

109TH CONGRESS
2^D SESSION

S. 3776

To ensure the provision of high-quality health care coverage for uninsured individuals through State health care initiatives that expand coverage and access and improve quality and efficiency in the health care system.

IN THE SENATE OF THE UNITED STATES

AUGUST 2, 2006

Mr. FEINGOLD introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

A BILL

To ensure the provision of high-quality health care coverage for uninsured individuals through State health care initiatives that expand coverage and access and improve quality and efficiency in the health care system.

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.**

4 This Act may be cited as the “State-Based Health
5 Care Reform Act”.

6 **SEC. 2. FINDINGS.**

7 Congress makes the following findings:

1 (1) Health care remains one of the most impor-
2 tant domestic issues for Americans.

3 (2) According to the Census Bureau,
4 45,800,000 Americans were uninsured in 2004. Over
5 8,000,000 of these individuals were children. The
6 number of uninsured has increased by 6,000,000
7 since 2000.

8 (3) According to the Commonwealth Fund,
9 many of the uninsured are employed, and an in-
10 creasing number are from middle-income families:

11 (A) Two in five working-age Americans
12 with annual incomes between \$20,000 and
13 \$40,000 were uninsured for at least part of
14 2005. In 2001, just over one-quarter of those
15 with moderate incomes were uninsured.

16 (B) Of the estimated 48,000,000 American
17 adults who spent any time uninsured in 2005,
18 two-thirds were in families where at least one
19 person was working full time.

20 (4) The uninsured face serious financial prob-
21 lems, and often have to choose between medical care
22 and other basic necessities. According to the Com-
23 monwealth Fund, more than half of uninsured
24 adults reported medical debt or problems paying
25 bills. Of those, nearly half used up all their savings

1 to pay their bills. Two of five were unable to pay for
2 basic necessities like food, heat, or rent because of
3 medical bills.

4 (5) Health outcomes for the uninsured are
5 worse than health outcomes for those who are cov-
6 ered. According to the Institute of Medicine, the
7 number of excess deaths among uninsured adults
8 ages 25 to 64 is estimated at around 18,000 a year.
9 Fifty-nine percent of uninsured adults who had a
10 chronic illness, such as diabetes or asthma, did not
11 fill a prescription or skipped their medications be-
12 cause they could not afford them.

13 (6) The cost of providing care to the uninsured
14 weighs heavily on the United States economy. The
15 United States spends twice as much as any other in-
16 dustrialized nation on health care, and more than
17 the United Kingdom's entire gross domestic product.
18 According to the Kaiser Family Foundation,
19 \$124,600,000,000 was spent on care provided to in-
20 dividuals who were uninsured for all or part of 2004.
21 Despite this spending, the United States ranks sec-
22 ond to last among industrialized countries in infant
23 mortality rates.

1 **SEC. 3. PURPOSE.**

2 It is the purpose of this Act to establish a program
3 to award grants to States for the establishment of State-
4 based projects to—

5 (1) increase health care coverage for uninsured
6 individuals in selected States within the 5-year pe-
7 riod beginning on the date of enactment of this Act;

8 (2) ensure high-quality health care coverage
9 that provides adequate access to providers, services,
10 and benefits;

11 (3) improve the efficiency of health care spend-
12 ing and lower the cost of health care for the partici-
13 pating State; and

14 (4) encourage universal health care coverage
15 within States.

16 **TITLE I—HEALTH CARE**
17 **COVERAGE**

18 **SEC. 101. STATE-BASED HEALTH CARE COVERAGE PRO-**
19 **GRAM.**

20 (a) APPLICATIONS BY STATES, MULTI-STATE RE-
21 GIONS, LOCAL GOVERNMENTS, AND TRIBES.—

22 (1) STATE APPLICATION.—A State, in consulta-
23 tion with local governments, Indian tribes, and In-
24 dian organizations involved in the provision of health
25 care (referred to in this Act as a “State”), may
26 apply for a State health care reform grant for the

1 entire State (or for regions of two or more States)
2 under paragraph (2).

3 (2) SUBMISSION OF APPLICATION.—In accord-
4 ance with this section, each State desiring to imple-
5 ment a State health care reform program shall sub-
6 mit an application to the Health Care Reform Task
7 Force established under subsection (b) (referred to
8 in this section as the “Task Force”) for approval.

9 (3) LOCAL GOVERNMENT AND OTHER APPLICA-
10 TIONS.—

11 (A) IN GENERAL.—Where a State fails to
12 submit an application under this section, a unit
13 of local government of such State, or a consor-
14 tium of such units of local governments, may
15 submit an application directly to the Task
16 Force for programs or projects under this sec-
17 tion. Such an application shall be subject to the
18 requirements of this section.

