

103^D CONGRESS
1ST SESSION

H. R. 1246

To amend the Internal Revenue Code of 1986 to increase excise taxes on cigarettes and other tobacco and tobacco-related products and to use the increased revenues to expand Medicaid eligibility, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 8, 1993

Mr. ANDREWS of Texas (for himself, Mr. STARK, Mr. LEVIN, Mr. McDERMOTT, Mr. SYNAR, and Mr. HUFFINGTON) introduced the following bill; which was referred jointly to the Committees on Ways and Means, Energy and Commerce, and Agriculture

A BILL

To amend the Internal Revenue Code of 1986 to increase excise taxes on cigarettes and other tobacco and tobacco-related products and to use the increased revenues to expand Medicaid eligibility, 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,*

3 **SECTION 1. SHORT TITLE.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Tobacco Health Tax Act of 1993”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-

1 ment or repeal is expressed in terms of an amendment
2 to, or repeal of, a section or other provision, the reference
3 shall be considered to be made to a section or other provi-
4 sion of the Internal Revenue Code of 1986.

5 **SEC. 2. INCREASE IN EXCISE TAXES ON TOBACCO PROD-**
6 **UCTS.**

7 (a) CIGARS.—Subsection (a) of section 5701 is
8 amended—

9 (1) by striking “\$1.125 cents per thousand
10 (93.75 cents per thousand on cigars removed during
11 1991 or 1992)” in paragraph (1) and inserting
12 “\$4.69 per thousand”, and

13 (2) by striking “equal to” and all that follows
14 in paragraph (2) and inserting “equal to 53.17 per-
15 cent of the price for which sold but not more than
16 \$120 per thousand.”

17 (b) CIGARETTES.—Subsection (b) of section 5701 is
18 amended—

19 (1) by striking “\$12 per thousand (\$10 per
20 thousand on cigarettes removed during 1991 or
21 1992)” in paragraph (1) and inserting “\$50.00 per
22 thousand”,

23 (2) by striking “\$25.20 per thousand (\$21 per
24 thousand on cigarettes removed during 1991 or
25 1992)” in paragraph (2) and inserting “\$105 per

1 thousand”, and by adding at the end thereof the fol-
2 lowing new paragraph:

3 “(3) ADDITIONAL TAX ON PACKS CONTAINING
4 FEWER THAN 20 CIGARETTES.—On any pack of
5 cigarettes containing fewer than 20 cigarettes, the
6 excess of \$1 over the tax imposed by paragraphs (1)
7 and (2) on the cigarettes in such pack.”

8 (c) CIGARETTE PAPERS.—Subsection (c) of section
9 5701 is amended by striking “0.75 cent (0.625 cent on
10 cigarette papers removed during 1991 or 1992)” and in-
11 serting “3.18 cents”.

12 (d) CIGARETTE TUBES.—Subsection (d) of section
13 5701 is amended by striking “1.5 cents (1.25 cents on
14 cigarette tubes removed during 1991 or 1992)” and in-
15 serting “6.25 cents”.

16 (e) SMOKELESS TOBACCO.—Subsection (e) of section
17 5701 is amended—

18 (1) by striking “36 cents (30 cents on snuff re-
19 moved during 1991 or 1992)” in paragraph (1) and
20 inserting “\$10”, and

21 (2) by striking “12 cents (10 cents on chewing
22 tobacco removed during 1991 or 1992)” in para-
23 graph (2) and inserting “\$4.80”.

24 (f) PIPE TOBACCO.—Subsection (f) of section 5701
25 is amended by striking “67.5 cents (56.25 cents on pipe

1 tobacco removed during 1991 or 1992)” and inserting
2 “\$2.82”.

3 (g) IMPOSITION OF TAX ON CIGARETTE TOBACCO.—

4 (1) IN GENERAL.—Section 5701 of such Code
5 is amended by redesignating subsection (g) as sub-
6 section (h) and by inserting after subsection (f) the
7 following new subsection:

8 “(g) CIGARETTE TOBACCO.—On cigarette tobacco,
9 manufactured in or imported into the United States, there
10 shall be imposed a tax of \$22.40 per pound (and a propor-
11 tionate tax at the like rate on all fractional parts of a
12 pound).”

