9 “(B) the premium bid for the benefits so
10 offered; and

11 “(C) the assumptions of the entities offer-
12 ing the plan with respect to cost, risk, geo-
13 graphic variation, and projected number of en-
14 rollees.

15 “(3) SPECIAL RULE FOR HIGH OPTION MEDI-
16 CARE PLANS.—If information is submitted to estab-
17 lish that a Medicare plan is a high option Medicare
18 plan, the Secretary shall determine whether or not
19 the plan meets the requirements to be a high option
20 Medicare plan.

21 “(4) BENEFIT APPROVAL.—Subject to section
22 2202, the following applies to approval by the Sec-
23 retary of benefits submitted under subsection (a)(1):

24 “(A) IN GENERAL.—The Secretary may
25 approve benefits submitted under subsection

1 (a)(1) only if the benefits are not designed in
2 such a manner that the Secretary finds that it
3 is likely to result in favorable selection of bene-
4 ficiaries.

5 “(B) VARIATION IN COST-SHARING.—For
6 purposes of meeting the requirement of section
7 2202, the Secretary shall permit reasonable
8 variation in cost-sharing so long as actuarial
9 equivalence of total cost-sharing for the benefits
10 described in such section is maintained. Noth-
11 ing in this subparagraph shall be construed as
12 preventing a Medicare plan from providing, as
13 an additional benefit, a lower level of cost-shar-
14 ing from that otherwise described in title XVIII
15 (as modified by this title).

16 “(5) PREMIUM APPROVAL.—The Secretary may
17 approve premiums submitted under subsection (a)(2)
18 only if the Secretary finds that the premium rates
19 are adequate in terms of actuarial soundness to as-
20 sure the financial solvency of the entity offering the
21 plan.

22 “(6) STATEWIDE SERVICE AREA.—

23 “(A) IN GENERAL.—Except as provided in
24 subparagraph (B), for purposes of this title, a

1 State shall be the service area for a Medicare
2 plan.

3 “(B) DISCRETION TO ESTABLISH
4 MULTISTATE AREAS.—If the Secretary deter-
5 mines that medicare plans will not be offered in
6 a State for a plan period, the Secretary may
7 provide for a multistate service area to ensure
8 the offering of such plans in such State during
9 such plan period.

10 “(c) PROVIDING INFORMATION TO PROMOTE IN-
11 FORMED CHOICE.—The Secretary shall provide for activi-
12 ties to broadly disseminate information to medicare bene-
13 ficiaries (and prospective medicare beneficiaries) on the
14 coverage options under medicare plans provided under this
15 title in order to promote an active, informed selection
16 among such options.

17 **“SEC. 2204. GOVERNMENT CONTRIBUTION TOWARD COV-
18 ERAGE AND BENEFICIARY PREMIUM.**

19 “(a) PREMIUM SUPPORT PAYMENT BY GOVERN-
20 MENT.—Except as provided in subsection (d), the amount
21 of payment to an entity offering a Medicare plan in a
22 State for a Medicare beneficiary (other than a qualified
23 low-income Medicare beneficiary, as defined in section
24 2115(a)) residing in the State who is enrolled in the plan
25 for a year is equal to the bid amount determined or nego-

1 tiated, as the case may be, by the Secretary under section
2 2203.

3 “(b) COMPUTATION AND COLLECTION OF BENE-
4 FICIARY PREMIUM.—

5 “(1) COMPUTATION OF TOTAL BENEFICIARY
6 PREMIUM.—

7 “(A) IN GENERAL.—For purposes of this
8 section, the amount of the total beneficiary pre-
9 mium for a Medicare beneficiary enrolled in a
10 Medicare plan is equal 30 percent (or in the
11 case of an individual to whom subsection (c) ap-
12 plies, the means-tested premium percentage de-
13 termined under such subsection) of the amount
14 of payment to the entity offering the Medicare
15 plan under subsection (a).

16 “(B) NO APPLICATION TO QUALIFIED
17 LOW-INCOME MEDICARE BENEFICIARIES.—For
18 provisions relating to computation of bene-
19 ficiary premiums for qualified low-income Medi-
20 care beneficiaries, see section 2205(b).