19 (B) OTHER APPLICATIONS.—Subject to
20 such additional regulations as the Secretary
21 may prescribe, a unit of local government, In-
22 dian tribe, or Indian health organization may
23 submit an application under this section, wheth-
24 er or not the State submits such an application,
25 if such unit, tribe, or organization can dem-

1 onstrate unique demographic needs or a signifi-
 2 cant population size that warrants a substate
 3 program under this subsection.

4 (b) HEALTH CARE REFORM TASK FORCE.—

5 (1) ESTABLISHMENT.—Not later than 180 days
 6 after the date of the enactment of this Act, the Sec-
 7 retary shall establish a Health Care Reform Task
 8 Force in accordance with this subsection.

9 (2) MEMBERSHIP.—

10 (A) IN GENERAL.—The Task Force shall
 11 be comprised of not less than 20 members to be
 12 appointed by the Comptroller General in ac-
 13 cordance with subparagraph (B) and the Sec-
 14 retary.

15 (B) APPOINTED MEMBERS.—With respect
 16 to the members appointed by the Comptroller
 17 General under subparagraph (A)—

18 (i) such members shall include con-
 19 sumers of health services who represent in-
 20 dividuals who have not had health insur-
 21 ance coverage during the 2-year period
 22 prior to the appointment and who have
 23 had a chronic illness and are disabled;

24 (ii) such members shall include indi-
 25 viduals—

1 (I) with expertise in the financ-
2 ing of, and paying for, benefits and
3 access to care;

4 (II) representing business and
5 labor; and

6 (III) who are health care pro-
7 viders;

8 (iii) such members shall include indi-
9 viduals with expertise and experience in
10 State health policy, State government, and
11 local government;

12 (iv) such members shall have a broad
13 geographic representation and be balanced
14 between urban and rural areas; and

15 (v) such members shall not include
16 elected officials or paid employees or rep-
17 resentatives of associations or advocacy or-
18 ganizations involved in the health care sys-
19 tem.

20 (3) GENERAL DUTIES.—The Task Force
21 shall—

22 (A) formally approve the application of a
23 State for a grant under this section and the ad-
24 ministration of a reform program within the
25 State;

1 (B) establish minimum performance meas-
2 ures with respect to coverage, quality, and cost
3 of State programs, as described under sub-
4 section (c)(1);

5 (C) conduct a thorough review of the grant
6 application from a State and carry on a dia-
7 logue with such State applicants concerning
8 possible modifications and adjustments;

9 (D) be responsible for monitoring the sta-
10 tus and progress achieved under programs and
11 projects granted under this section; and

12 (E) report to the public concerning
13 progress made by States with respect to the
14 performance measures and goals established
15 under this Act, the periodic progress of the
16 State relative to its State performance meas-
17 ures and goals, and the State program applica-
18 tion procedures, by region and State jurisdic-
19 tion.

20 (4) PERIOD OF APPOINTMENT; REPRESENTA-
21 TION REQUIREMENTS; VACANCIES.—Members shall
22 be appointed for the life of the Task Force. In ap-
23 pointing members under paragraph (1)(A), the
24 Comptroller General shall ensure the representation
25 of urban and rural areas and an appropriate geo-

1 graphic distribution of such members. Any vacancy
2 on the Task Force shall not affect its powers, but
3 shall be filled within a reasonable period of time and
4 in the same manner as the original appointment.

5 (5) CHAIRPERSON, MEETINGS.—

6 (A) CHAIRPERSON.—The Task Force shall
7 select a Chairperson from among its members.

8 (B) QUORUM.—A majority of the members
9 of the Task Force shall constitute a quorum,
10 but a lesser number of members may hold hear-
11 ings.

12 (C) MEETINGS.—Not later than 30 days
13 after the date on which all members of the
14 Task Force have been appointed, the Task
15 Force shall hold its first meeting. The Task
16 Force shall meet at the call of the Chairperson.

17 (6) POWERS OF THE TASK FORCE.—

18 (A) NEGOTIATIONS WITH STATES.—The
19 Task Force may conduct detailed discussions
20 and negotiations with States submitting appli-
21 cations under this section, either individually or
22 in groups, to facilitate a final set of rec-
23 ommendations for purposes of subsection
24 (c)(4)(B). Such negotiations shall be conducted
25 in a public forum.