13 (2) CIGARETTE TOBACCO DEFINED.—Section
14 5702 of such Code is amended by adding at the end
15 thereof the following new subsection:

16 “(p) CIGARETTE TOBACCO.—The term ‘cigarette to-
17 bacco’ means any tobacco which, because of its appear-
18 ance, type, packaging, or labeling, is suitable for use and
19 likely to offered to, or purchased by, consumers as tobacco
20 to be rolled into a cigarette.”

21 (3) CONFORMING AMENDMENTS.—

22 (A) Subsection (c) of section 5702 of such
23 Code is amended by striking “and pipe to-
24 bacco” and inserting “pipe tobacco, and ciga-
25 rette tobacco”.

1 (B) Subsection (d) of section 5702 of such
2 Code is amended by striking “or pipe tobacco”
3 and inserting “pipe tobacco, or cigarette to-
4 bacco”.

5 (h) INFLATION ADJUSTMENT OF TOBACCO TAX
6 RATES.—Section 5701 is amended by adding at the end
7 thereof the following new subsection:

8 “(i) INFLATION ADJUSTMENT.—In the case of arti-
9 cles removed in any calendar year after 1993, each dollar
10 amount contained in this subsection shall be increased by
11 an amount equal to—

12 “(1) such dollar amount, multiplied by

13 “(2) the greater of—

14 “(A) the cost-of-living adjustment deter-
15 mined under section 1(f)(3) for the calendar
16 year in which the removal occurs by substitut-
17 ing ‘calendar year 1992’ for ‘calendar year
18 1989’ in subparagraph (B) thereof, or

19 “(B) the cost-of-living adjustment which
20 would be determined under subparagraph (A) if
21 only changes in the tobacco and smoking prod-
22 ucts component of the Consumer Price Index
23 (as defined in section 1(f)(5)) were taken into
24 account.

1 If any increase determined under this subsection is not
2 a multiple of $\frac{1}{4}$ cent, such increase shall be rounded to
3 the nearest $\frac{1}{4}$ cent.”

4 (i) EFFECTIVE DATE.—The amendments made by
5 this section shall apply with respect to articles removed
6 after December 31, 1993.

7 (j) FLOOR STOCK TAXES.—

8 (1) IMPOSITION OF TAX.—On tax-increased ar-
9 ticles manufactured in or imported into the United
10 States which are removed before January 1, 1994,
11 and held on such date for sale by any person, there
12 shall be imposed the following taxes:

13 (A) SMALL CIGARS.—On cigars, weighing
14 not more than 3 pounds per thousand, \$3.565
15 per thousand.

16 (B) LARGE CIGARS.—On cigars weighing
17 more than 3 pounds per thousand, 40.42 per-
18 cent of the wholesale price, but not more than
19 \$120 per thousand.

20 (C) SMALL CIGARETTES.—On cigarettes,
21 weighing not more than 3 pounds per thousand,
22 \$38 per thousand.

23 (D) LARGE CIGARETTES.—On cigarettes
24 weighing more than 3 pounds per thousand,
25 \$79.80 per thousand; except that, if more than

1 6½ inches in length, they shall be taxable at
2 the rate prescribed for cigarettes weighing not
3 more than 3 pounds per thousand, counting
4 each 2¾ inches, or fraction thereof, of the
5 length of each as one cigarette.

6 (E) CIGARETTE PACKS CONTAINING
7 FEWER THAN 20 CIGARETTES.—On any pack of
8 cigarettes containing fewer than 20 cigarettes,
9 the excess of \$1 over the sum of—

10 (i) the tax imposed by paragraphs (1)
11 and (2) of section 5701(a) of the Internal
12 Revenue Code of 1986, plus

13 (ii) the tax imposed by this sub-
14 section,

15 on the cigarettes in such pack.