21 “(2) COLLECTION OF AMOUNT IN SAME MAN-
22 NER AS PART B PREMIUM.—

23 “(A) IN GENERAL.—The amount of the
24 total beneficiary premium under paragraph (1)
25 shall be paid to the Medicare Trust Fund in the

1 same manner as monthly premiums under part
2 B of title XVIII were payable to the credit of
3 the Federal Supplementary Medical Insurance
4 Trust Fund under section 1840 (as in effect as
5 of the date of the enactment of this title).

6 “(B) COLLECTION.—In order to carry out
7 subparagraph (A), the Secretary shall transmit
8 to the Commissioner of Social Security—

9 “(i) at the beginning of each year, in-
10 formation on the name, social security ac-
11 count number, and the total beneficiary
12 premium owed by each individual enrolled
13 in a Medicare plan for months in the year;
14 and

15 “(ii) periodically throughout the year,
16 information to update the information pre-
17 viously transmitted under this subpara-
18 graph during the year.

19 “(c) MEANS-TESTED PREMIUM PERCENTAGE.—

20 “(1) INCREASE IN PREMIUM AMOUNT.—

21 “(A) IN GENERAL.—Subject to subpara-
22 graph (B), in the case of an Medicare bene-
23 ficiary whose modified adjusted gross income
24 for a taxable year ending with or within a cal-
25 endar year (as initially determined by the Sec-

1 retary in accordance with paragraph (2)) is
2 equal to or greater than 300 percent of the offi-
3 cial poverty line (referred to in section
4 1905(p)(2)(A)), the Secretary shall increase the
5 amount of the total beneficiary premium under
6 subsection (b) for months in the calendar year
7 by 10 percent for each multiple of 100 percent
8 by which such individual's income exceeds 200
9 percent of such poverty line.

10 “(B) UPPER LIMIT ON PREMIUM
11 AMOUNT.—In no case may the application of
12 subparagraph (A) result in a premium contribu-
13 tion amount under subsection (b) of greater
14 than 70 percent of the amount of payment to
15 the entity offering the Medicare plan under sub-
16 section (a).

17 “(2) DETERMINATION OF INCOME.—The Sec-
18 retary shall make an initial determination of the
19 amount of an individual's modified adjusted gross
20 income for a taxable year ending with or within a
21 calendar year for purposes of this subsection as fol-
22 lows:

23 “(A) SECRETARY'S ESTIMATE OF
24 AMOUNT.—Not later than September 1 of the
25 year preceding the year, the Secretary shall

1 provide notice to each individual whom the Sec-
2 retary finds (on the basis of the individual's ac-
3 tual modified adjusted gross income for the
4 most recent taxable year for which such infor-
5 mation is available or other information pro-
6 vided to the Secretary by the Secretary of the
7 Treasury) will be subject to an increase under
8 this subsection that the individual will be sub-
9 ject to such an increase, and shall include in
10 such notice the Secretary's estimate of the indi-
11 vidual's modified adjusted gross income for the
12 year.

13 “(B) MODIFICATION OF SECRETARY'S ES-
14 TIMATE.—If, during the 30-day period begin-
15 ning on the date notice is provided to an indi-
16 vidual under subparagraph (A), the individual
17 provides the Secretary with information on the
18 individual's anticipated modified adjusted gross
19 income for the year, the amount initially deter-
20 mined by the Secretary under this paragraph
21 with respect to the individual shall be based on
22 the information provided by the individual.

23 “(C) DEFAULT INCOME AMOUNT.—If an
24 individual does not provide the Secretary with
25 information under subparagraph (B), the

1 amount initially determined by the Secretary
2 under this paragraph with respect to the indi-
3 vidual shall be the amount included in the no-
4 tice provided to the individual under subpara-
5 graph (A).

6 “(3) ADJUSTMENT OF PREMIUMS TO ACCOUNT
7 FOR MISESTIMATION.—

8 “(A) IN GENERAL.—If the Secretary deter-
9 mines (on the basis of final information pro-
10 vided by the Secretary of the Treasury) that
11 the amount of an individual’s actual modified
12 adjusted gross income for a taxable year ending
13 with or within a calendar year is less than or
14 greater than the amount initially determined by
15 the Secretary under paragraph (3), the Sec-
16 retary shall increase or decrease the amount of
17 the individual’s monthly premium under this
18 section (as the case may be) for months during
19 the following calendar year by an amount equal
20 to $\frac{1}{12}$ of the difference between—

21 “(i) the total amount of all monthly
22 premiums paid by the individual under this
23 section during the previous calendar year;
24 and

1 “(ii) the total amount of all such pre-
2 miums which would have been paid by the
3 individual during the previous calendar
4 year if the amount of the individual’s
5 modified adjusted gross income initially de-
6 termined under paragraph (3) were equal
7 to the actual amount of the individual’s
8 modified adjusted gross income determined
9 under this paragraph.