1 (B) SUBCOMMITTEES.—The Task Force
2 may establish such subcommittees as the Task
3 Force determines are necessary to increase the
4 efficiency of the Task Force.

5 (C) HEARINGS.—The Task Force may
6 hold hearings, so long as the Task Force deter-
7 mines such meetings to be necessary in order to
8 carry out the purposes of this Act, sit and act
9 at such times and places, take such testimony,
10 and receive such evidence as the Task Force
11 considers advisable to carry out the purposes of
12 this subsection.

13 (D) ANNUAL MEETING.—In addition to
14 other meetings the Task Force may hold, the
15 Task Force shall hold an annual meeting with
16 the participating States under this section for
17 the purpose of having States report progress to-
18 ward the purposes in section 3 and for an ex-
19 change of information.

20 (E) INFORMATION.—The Task Force may
21 obtain information directly from any Federal
22 department or agency as the Task Force con-
23 siders necessary to carry out the provisions of
24 this subsection. Upon request of the Chair-
25 person of the Task Force, the head of such de-

1 partment or agency shall furnish such informa-
2 tion to the Task Force.

3 (F) CONTRACTING.—The Task Force may
4 enter into contracts with qualified independent
5 organizations (such as Mathematica or the In-
6 stitute of Medicine) to obtain necessary infor-
7 mation for the development of the performance
8 standards, reporting requirements, financing
9 mechanisms, or any other matters determined
10 by the Task Force to be appropriate and rea-
11 sonable.

12 (G) POSTAL SERVICES.—The Task Force
13 may use the United States mails in the same
14 manner and under the same conditions as other
15 departments and agencies of the Federal Gov-
16 ernment.

17 (7) PERSONNEL MATTERS.—

18 (A) COMPENSATION.—Each member of the
19 Task Force who is not an officer or employee
20 of the Federal Government shall be com-
21 pensated at a rate equal to the daily equivalent
22 of the annual rate of basic pay prescribed for
23 level IV of the Executive Schedule under section
24 5315 of title 5, United States Code, for each
25 day (including travel time) during which such

1 member is engaged in the performance of the
2 duties of the Task Force. All members of the
3 Task Force who are officers or employees of the
4 United States shall serve without compensation
5 in addition to that received for their services as
6 officers or employees of the United States.

7 (B) TRAVEL EXPENSES.—The members of
8 the Task Force shall be allowed travel expenses,
9 including per diem in lieu of subsistence, at
10 rates authorized for employees of agencies
11 under subchapter I of chapter 57 of title 5,
12 United States Code, while away from their
13 homes or regular places of business in the per-
14 formance of services for the Task Force.

15 (C) STAFF.—The Chairperson of the Task
16 Force may, without regard to the civil service
17 laws and regulations, appoint and terminate
18 personnel as may be necessary to enable the
19 Task Force to perform its duties.

20 (D) DETAIL OF GOVERNMENT EMPLOY-
21 EES.—Any Federal Government employee may
22 be detailed to the Task Force without reim-
23 bursement, and such detail shall be without
24 interruption or loss of civil service status or
25 privilege.

1 (E) TEMPORARY AND INTERMITTENT
2 SERVICES.—The Chairperson of the Task Force
3 may procure temporary and intermittent serv-
4 ices under section 3109(b) of title 5, United
5 States Code, at rates for individuals which do
6 not exceed the daily equivalent of the annual
7 rate of basic pay prescribed for level V of the
8 Executive Schedule under section 5316 of such
9 title.

10 (8) FUNDING.—For the purpose of carrying out
11 this subsection, there are authorized to be appro-
12 priated \$4,000,000 for fiscal year 2007 and each fis-
13 cal year thereafter.

14 (c) STATE PLAN.—

15 (1) IN GENERAL.—A State that seeks to receive
16 a grant to operate a program under this section
17 shall prepare and submit to the Task Force, as part
18 of the application under subsection (a), a State
19 health care plan that—

20 (A) designates the lead State entity that
21 will be responsible for administering the State
22 program;

23 (B) contains a list of the minimum benefits
24 that will be provided to all individuals covered
25 under the State program, which shall, at a min-

1 imum, provide for coverage that is comparable
2 to the coverage provided for benefits under any
3 of the plans offered under the Federal Employ-
4 ees Health Benefits Program under chapter 89
5 of title 5, United States Code or the minimum
6 benefits required under the program under title
7 XXI of the Social Security Act (42 U.S.C.
8 1397aa et seq.);

9 (C) includes specific target dates for de-
10 creasing the number of uninsured individuals in
11 the State; and

12 (D) otherwise complies with this sub-
13 section.