16 (F) CIGARETTE PAPERS.—On each book or
17 set of cigarette papers containing more than 25
18 papers, 2.43 cents for each 50 papers or frac-
19 tional part thereof; except that, if cigarette pa-
20 pers measure more than 6½ inches in length,
21 they shall be taxable at the rate prescribed,
22 counting each 2¾ inches, or fraction thereof, of
23 the length of each as one cigarette paper.

24 (G) CIGARETTE TUBES.—On cigarette
25 tubes, 4.75 cents for each 50 tubes or fractional

1 part thereof; except that, if cigarette tubes
2 measure more than 6¹/₂ inches in length, they
3 shall be taxable at the rate prescribed, counting
4 each 2³/₄ inches, or fraction thereof, of the
5 length of each as one cigarette tube.

6 (H) SNUFF.—On snuff, \$9.64 per pound
7 (and a proportionate tax at the like rate on all
8 fractional parts of a pound).

9 (I) CHEWING TOBACCO.—On chewing to-
10 bacco, \$4.68 per pound (and a proportionate
11 tax at the like rate on all fractional parts of a
12 pound).

13 (J) PIPE TOBACCO.—On pipe tobacco,
14 \$2.145 per pound (and a proportionate tax at
15 the like rate on all fractional parts of a pound).

16 (K) CIGARETTE TOBACCO.—On cigarette
17 tobacco, \$22.40 per pound (and a proportionate
18 tax at the like rate on all fractional parts of a
19 pound).

20 (2) LIABILITY FOR TAX AND METHOD OF PAY-
21 MENT.—

22 (A) LIABILITY FOR TAX.—A person hold-
23 ing tax-increased articles on January 1, 1994,
24 to which any tax imposed by paragraph (1) ap-
25 plies shall be liable for such tax.

1 (B) METHOD OF PAYMENT.—The tax im-
2 posed by paragraph (1) shall be paid in such
3 manner as the Secretary shall prescribe by reg-
4 ulations.

5 (C) TIME FOR PAYMENT.—The tax im-
6 posed by paragraph (1) shall be paid on or be-
7 fore June 30, 1994.

8 (3) TAX-INCREASED ARTICLES.—For purposes
9 of this subsection, the term “tax-increased articles”
10 means tobacco products (as defined by section
11 5702(c) of the Internal Revenue Code of 1986, as
12 amended by this Act), cigarette papers (as defined
13 by section 5702(f) of such Code), cigarette tubes (as
14 defined by section 5702(g) of such Code), and packs
15 of cigarettes containing fewer than 20 cigarettes.

16 (4) OTHER LAWS APPLICABLE.—All provisions
17 of law, including penalties, applicable with respect to
18 the taxes imposed by section 5701 of such Code
19 shall, insofar as applicable and not inconsistent with
20 the provisions of this subsection, apply to the floor
21 stocks taxes imposed by paragraph (1), to the same
22 extent as if such taxes were imposed by such section
23 5701.

1 **SEC. 3. ESTABLISHMENT OF TOBACCO HEALTH TAX TRUST**
2 **FUND.**

3 (a) IN GENERAL.—Subchapter A of chapter 98 (re-
4 lating to trust fund code) is amended by adding at the
5 end thereof the following new section:

6 **“SEC. 9512. TOBACCO HEALTH TAX TRUST FUND.**

7 “(a) CREATION OF TRUST FUND.—There is estab-
8 lished in the Treasury of the United States a trust fund
9 to be known as the ‘Tobacco Health Tax Trust Fund’,
10 consisting of such amounts as may be appropriated or
11 credited to such Trust Fund as provided in this section
12 or section 9602(b).

13 “(b) TRANSFERS TO TRUST FUND.—

14 “(1) IN GENERAL.—There is hereby appro-
15 priated to the Tobacco Health Tax Trust Fund
16 amounts equivalent to the increase in net revenues
17 received in the Treasury from the Tobacco Health
18 Tax Act of 1993 taxes.