10 “(B) APPLICATION OF INTEREST
11 CHARGE.—

12 “(i) IN GENERAL.—In the case of an
13 individual for whom the amount initially
14 determined by the Secretary under para-
15 graph (3) is based on information provided
16 by the individual under subparagraph (B)
17 of such paragraph, if the Secretary deter-
18 mines under subparagraph (A) that the
19 amount of the individual’s actual modified
20 adjusted gross income for a taxable year is
21 greater than the amount initially deter-
22 mined under paragraph (3), the Secretary
23 shall increase the amount otherwise deter-
24 mined for the year under subparagraph
25 (A) by interest in an amount equal to the

1 sum of the amounts determined under
2 clause (ii) for each of the months described
3 in clause (ii).

4 “(ii) COMPUTATION OF INTEREST
5 CHARGE.—Interest shall be computed for
6 any month in an amount determined by
7 applying the underpayment rate estab-
8 lished under section 6621 of the Internal
9 Revenue Code of 1986 (compounded daily)
10 to any portion of the difference between
11 the amount initially determined under
12 paragraph (3) and the amount determined
13 under subparagraph (A) for the period be-
14 ginning on the first day of the month be-
15 ginning after the individual provided infor-
16 mation to the Secretary under subpara-
17 graph (B) of paragraph (3) and ending 30
18 days before the first month for which the
19 individual’s monthly premium is increased
20 under this paragraph.

21 “(iii) WAIVER OF INTEREST
22 CHARGE.—Interest shall not be imposed
23 under this subparagraph if the amount of
24 the individual’s modified adjusted gross in-
25 come provided by the individual under sub-

1 paragraph (B) of paragraph (3) was not
2 less than the individual's modified adjusted
3 gross income determined on the basis of
4 information shown on the return of tax im-
5 posed by chapter 1 of the Internal Revenue
6 Code of 1986 for the taxable year involved.

7 “(C) ENROLLMENT DURING A PORTION OF
8 THE YEAR.—In the case of an individual who is
9 not enrolled under this part for any calendar
10 year for which the individual's monthly pre-
11 mium under this section for months during the
12 year would be increased pursuant to subpara-
13 graph (A) if the individual were enrolled under
14 this part for the year, the Secretary may take
15 such steps as the Secretary considers appro-
16 priate to recover from the individual the total
17 amount by which the individual's monthly pre-
18 mium for months during the year would have
19 been increased under subparagraph (A) if the
20 individual were enrolled under this part for the
21 year.

22 “(D) PAYMENTS TO SURVIVING SPOUSE
23 FOR ENROLLEES WHO DIE DURING THE
24 YEAR.—In the case of a deceased individual for
25 whom the amount of the monthly premium

1 under this section for months in a year would
2 have been decreased pursuant to subparagraph
3 (A) if the individual were not deceased, the Sec-
4 retary shall make a payment to the individual's
5 surviving spouse (or, in the case of an indi-
6 vidual who does not have a surviving spouse, to
7 the individual's estate) in an amount equal to
8 the difference between—

9 “(i) the total amount by which the in-
10 dividual's premium would have been de-
11 creased for all months during the year pur-
12 suant to subparagraph (A); and

13 “(ii) the amount (if any) by which the
14 individual's premium was decreased for
15 months during the year pursuant to sub-
16 paragraph (A).

17 “(4) MODIFIED ADJUSTED GROSS INCOME DE-
18 FINED.—In this subsection, the term ‘modified ad-
19 justed gross income’ means adjusted gross income
20 (as defined in section 62 of the Internal Revenue
21 Code of 1986)—

22 “(A) determined without regard to sections
23 135, 911, 931, and 933 of such Code, and

24 “(B) increased by the amount of interest
25 received or accrued by the taxpayer during the

1 taxable year which is exempt from tax under
2 such Code.