14 (2) COVERAGE.—With respect to coverage for
15 uninsured individuals in the State, the State plan
16 shall—

17 (A) provide and describe the manner in
18 which the State will ensure that an increased
19 number of such individuals residing within the
20 State will have expanded access to health care
21 coverage with a specific 5-year target for reduc-
22 tion in the number of uninsured individuals
23 through either private or public program expan-
24 sion, or both, such description to include the
25 manner in which the State will ensure expanded

1 access to health care coverage for low-income
2 individuals within the 5-year target period;

3 (B) provide for improvements in the avail-
4 ability of appropriate health care services that
5 will increase access to care in urban, rural, and
6 frontier areas of the State with medically un-
7 derserved populations or where there is an inad-
8 equate supply of health care providers; and

9 (C) describe the minimum benefits package
10 that will be provided to every beneficiary, in-
11 cluding information on affordability for bene-
12 ficiaries.

13 (3) EFFECTIVENESS AND EFFICIENCY.—The
14 State plan shall include provisions to improve the ef-
15 fectiveness and efficiency of health care in the State,
16 including provisions to attempt to reduce the overall
17 health care costs within the State.

18 (4) COSTS.—

19 (A) IN GENERAL.—With respect to the
20 costs of health care provided under the pro-
21 gram, the State plan shall—

22 (i) describe the public and private sec-
23 tor financing to be provided for the State
24 health program;

1 (ii) estimate the amount of Federal,
 2 State, and local expenditures, as well as
 3 the costs to business and individuals under
 4 the State health program;

5 (iii) describe how the State plan will
 6 ensure the financial solvency of the State
 7 health program; and

8 (iv) contain assurances that the State
 9 will comply with the premium and cost
 10 sharing limitations described in subpara-
 11 graph (B).

12 (B) PREMIUM AND COST SHARING LIMITA-
 13 TIONS.—

14 (i) PREMIUMS.—In providing health
 15 care coverage under a State program
 16 under this Act, the State shall ensure
 17 that—

18 (I) with respect to an individual
 19 whose family income is at or below
 20 100 percent of the poverty line, the
 21 State program shall not require—

22 (aa) the payment of pre-
 23 miums for such coverage; or

24 (bb) the payment of cost
 25 sharing for such coverage in an

1 amount that exceeds .5 percent
2 of the family's income for the
3 year involved;

4 (II) with respect to an individual
5 whose family income is greater than
6 100 percent, but at or below 200 per-
7 cent, of the poverty line, the State
8 program shall not require—

9 (aa) the payment of pre-
10 miums for such coverage in ex-
11 cess of 20 percent of the average
12 cost of providing benefits to an
13 individual or family or 3 percent
14 of the amount of the family's in-
15 come for the year involved; or

16 (bb) the payment of cost
17 sharing for such coverage in an
18 amount that, together with the
19 premium amount, does not ex-
20 ceed 5 percent of the family's in-
21 come for the year involved; and

22 (III) with respect to an individual
23 whose family income is greater than
24 200 percent, but at or below 300 per-

1 cent, of the poverty line, the State
2 program shall not require—

3 (aa) the payment of pre-
4 miums for such coverage in ex-
5 cess of 20 percent of the average
6 cost of providing benefits to an
7 individual or family or 5 percent
8 of the amount of the family's in-
9 come for the year involved; or

10 (bb) the payment of cost
11 sharing for such coverage in an
12 amount that, together with the
13 premium amount, does not ex-
14 ceed 7 percent of the family's in-
15 come for the year involved.

16 (ii) DEFINITION.—For purposes of
17 this subparagraph, the term “poverty line”
18 has the meaning given such term in section
19 2110(c)(5) of the Social Security Act (42
20 U.S.C. 1397jj(c)(5)).

21 (5) PROTECTION FOR LOWER INCOME INDIVID-
22 UALS.—The State plan may only vary premiums,
23 deductibles, coinsurance, and other cost sharing
24 under the plan based on the family income of the
25 family involved in a manner that does not favor indi-

1 viduals from families with higher income over indi-
2 viduals from families with lower income.

3 (d) REVIEW; DETERMINATION; AND PROJECT PE-
4 RIOD.—

5 (1) INITIAL REVIEW.—With respect to a State
6 application for a grant under subsection (a), the
7 Secretary and the Task Force shall, not later than
8 90 days after receipt of such application, complete
9 an initial review of such State application, an anal-
10 ysis of the scope of the proposal, and a determina-
11 tion of whether additional information is needed
12 from the State. The Task Force shall advise the
13 State within such 90-day period of the need to sub-
14 mit additional information.