19 “(2) NET REVENUES.—For purposes of para-
20 graph (1), the term ‘net revenues’ means the
21 amount estimated by the Secretary based on the ex-
22 cess of—

23 “(A) the Tobacco Health Tax Act of 1993
24 taxes received in the Treasury, over

25 “(B) the decrease in the tax imposed by
26 chapter 1 resulting from such taxes.

1 “(3) TOBACCO HEALTH TAX ACT OF 1993
2 TAXES.—For purposes of this subsection, the term
3 ‘Tobacco Health Tax Act of 1993 taxes’ means the
4 taxes imposed by section 5701 which are attrib-
5 utable to the amendments made by the Tobacco
6 Health Tax Act of 1993 and the taxes imposed by
7 section 2(j) of such Act.

8 “(c) EXPENDITURES FROM TRUST FUND.—The fol-
9 lowing percentages of the amounts appropriated or cred-
10 ited to the Tobacco Health Tax Trust Fund shall be avail-
11 able, as provided in appropriation Acts, for the following
12 purposes:

13 “(1) 80 percent shall be available to make Fed-
14 eral payments to States to carry out section 4 of the
15 Tobacco Health Tax Act of 1993;

16 “(2) 10 percent shall be available to make
17 grants under section 5 of such Act;

18 “(3) 4.5 percent shall be available for additional
19 funding under section 6 of such Act (relating to gen-
20 eral health prevention and health care);

21 “(4) 2.5 percent shall be available to provide
22 for counter advertising and tobacco preventive activi-
23 ties under section 7 of such Act; and

24 “(5) 3 percent shall be available under section
25 8 of such Act to assist tobacco producers experienc-

1 (b) AUTHORITY TO REQUIRE INCREASE IN MEDIC-
2 AID PAYMENT RATES TO HOSPITALS AND PHYSICIANS.—
3 Subject to subsection (c), the Secretary may, in addition
4 to specifying a percentages and a maximum age under
5 subsection (a)—

6 (1) specify a percent that shall apply for pur-
7 poses of subsection (e)(1)(A)(i), and

8 (2) specify a percent that shall apply for pur-
9 poses of section 1902(aa)(1) of the Social Security
10 Act (as added by subsection (e)(2)(A) of this sec-
11 tion).

12 (c) LIMITATION ON TOTAL INCREASE.—The percent-
13 ages and percents under subsections (a) and (b) for a fis-
14 cal year shall be specified in a manner so that the total
15 amount of additional Federal expenditures in a fiscal year
16 resulting from this section (and the amendments made by
17 this section) does not exceed the amounts made available
18 to carry out this section under section 9512(c)(1) of the
19 Internal Revenue Code of 1986 for the fiscal year.

20 (d) CONFORMING AMENDMENTS FOR MEDICAID ELI-
21 GIBILITY EXPANSION.—

22 (1) BENEFITS FOR LOW-INCOME INDIVID-
23 UALS.—Section 1902(a)(10)(A)(i) of the Social Se-
24 curity Act (42 U.S.C. 1396a(a)(10)(A)(i)) is amend-
25 ed—

1 (A) by striking “or” at the end of
2 subclause (VI);

3 (B) by striking the semicolon at the end of
4 subclause (VII) and inserting “, or”; and

5 (C) by adding at the end the following new
6 subclause:

7 “(VIII) who are described in sub-
8 section (z)(1);”.

9 (2) INDIVIDUALS DESCRIBED.—

10 (A) IN GENERAL.—Section 1902 of such
11 Act (42 U.S.C. 1396a) is amended by adding at
12 the end the following new subsection:

13 “(z)(1) Individuals described in this paragraph are—

14 “(A) women during pregnancy (and during the
15 60-day period beginning on the last day of the preg-
16 nancy) or individuals who have not attained the age
17 specified by the Secretary under section 4(a)(1)(B)
18 of the Tobacco Health Tax Act of 1993, who are not
19 described in any of subclauses (I) through (VII) of
20 subsection (a)(10)(A)(i), and whose family income
21 does not exceed the income level described in para-
22 graph (2)(A) for a family of the size of the family;
23 and

24 “(B) individuals not described in subparagraph
25 (A) who have not attained 65 years of age, who are

1 not described in any of subclauses (I) through (VII)
2 of subsection (a)(10)(A)(i), and whose family income
3 does not exceed the income level described in para-
4 graph (2)(B) for a family of the size of the family.