3 “(d) PAYMENT TERMS.—Payment under this section
4 or section 2205(c) to an entity offering a Medicare plan
5 shall be made in a manner determined by the Secretary
6 and based upon the manner in which payments are made
7 to qualified carriers under FEHBP for health benefits
8 plans.

9 “(e) SPECIAL ADJUSTMENT FOR MEDICARE BENE-
10 FICIARIES WITH END-STAGE RENAL DISEASE.—

11 “(1) IN GENERAL.—Subject to paragraph (2),
12 the amount of payment to an entity offering a Medi-
13 care plan for a Medicare beneficiary under sub-
14 section (a) shall be increased by 20 percent for each
15 Medicare beneficiary who is diagnosed with end-
16 stage renal disease.

17 “(2) EXCEPTION.—Paragraph (1) shall not
18 apply to a Medicare beneficiary who develops end-
19 stage renal disease while enrolled in a Medicare
20 plan.

21 **“SEC. 2205. SUBSIDIZED PREMIUMS FOR LOW-INCOME INDI-**
22 **VIDUALS TO ENROLL IN HIGH OPTION MEDI-**
23 **CARE PLANS.**

24 “(a) QUALIFIED LOW-INCOME MEDICARE BENE-
25 FICIARY DEFINED.—

1 “(1) IN GENERAL.—For purposes of this part,
2 the term ‘qualified low-income Medicare beneficiary’
3 means a Medicare beneficiary whose income (as de-
4 termined for purposes of section 1905(p)) does not
5 exceed 200 percent of the official poverty line (re-
6 ferred to in paragraph (2)(A) of such section) appli-
7 cable to a family of the size involved and who is en-
8 rolled in a high option Medicare plan.

9 “(2) ANNUAL ELIGIBILITY DETERMINATION BY
10 STATES.—The Secretary shall establish an arrange-
11 ment with each State (as defined under section
12 1861(x) for purposes of title XVIII) under which the
13 State provides for the determination of whether a
14 Medicare beneficiary in the State is a qualified low-
15 income Medicare beneficiary. A determination that a
16 Medicare beneficiary is a qualified low-income Medi-
17 care beneficiary shall remain valid for a period of 12
18 months but is conditioned upon continuing enroll-
19 ment in a high option Medicare plan.

20 “(b) PAYMENT BY GOVERNMENT ON BEHALF OF
21 QUALIFIED LOW-INCOME MEDICARE BENEFICIARIES.—

22 “(1) AMOUNT.—The amount of payment to an
23 entity offering a Medicare plan for a qualified low-
24 income Medicare beneficiary who is enrolled in the
25 plan for a year is equal to—

1 “(A) in the case of a plan that is the low-
2 est cost high option plan offered in the State,
3 the full premium for the plan determined or ne-
4 gotiated, as the case may be, by the Secretary
5 under section 2203; and

6 “(B) in the case of a plan that is not the
7 lowest cost high option plan, the full premium
8 for the plan described in subparagraph (A).

9 If a qualified low-income Medicare beneficiary elects a
10 plan referred to in subparagraph (B), the beneficiary is
11 responsible for payment, in the manner prescribed in sub-
12 section (c), of any premium in excess of the amount pay-
13 able by the Secretary under such subparagraph.

14 “(2) GEOGRAPHIC AND RISK ADJUSTMENT.—

15 “(A) IN GENERAL.—Subject to subpara-
16 graph (B), the Secretary shall establish an ap-
17 propriate methodology for adjusting the amount
18 paid under paragraph (1) to take into account,
19 in a budget neutral manner, appropriate vari-
20 ations in costs—

21 “(i) based on provision of items and
22 services in different geographic areas; and

23 “(ii) based on differences in the actu-
24 arial risk of different enrollees being
25 served.

1 “(B) CONSIDERATIONS.—The provisions of
2 section 2204(b)(2)(B) shall apply to estab-
3 lishing adjustors under subparagraph (A) in the
4 same manner as they apply to establishing ad-
5 justors under section 2204(b)(2)(A), except
6 that the population for which such adjustors is
7 computed and applicable shall be the population
8 of qualified low-income Medicare beneficiaries.