15 (2) FINAL DETERMINATION.—Not later than 90
16 days after completion of the initial review under
17 paragraph (1), the Task Force shall determine
18 whether to approve such application. Such applica-
19 tion may be approved only if $\frac{2}{3}$ of the members of
20 the Task Force vote to approve such application.

21 (3) PROGRAM OR PROJECT PERIOD.—A State
22 program or project may be approved for a period of
23 not to exceed 5 years and may be extended for sub-
24 sequent 5-year periods upon approval by the Task
25 Force and the Secretary, based upon achievement of

1 targets, except that a shorter period may be re-
2 quested by a State and granted by the Secretary.

3 (e) REQUIRED CONGRESSIONAL ACTION.—It is the
4 sense of the Senate that, not later than 45 days after re-
5 ceiving the report submitted under subsection (g)(2), each
6 committee to which such report is submitted should hold
7 at least 1 hearing concerning such report and the rec-
8 ommendations contained in such report.

9 (f) FUNDING.—

10 (1) IN GENERAL.—The Secretary shall provide
11 a grant to a State that has an application approved
12 under subsection (d)(2) to enable such State to
13 carry out the State health program under the grant.

14 (2) AMOUNT OF GRANT.—The amount of a
15 grant provided to a State under paragraph (1) shall
16 be determined based upon the recommendations of
17 the Task Force, subject to the amount appropriated
18 under subsection (k).

19 (3) MATCHING REQUIREMENT.—To be eligible
20 to receive a grant under paragraph (1), a State shall
21 provide assurances to the Secretary that the State
22 shall contribute to the costs of carrying out activities
23 under the grant an amount equal to not less than
24 the product of—

25 (A) the amount of the grant; and

1 (B) the sum of the enhanced FMAP for
2 the State (as defined in section 2105(b) of the
3 Social Security Act (42 U.S.C. 1397ee(b))) and
4 5 percent.

5 (4) MAINTENANCE OF EFFORT.—A State, in
6 utilizing the proceeds of a grant received under
7 paragraph (1), shall maintain the expenditures of
8 the State for health care coverage purposes for the
9 support of direct health care delivery at a level equal
10 to not less than the level of such expenditures main-
11 tained by the State for the fiscal year preceding the
12 fiscal year for which the grant is received.

13 (g) REPORTS.—

14 (1) BY STATES.—Each State that has received
15 a grant under subsection (f)(1) shall submit to the
16 Task Force an annual report for the period rep-
17 resenting the respective State’s fiscal year, that shall
18 contain a description of the results, with respect to
19 health care coverage, quality, and costs, of the State
20 program.

21 (2) BY TASK FORCE.—At the end of the 5-year
22 period beginning on the date on which the Secretary
23 awards the first grant under paragraph (1), the
24 Task Force established under subsection (b) shall
25 prepare and submit to the appropriate committees of

1 Congress, a report on the progress made by States
2 receiving grants under paragraph (1) in meeting the
3 goals of expanded coverage, improved quality, and
4 cost containment through performance measures es-
5 tablished during the 5-year period of the grant. Such
6 report shall contain—

7 (A) the recommendation of the Task Force
8 concerning any future action that Congress
9 should take concerning health care reform, in-
10 cluding whether or not to extend the program
11 established under this subsection;

12 (B) an evaluation of the effectiveness of
13 State health care coverage reforms in—

14 (i) expanding health care coverage for
15 State residents;

16 (ii) improving the quality of health
17 care provided in the States; and

18 (iii) reducing or containing health
19 care costs in the States;

20 (C) recommendations regarding the advis-
21 ability of increasing Federal financial assistance
22 for State ongoing or future health program ini-
23 tiatives, including the amount and source of
24 such assistance; and

1 (D) recommendations concerning whether
2 any particular State program should serve as a
3 model for implementation as a national health
4 care reform program.

5 (h) PROTECTIONS FOR FEDERAL PROGRAMS.—

6 (1) IN GENERAL.—Nothing in this Act, or in
7 section 1115 of the Social Security Act (42 U.S.C.
8 1315) shall be construed as authorizing the Sec-
9 retary, the Task Force, a State, or any other person
10 or entity to alter or affect in any way the provisions
11 of titles XIX and XXI of such Act (42 U.S.C. 1396
12 et seq. and 1397 et seq.) or the regulations imple-
13 menting such titles.