5 “(2)(A) The income level described in this subpara-
6 graph is the percent, specified under section 4(a)(1)(A)
7 of the Tobacco Health Tax Act of 1993, of the official
8 poverty line (as defined by the Office of Management and
9 Budget, and revised annually in accordance with section
10 673(2) of the Omnibus Budget Reconciliation Act of
11 1981) applicable to a family of the size involved.

12 “(B) The income level described in this subparagraph
13 is the percent (if any), specified under section 4(a)(2) of
14 the Tobacco Health Tax Act of 1993, of the official pov-
15 erty line (as defined by the Office of Management and
16 Budget, and revised annually in accordance with section
17 673(2) of the Omnibus Budget Reconciliation Act of
18 1981) applicable to a family of the size involved.

19 “(3) Notwithstanding subsection (a)(17), for individ-
20 uals who are eligible for medical assistance because of sub-
21 section (a)(10)(A)(i)(VIII)—

22 “(A) no resource standard shall be applied;

23 “(B) the income standard to be applied is the
24 appropriate income standard established under para-
25 graph (2); and

1 “(C) family income shall be determined in ac-
2 cordance with the methodology that is not more re-
3 strictive than the methodology employed under the
4 State plan under part A or E of title IV (except to
5 the extent such methodology is inconsistent with
6 clause (D) of subsection (a)(17)), and costs incurred
7 for medical care or for any other type of remedial
8 care shall not be taken into account.

9 Any different treatment provided under this paragraph for
10 such individuals shall not, because of subsection (a)(17),
11 require or permit such treatment for other individuals.

12 “(4)(A) In the case of any State which is providing
13 medical assistance to its residents under a waiver granted
14 under section 1115, the Secretary shall require the State
15 to provide medical assistance for individuals described in
16 paragraph (1) in the same manner as the State would be
17 required to provide such assistance for such individuals
18 if the State had in effect a plan approved under this title.

19 “(B) In the case of a State which is not one of the
20 50 States or the District of Columbia, the State need not
21 meet the requirement of subsection (a)(10)(A)(i)(VIII)
22 and, for purposes of paragraph (2)(A), the State may sub-
23 stitute for the percentages provided under such paragraph
24 any percentages that are less than such percentages.

1 “(5) The Secretary may not require that an individ-
2 ual apply for eligibility under subclauses (I) through (VII)
3 of subsection (a)(10)(A)(i) as a condition of being deter-
4 mined to be eligible for medical assistance under this title
5 as an individual described in paragraph (1).”.

6 (B) CONFORMING AMENDMENT.—Section
7 1905(a) of such Act (42 U.S.C. 1396d(a)) is
8 amended—

9 (i) by striking “or” at the end of
10 clause (ix),

11 (ii) by adding “or” at the end of
12 clause (x), and

13 (iii) by inserting after clause (x) the
14 following new clause:

15 “(xi) individuals described in section
16 1902(z)(1),”.

17 (3) RESTRICTIONS ON BENEFITS PROVIDED.—
18 Section 1902(a)(10) of such Act (42 U.S.C.
19 1396a(a)(10)) is amended in the matter following
20 subparagraph (F)—

21 (A) by striking “; and (XI) the making”
22 and inserting “, (XI) the making”;

23 (B) by striking “and (XI) the medical”
24 and inserting “(XII) the medical”; and

1 (C) by striking the semicolon at the end
2 and inserting the following: “ and (XIII) the
3 medical assistance required to be made avail-
4 able to an individual described in subsection
5 (z)(1) shall not include nursing facility services,
6 home and community-based services (as defined
7 in section 1915(d)(5)(C)(i)), services in an in-
8 termediate care facility for the mentally re-
9 tarded, and community supported living ar-
10 rangements services;”.