9 “(c) COLLECTION OF BENEFICIARY PREMIUM (IF
10 ANY).—The provisions of section 2204 apply to collection
11 of premiums under subsection (b)(1)(B) in the same man-
12 ner as they apply to collection of premiums under section
13 2204(b)(2).

14 “(d) CONSTRUCTION RELATIVE TO OTHER BENE-
15 FITS.—

16 “(1) NO REQUIREMENT FOR STATE MEDICAID
17 PAYMENT.—Nothing in this section shall be con-
18 strued as requiring a State, under its plan under
19 title XIX, to pay any part of the additional subsidy
20 provided under this section to qualified low-income
21 Medicare beneficiaries.

22 “(2) NO MEDICAID MATCHING FOR PAYMENT.—
23 Insofar as this section applies to an individual, not-
24 withstanding any other provision of law, a State
25 plan under title XIX is not required to provide med-

1 ical assistance with respect to Medicare cost-sharing
2 described in section 1905(p)(3)(A) and Federal fi-
3 nancial assistance shall not be available under sec-
4 tion 1903 with respect to such medical assistance.

5 “(3) NONDUPLICATION OF PRESCRIPTION DRUG
6 BENEFITS.—In the case of prescription drugs pro-
7 vided to a qualified low-income Medicare beneficiary
8 enrolled in a high option Medicare plan to the extent
9 the beneficiary is covered under a State-funded pre-
10 scription drug program, the entity offering the plan
11 may charge or authorize the provider of such serv-
12 ices to charge, in accordance with the charges al-
13 lowed under the program—

14 “(A) the State program for payment for
15 the drugs; or

16 “(B) such beneficiary to the extent that
17 the beneficiary has been paid under such pro-
18 gram for such drugs.

19 **“SEC. 2206. RELATION TO CERTAIN LAWS; TREATMENT OF**
20 **CURRENT PLANS.**

21 “(a) IN GENERAL.—Effective January 1, 2008, the
22 following provisions of law are modified as follows, in
23 order to reflect the policies specified in this part:

24 “(1) CHANGE IN PAYMENT RULES.—Payment
25 rates established under sections 2204 and 2205 shall

1 supersede the payment rates and amounts applicable
2 under parts A, B, C, and D of title XVIII in the
3 case of individuals enrolled in a medicare plan under
4 this title.

5 “(2) ELIMINATION OF ADJUSTED COMMUNITY
6 RATE RULES.—Section 1854(f)(1)(A) (relating to re-
7 quiring additional benefits) no longer applies in the
8 case of individuals enrolled in a medicare plan under
9 this title.

10 “(3) ELIMINATION OF PREMIUM REGULA-
11 TIONS.—Section 1854(e) (relating to regulations of
12 Medicare+Choice premiums) no longer applies in
13 the case of individuals enrolled in a medicare plan
14 under this title.

15 “(4) PART B PREMIUM.—No separate premium
16 is payable under section 1839 in the case of individ-
17 uals enrolled in a medicare plan under this title.

18 “(5) MEDICAID PREMIUM ASSISTANCE.—Sec-
19 tions 1902(a)(10)(E) and 1905(p)(3)(A), insofar as
20 they require the provision of medical assistance for
21 Medicare cost-sharing described in section
22 1905(p)(3)(A) for qualified low-income Medicare
23 beneficiaries, no longer apply in the case of individ-
24 uals enrolled in a medicare plan under this title.

1 “(6) ELIMINATION OF RESTRICTION ON EN-
2 ROLLMENT UNDER CERTAIN PLANS.—Subparagraph
3 (B) of section 1851(a)(3) no longer applies in the
4 case of individuals enrolled in a medicare plan under
5 this title.

6 The fact that a provision is not cited in this subsection
7 does not indicate that the provision is not modified under
8 this title in some manner consistent with section 2200(a).

9 “(b) RELATION TO STATE LAWS.—Any standard es-
10 tablished under this title or by the Secretary pursuant to
11 this title shall supersede any State law or regulation with
12 respect to Medicare plans which are offered by entities
13 under this title to the extent such law or regulation is in-
14 consistent with such standards.

15 “PART B—MEDICARE TRUST FUND

16 **“SEC. 2211. MEDICARE TRUST FUND.**

17 “(a) ESTABLISHMENT.—Effective January 1, 2008,
18 there is created on the books of the Treasury of the United
19 States a trust fund to be known as the Medicare Trust
20 Fund.