14 (2) MAINTENANCE OF EFFORT.—No payment
15 may be made under this section if the State adopts
16 criteria for benefits, income, and resource standards
17 and methodologies for purposes of determining an
18 individual's eligibility for medical assistance under
19 the State plan under title XIX that are more restric-
20 tive than those applied as of the date of enactment
21 of this Act.

22 (i) MISCELLANEOUS PROVISIONS.—

23 (1) APPLICATION OF CERTAIN REQUIRE-
24 MENTS.—

1 (A) RESTRICTION ON APPLICATION OF
2 PREEXISTING CONDITION EXCLUSIONS.—

3 (i) IN GENERAL.—Subject to subpara-
4 graph (B), a State shall not permit the im-
5 position of any preexisting condition exclu-
6 sion for covered benefits under a program
7 or project under this section.

8 (ii) GROUP HEALTH PLANS AND
9 GROUP HEALTH INSURANCE COVERAGE.—
10 If the State program or project provides
11 for benefits through payment for, or a con-
12 tract with, a group health plan or group
13 health insurance coverage, the program or
14 project may permit the imposition of a pre-
15 existing condition exclusion but only inso-
16 far and to the extent that such exclusion is
17 permitted under the applicable provisions
18 of part 7 of subtitle B of title I of the Em-
19 ployee Retirement Income Security Act of
20 1974 and title XXVII of the Public Health
21 Service Act.

22 (B) COMPLIANCE WITH OTHER REQUIRE-
23 MENTS.—Coverage offered under the program
24 or project shall comply with the requirements of
25 subpart 2 of part A of title XXVII of the Public

1 Health Service Act insofar as such require-
2 ments apply with respect to a health insurance
3 issuer that offers group health insurance cov-
4 erage.

5 (2) PREVENTION OF DUPLICATIVE PAY-
6 MENTS.—

7 (A) OTHER HEALTH PLANS.—No payment
8 shall be made to a State under this section for
9 expenditures for health assistance provided for
10 an individual to the extent that a private in-
11 surer (as defined by the Secretary by regulation
12 and including a group health plan (as defined
13 in section 607(1) of the Employee Retirement
14 Income Security Act of 1974), a service benefit
15 plan, and a health maintenance organization)
16 would have been obligated to provide such as-
17 sistance but for a provision of its insurance con-
18 tract which has the effect of limiting or exclud-
19 ing such obligation because the individual is eli-
20 gible for or is provided health assistance under
21 the plan.

22 (B) OTHER FEDERAL GOVERNMENTAL
23 PROGRAMS.—Except as provided in any other
24 provision of law, no payment shall be made to
25 a State under this section for expenditures for

1 health assistance provided for an individual to
2 the extent that payment has been made or can
3 reasonably be expected to be made promptly (as
4 determined in accordance with regulations)
5 under any other federally operated or financed
6 health care insurance program, other than an
7 insurance program operated or financed by the
8 Indian Health Service, as identified by the Sec-
9 retary. For purposes of this paragraph, rules
10 similar to the rules for overpayments under sec-
11 tion 1903(d)(2) of the Social Security Act shall
12 apply.

13 (3) APPLICATION OF CERTAIN GENERAL PROVI-
14 SIONS.—The following sections of the Social Security
15 Act shall apply to States under this section in the
16 same manner as they apply to a State under such
17 title XIX:

18 (A) TITLE XIX PROVISIONS.—

19 (i) Section 1902(a)(4)(C) (relating to
20 conflict of interest standards).

21 (ii) Paragraphs (2), (16), and (17) of
22 section 1903(i) (relating to limitations on
23 payment).

24 (iii) Section 1903(w) (relating to limi-
25 tations on provider taxes and donations).

1 (iv) Section 1920A (relating to pre-
2 sumptive eligibility for children).

3 (B) TITLE XI PROVISIONS.—

4 (i) Section 1116 (relating to adminis-
5 trative and judicial review), but only inso-
6 far as consistent with this title.

7 (ii) Section 1124 (relating to disclo-
8 sure of ownership and related informa-
9 tion).

10 (iii) Section 1126 (relating to disclo-
11 sure of information about certain convicted
12 individuals).

13 (iv) Section 1128A (relating to civil
14 monetary penalties).

15 (v) Section 1128B(d) (relating to
16 criminal penalties for certain additional
17 charges).

18 (vi) Section 1132 (relating to periods
19 within which claims must be filed).