11 (e) CONFORMING PROVISIONS IMPOSING A FLOOR ON
12 MEDICAID PAYMENT LEVELS FOR INPATIENT HOSPITAL
13 SERVICES AND PHYSICIANS’ SERVICES.—

14 (1) INPATIENT HOSPITAL SERVICES.—

15 (A) IN GENERAL.—(i) A State plan under
16 title XIX of the Social Security Act shall not be
17 considered to meet the requirement of section
18 1902(a)(13)(A) of such Act (insofar as it re-
19 quires payments to hospitals for inpatient hos-
20 pital services that are reasonable and adequate
21 to meet the costs which must be incurred by ef-
22 ficiently and economically operated facilities),
23 as of a calendar quarter, unless the State has
24 submitted to the Secretary of Health and
25 Human Services, by not later than the first

1 date of such quarter, an amendment to such
2 plan that assures that, in the aggregate, the
3 amount of payments for inpatient hospital serv-
4 ices provided in subsection (d) hospitals (as de-
5 fined in section 1886(d)(1)(B) of such Act)
6 under the plan is not less than—

7 (I) in the case of services furnished
8 during fiscal year 1997, such percent as
9 may be specified under section 4(b)(1) of
10 the Tobacco Health Tax Act of 1993 (but
11 not to exceed 80 percent, or, if greater, the
12 percent specified in clause (ii)) of the
13 amount of payments for such services that
14 would be made under title XVIII of such
15 Act (without regard to any deductible im-
16 posed under section 1813(a) of such Act or
17 any limitation on the coverage of inpatient
18 hospital services under such title) for such
19 services if covered under such title;

20 (II) in the case of services furnished
21 during fiscal year 1998, such percent spec-
22 ified under section 4(b)(1) of the Tobacco
23 Health Tax Act of 1993 (not to exceed 85
24 percent or, if greater, the percent specified
25 in clause (ii)) of the amount of payments

1 for such services that would be made under
2 title XVIII of such Act (without regard to
3 any deductible imposed under section
4 1813(a) of such Act or any limitation on
5 the coverage of inpatient hospital services
6 under such title) for such services if cov-
7 ered under such title; and

8 (III) in the case of services furnished
9 during any succeeding fiscal year, such
10 percent specified under section 4(b)(1) of
11 the Tobacco Health Tax Act of 1993 (not
12 to exceed 90 percent) of the amount of
13 payments for such services that would be
14 made under title XVIII of such Act (with-
15 out regard to any deductible imposed
16 under section 1813(a) of such Act or any
17 limitation on the coverage of inpatient hos-
18 pital services under such title) for such
19 services if covered under such title.

20 (ii) The percent specified in this clause is
21 the quotient of—

22 (I) the total payments made under the
23 State plan under title XIX of the Social
24 Security Act in fiscal year 1993 with re-

1 spect to inpatient hospital services, divided
2 by

3 (II) the amount of payments for such
4 services that would be made under title
5 XVIII of such Act (without regard to any
6 deductible imposed under section 1813(a)
7 of such Act or any limitation on the cov-
8 erage of inpatient hospital services under
9 such title) for such services in such fiscal
10 year if covered under such title,

11 expressed as a percentage, or, if less, 90 per-
12 cent.

13 (iii) In computing amounts under clause
14 (i), the Secretary shall adjust for differences in
15 case mix, volume, the age and disability of the
16 populations covered by the two programs, and
17 other relevant factors identified by the Sec-
18 retary.

19 (B) REVIEW.—The Secretary, by not later
20 than 90 days after the date of submission of a
21 plan amendment under subparagraph (A),
22 shall—

23 (i) review each such amendment for
24 compliance with the requirement of section

1 1902(a)(13)(A) of the Social Security Act;
2 and

3 (ii) approve or disapprove each such
4 amendment.

5 If the Secretary disapproves such an amend-
6 ment, the State shall immediately submit a re-
7 vised amendment which meets such require-
8 ment.