21 “(b) AMOUNTS IN MEDICARE TRUST FUND.—

22 “(1) IN GENERAL.—The Medicare Trust Fund
23 shall consist of the following amounts:

1 “(A) Amounts deposited in, or appro-
2 priated to, the Medicare Trust Fund as pro-
3 vided in this title.

4 “(B) Any gifts and bequests made to the
5 Medicare Trust Fund as provided in section
6 201(i)(1).

7 “(2) APPROPRIATION OF HOSPITAL INSURANCE
8 TAXES.—

9 “(A) IN GENERAL.—Beginning January 1,
10 2008, and for each subsequent year, there is
11 appropriated to the Medicare Trust Fund, out
12 of moneys in the Treasury not otherwise appro-
13 priated, an amount equal to such percent of the
14 taxes described in paragraphs (1) and (2) of
15 section 1817(a) that the Secretary estimates re-
16 flects the relative weight that benefits under
17 part A represents of the actuarial value of the
18 total benefits under this title.

19 “(B) TRANSFER.—The amounts appro-
20 priated pursuant to subparagraph (A) shall be
21 transferred from time to time from the general
22 fund in the Treasury to the Medicare Trust
23 Fund. The amount to be transferred under this
24 paragraph shall be determined on the basis of
25 estimates by the Secretary of the Treasury of

1 the taxes, described in such paragraph, paid to
2 or deposited into the Treasury. The Secretary
3 of the Treasury shall make adjustments in
4 amounts subsequently transferred to the extent
5 that prior estimates were in excess of, or were
6 less than, such taxes.

7 “(3) GENERAL REVENUE CONTRIBUTION.—Be-
8 ginning January 1, 2008, and for each subsequent
9 year, there is appropriated to the Medicare Trust
10 Fund, out of moneys in the Treasury not otherwise
11 appropriated, from time to time, an amount equal to
12 the amount by which the aggregate expenditures
13 under this title (including payments made to Medi-
14 care plans under section 2204) exceed the sum of—

15 “(A) the amount appropriated under para-
16 graph (2) for the period involved;

17 “(B) the premiums collected under sections
18 2204(b)(2) and 2205(c) for such period; and

19 “(C) the fees collected under section 2206
20 for such period.

21 “(4) APPLICATION TO OBLIGATIONS OF, AND
22 AMOUNTS OWED TO, THE PART A AND B TRUST
23 FUNDS.—

24 “(A) CERTIFICATION.—Beginning January
25 1, 2008, the Secretary shall periodically certify

1 to the Board of Trustees of the Medicare Trust
2 Fund any amounts that would otherwise be—

3 “(i) payable from the Federal Hos-
4 pital Insurance Trust Fund or the Federal
5 Supplementary Medical Insurance Trust
6 Fund for items and services provided prior
7 to such date; or

8 “(ii) due to such trust funds for items
9 and services provided prior to such date.

10 “(B) TRANSFERS AND DEPOSITS.—

11 “(i) TRANSFERS.—If Secretary cer-
12 tifies an amount pursuant to subparagraph
13 (A)(i), the Board of Trustees of the Medi-
14 care Trust Fund shall transfer to the Sec-
15 retary from such trust fund an amount
16 equal to the amount certified.

17 “(ii) DEPOSITS.—If Secretary certifies
18 an amount pursuant to subparagraph
19 (A)(ii), the Secretary shall deposit in the
20 Medicare Trust Fund an amount equal to
21 the amount certified.

22 “(c) APPLICATION OF HI TRUST FUND PROVI-
23 SIONS.—Subject to other provisions of this title, the provi-
24 sions of subsections (b) through (i) of section 1817 shall
25 apply to title XVIII (as modified by this title) and the

1 Medicare Trust Fund in the same manner as they apply
2 to part A of title XVIII and the Federal Hospital Insur-
3 ance Trust Fund, respectively.

4 **“SEC. 2212. PROGRAMMATIC INSOLVENCY AND LIMITATION**
5 **ON GENERAL REVENUE FINANCING.**

6 “(a) ANNUAL DETERMINATIONS.—In addition to any
7 other duties, the Board of Trustees of the Medicare Trust
8 Fund (in this section referred to as the ‘Board of Trust-
9 ees’) shall determine and report to Congress as part of
10 its annual report each year the following:

11 “(1) The percentage of total expenditures from
12 the Medicare Trust Fund that is financed by the
13 general revenue contributions described in section
14 2211(b)(3).