20 (4) RELATION TO OTHER LAWS.—

21 (A) HIPAA.—Health benefits coverage
22 provided under a State program or project
23 under this section shall be treated as creditable
24 coverage for purposes of part 7 of subtitle B of
25 title I of the Employee Retirement Income Se-

1 security Act of 1974, title XXVII of the Public
2 Health Service Act, and subtitle K of the Inter-
3 nal Revenue Code of 1986.

4 (B) ERISA.—Nothing in this section shall
5 be construed as affecting or modifying section
6 514 of the Employee Retirement Income Secu-
7 rity Act of 1974 (29 U.S.C. 1144) with respect
8 to a group health plan (as defined in section
9 2791(a)(1) of the Public Health Service Act (42
10 U.S.C. 300gg-91(a)(1))).

11 (j) AUTHORIZATIONS.—

12 (1) IN GENERAL.—There are appropriated in
13 each of fiscal years 2007 through 2016 to carry out
14 this Act, an amount equal to the amount of savings
15 to the Federal Government in each such fiscal year
16 as a result of the enactment of the provisions of title
17 II.

18 (2) USE OF FUNDS.—Amounts appropriated for
19 a fiscal year under paragraph (1) and not expended
20 may be used in subsequent fiscal years to carry out
21 this section.

22 (3) LIMITATION.—Notwithstanding any other
23 provision of this Act, the total amount of funds ap-
24 propriated to carry out this Act through fiscal year
25 2016 shall not exceed \$32,000,000,000.

TITLE II—OFFSETS**SEC. 201. INCREASE IN REBATES FOR COVERED OUT-PATIENT DRUGS.**

Section 1927(c)(1)(B)(i) of the Social Security Act (42 U.S.C. 1396r–8(c)(1)(B)(i)) is amended—

(1) in subclause (IV), by striking “and” after the semicolon;

(2) in subclause (V)—

(A) by inserting “and before January 1, 2007,” after “1995,”; and

(B) by striking the period and inserting “; and”;

(3) by adding at the end the following:

“(VI) after December 31, 2006, is 20 percent.”.

SEC. 202. STUDENT AID REWARD PROGRAM.

Part G of title IV of the Higher Education Act of 1965 is amended by inserting after section 489 (20 U.S.C. 1096) the end the following:

“SEC. 489A. STUDENT AID REWARD PROGRAM.

“(a) PROGRAM AUTHORIZED.—The Secretary shall carry out a Student Aid Reward Program to encourage institutions of higher education to participate in the student loan program under this title that is most cost-effective for taxpayers.

1 “(b) PROGRAM REQUIREMENTS.—In carrying out the
2 Student Aid Reward Program, the Secretary shall—

3 “(1) provide to each institution of higher edu-
4 cation participating in the student loan program
5 under this title that is most cost-effective for tax-
6 payers a Student Aid Reward Payment, in an
7 amount determined in accordance with subsection
8 (c), to encourage the institution to participate in
9 that student loan program;

10 “(2) require each institution of higher edu-
11 cation receiving a payment under this section to pro-
12 vide student loans under that student loan program
13 for a period of 5 years from the date the payment
14 is made;

15 “(3) where appropriate, require that funds paid
16 to institutions of higher education under this section
17 be used to award students a supplement to such stu-
18 dents’ Pell Grants under subpart 1 of part A;

19 “(4) permit such funds to also be used to award
20 lower and middle income graduate students need-
21 based grants; and

22 “(5) encourage all institutions of higher edu-
23 cation to participate in the Student Aid Reward Pro-
24 gram.

1 “(c) AMOUNT.—The amount of a Student Aid Re-
2 ward Payment under this section shall be not less than
3 50 percent, and not more than 75 percent, of the savings
4 to the Federal Government generated by the institution’s
5 participation in the student loan program under this title
6 that is most cost-effective for taxpayers instead of the in-
7 stitution’s participation in the student loan program not
8 cost-effective for taxpayers.

9 “(d) TRIGGER TO ENSURE COST NEUTRALITY.—

10 “(1) LIMIT TO ENSURE COST NEUTRALITY.—
11 Notwithstanding subsection (c), the Secretary shall
12 not distribute Student Aid Reward Payments under
13 the Student Aid Reward Program that, in the aggre-
14 gate, exceed the Federal savings resulting from im-
15 plementation of the Student Aid Reward Program.