15 “(2) The first fiscal year (if any) that the Medi-
16 care Trust Fund is projected to become program-
17 matically insolvent (as defined in subsection (b)).

18 “(3) The first fiscal year (if any) in which the
19 amounts in the Medicare Trust Fund will be insuffi-
20 cient to pay for the total expenses incurred under
21 title XVIII (as revised by this title).

22 “(4) Recommendations to preclude the program
23 from becoming programmatically insolvent.

24 “(b) PROGRAMMATIC INSOLVENCY DEFINED.—

1 “(1) IN GENERAL.—For purposes of this part,
2 the Medicare Trust Fund shall be deemed to be
3 ‘programmatically insolvent’ for a fiscal year if the
4 amount appropriated to the Medicare Trust Fund
5 under section 2211(b)(3) would exceed 40 percent of
6 the amount described in paragraph (2).

7 “(2) NET EXPENDITURES ON BASIC BENE-
8 FITS.—The amount described in this paragraph is,
9 as estimated by the Board of Trustees in consulta-
10 tion with the Secretary and the Secretary of the
11 Treasury, the total expenditures from the Medicare
12 Trust Fund in the fiscal year involved, reduced by
13 an amount equal to the administrative expenses of
14 the Secretary for that fiscal year.”.

15 **SEC. 3. CONFORMING AMENDMENTS TO THE INTERNAL**
16 **REVENUE CODE OF 1986.**

17 (a) REPORTING REQUIREMENTS FOR SECRETARY OF
18 THE TREASURY.—

19 (1) IN GENERAL.—Subsection (l) of section
20 6103 of the Internal Revenue Code of 1986 (relating
21 to confidentiality and disclosure of returns and re-
22 turn information) is amended by adding at the end
23 the following new paragraph:

1 “(19) DISCLOSURE OF RETURN INFORMATION
2 TO CARRY OUT INCOME-RELATED REDUCTION IN
3 MEDICARE PART B PREMIUM.—

4 “(A) IN GENERAL.—The Secretary may,
5 upon written request from the Secretary of
6 Health and Human Services, disclose to officers
7 and employees of the Centers for Medicare &
8 Medicaid Services return information with re-
9 spect to a taxpayer who is required to pay a
10 monthly premium under section 1839 of the So-
11 cial Security Act. Such return information shall
12 be limited to—

13 “(i) taxpayer identity information
14 with respect to such taxpayer,

15 “(ii) the filing status of such tax-
16 payer,

17 “(iii) the adjusted gross income of
18 such taxpayer,

19 “(iv) the amounts excluded from such
20 taxpayer’s gross income under sections 135
21 and 911,

22 “(v) the interest received or accrued
23 during the taxable year which is exempt
24 from the tax imposed by chapter 1 to the
25 extent such information is available, and

1 “(vi) the amounts excluded from such
2 taxpayer’s gross income by sections 931
3 and 933 to the extent such information is
4 available.

5 “(B) RESTRICTION ON USE OF DISCLOSED
6 INFORMATION.—Return information disclosed
7 under subparagraph (A) may be used by offi-
8 cers and employees of the Centers for Medicare
9 & Medicaid Services only for the purposes of,
10 and to the extent necessary in, establishing the
11 appropriate monthly premium under section
12 1839 of the Social Security Act.”

13 (2) CONFORMING AMENDMENT.—Paragraphs
14 (3)(A) and (4) of section 6103(p) of such Code are
15 each amended by striking “or (14)” each place it ap-
16 pears and inserting “(14), or (19)”.

17 (b) EFFECTIVE DATE.—

18 (1) IN GENERAL.—The amendments made by
19 subsection (a) shall apply to the monthly premium
20 under section 2204 of the Social Security Act for
21 months beginning with January 2008.

22 (2) INFORMATION FOR PRIOR YEARS.—The
23 Secretary of Health and Human Services may re-
24 quest information under section 6013(l)(15) of the

- 1 Social Security Act (as added by subsection (c)) for
- 2 taxable years beginning after December 31, 2007.

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