16 “(2) FEDERAL SAVINGS.—In calculating Fed-
17 eral savings, as used in paragraph (1), the Secretary
18 shall determine Federal savings on loans made to
19 students at institutions of higher education that par-
20 ticipate the student loan program under this title
21 that is most cost-effective for taxpayers and that, on
22 the date of enactment of the Student Aid Reward
23 Program, participated in the student loan program
24 that is not the most cost-effective for taxpayers, re-
25 sulting from the difference of—

1 “(A) the Federal cost of loan volume made
2 under the student loan program under this title
3 that is most cost-effective for taxpayers; and

4 “(B) the Federal cost of an equivalent type
5 and amount of loan volume made, insured, or
6 guaranteed under the student loan program
7 under this title that is not the most cost-effec-
8 tive for taxpayers.

9 “(3) DISTRIBUTION RULES.—If the Federal
10 savings determined under paragraph (2) is not suffi-
11 cient to distribute full Student Aid Reward Pay-
12 ments under the Student Aid Reward Program, the
13 Secretary shall—

14 “(A) first make Student Aid Reward Pay-
15 ments to those institutions of higher education
16 that participated in the student loan program
17 under this title that is not the most cost-effec-
18 tive for taxpayers on the date of enactment of
19 the Student Aid Reward Program; and

20 “(B) with any remaining Federal savings
21 after making Payments under subparagraph
22 (A), make Student Aid Reward Payments to
23 the institutions of higher education not de-
24 scribed in subparagraph (A) on a pro-rata
25 basis.

1 “(4) DISTRIBUTION TO STUDENTS.—Any insti-
2 tution of higher education that receives a Student
3 Aid Reward Payment under this section—

4 “(A) shall distribute, where appropriate,
5 part or all of such payment among the students
6 of such institution who are Pell Grant recipi-
7 ents by awarding such students a supplemental
8 grant; and

9 “(B) may distribute part of such payment
10 as a supplemental grant to graduate students in
11 financial need.

12 “(5) ESTIMATES, ADJUSTMENTS, AND CARRY
13 OVER.—

14 “(A) ESTIMATES AND ADJUSTMENTS.—
15 The Secretary may make Student Aid Reward
16 Payments to institutions of higher education on
17 the basis of estimates, using the best data avail-
18 able at the beginning of an academic/fiscal year.
19 If the Secretary determines thereafter that loan
20 program costs for that academic/fiscal year
21 were different than such estimate, the Secretary
22 shall adjust (reduce or increase) subsequent
23 Student Aid Reward Payments rewards paid to
24 such institutions of higher education to reflect
25 such difference.

1 “(B) CARRY OVER.—Any institution of
2 higher education that receives a reduced Stu-
3 dent Aid Reward Payment under paragraph
4 (3)(B), shall remain eligible for the unpaid por-
5 tion of such institution’s financial reward pay-
6 ment, as well as any additional financial reward
7 payments for which the institution is otherwise
8 eligible, in subsequent academic or fiscal years.

9 “(e) DEFINITION.—For purposes of this section—

10 “(1) the student loan program under this title
11 that is most cost-effective for taxpayers is the loan
12 program under part B or D of this title that has the
13 lowest overall cost to the Federal Government (in-
14 cluding administrative costs) for the loans author-
15 ized by such parts; and

16 “(2) the student loan program under this title
17 that is not most cost-effective for taxpayers is the
18 loan program under part B or D of this title that
19 does not have the lowest overall cost to the Federal
20 Government (including administrative costs) for the
21 loans authorized by such parts.”.

22 **SEC. 203. AVIATION SECURITY SERVICE PASSENGER FEES.**

23 Section 44940 of title 49, United States Code, is
24 amended—

1 (1) in subsection (a)(1), by inserting “in an
2 amount equal to \$5.00 per one-way trip” after “uni-
3 form fee”;

4 (2) by striking subsection (c); and

5 (3) in subsection (d)—

6 (A) in paragraph (2), by striking “sub-
7 section (d)” each place it appears and inserting
8 “this subsection”; and

9 (B) in paragraph (3), by striking “in ac-
10 cordance with paragraph (1)” and inserting
11 “under subsection (a)(2)”.

12 **SEC. 204. EXTENSION OF FCC SPECTRUM AUCTION AU-**
13 **THORITY.**

14 Section 309(j)(11) of the Communications Act of
15 1934 (47 U.S.C. 309(j)(11)) is amended by striking
16 “2011” and inserting “2016”.

17 **SEC. 205. EXTENSION OF FEES FOR CERTAIN CUSTOMS**
18 **SERVICES.**

19 Section 13031(j)(3)(A) and (B) of the Consolidated
20 Omnibus Budget Reconciliation Act of 1985 (19 U.S.C.
21 58c(j)(3)(A) and (B)) is amended by striking “2014” each
22 place it appears and inserting “2016”.

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