9 (C) COLLECTION OF DATA.—The Sec-
10 retary may provide for such collection of data
11 on payment for inpatient hospital services as
12 may be necessary to carry out this paragraph.

13 (D) NONWAIVABILITY.—The provisions of
14 this paragraph may not be waived by the Sec-
15 retary.

16 (2) PHYSICIANS' SERVICES.—

17 (A) IN GENERAL.—Section 1902 of the So-
18 cial Security Act (42 U.S.C. 1396a) is amend-
19 ed—

20 (i) in subsection (a)(13)—

21 (I) by striking “and” at the end
22 of subparagraph (E);

23 (II) by striking the semicolon at
24 the end of subparagraph (F) and in-
25 serting “; and”; and

1 (III) by adding at the end the
2 following new subparagraph:

3 “(G) for payment for physicians’ services
4 through a methodology under which the amount
5 of payment for such services furnished during a
6 calendar quarter is not less than the amount
7 specified in subsection (aa);” and

8 (ii) by adding at the end the following
9 new subsection:

10 “(aa)(1) For purposes of subsection (a)(13)(G), the
11 amount specified in this subsection is—

12 “(A) for physicians’ services furnished during a
13 calendar quarter in fiscal year 1997, a percent speci-
14 fied under section 4(b)(2) of the Tobacco Health
15 Tax Act of 1993 (not to exceed 60 percent or, if
16 greater, the percent specified in paragraph (2)) of
17 the applicable fee schedule amount established under
18 section 1848 for services furnished in such year,

19 “(B) for physicians’ services furnished during a
20 calendar quarter in fiscal year 1998, a percent speci-
21 fied under section 4(b)(2) of the Tobacco Health
22 Tax Act of 1993 (but not to exceed 70 percent or,
23 if greater, the percent specified in paragraph (2)) of
24 the applicable fee schedule amount established under
25 section 1848 for services furnished in such year, and

1 “(C) for physicians’ services furnished during a
2 calendar quarter in a succeeding fiscal year, a per-
3 cent specified under section 4(b)(2) of the Tobacco
4 Health Tax Act of 1993 (but not to exceed 90 per-
5 cent) of the applicable fee schedule amount estab-
6 lished under section 1848 for services furnished in
7 such year.

8 “(2) The percent specified in this paragraph is the
9 quotient of—

10 “(A) the total payments made under the State
11 plan under title XIX of the Social Security Act in
12 fiscal year 1993 for physicians’ services, divided by

13 “(B) the amount of payments for such services
14 that would be made under title XVIII of such Act
15 (without regard to any deductible or coinsurance)
16 for such services in such fiscal year if covered under
17 such title,

18 expressed as a percentage, or, if less, 90 percent.”.

19 (B) TRANSMITTAL OF PAYMENT INFORMA-
20 TION TO STATES.—Section 1848(i) of such Act
21 (42 U.S.C. 1395w-4(i)) is amended by adding
22 at the end the following new paragraph:

23 “(4) TRANSMITTAL OF PHYSICIAN PAYMENT IN-
24 FORMATION TO STATES.—Not later than August 1
25 of 1996 (and of each year thereafter), the Secretary

1 shall transmit such information to the States as is
2 necessary to enable the States to carry out the re-
3 quirements of section 1902(a)(13)(G) of the Social
4 Security Act (as added by section 4(e)(2)(A) of the
5 Tobacco Health Tax Act of 1993).”.

6 (C) RELATION TO PAYMENTS FOR OBSTET-
7 RICAL AND PEDIATRIC SERVICES.—Section
8 1926 of such Act (42 U.S.C. 1396r-7) is
9 amended by adding at the end the following
10 new subsection:

11 “(e) Payment rates established under this section
12 with respect to services shall in no case be less than the
13 minimum payment amounts specified under section
14 1902(aa) with respect to such services. The fact that pay-
15 ment amounts with respect to such services are consistent
16 with the payment rates required under such section shall
17 not be the basis for a determination that the payment
18 amounts comply with the requirements of this section.”.

19 (e) FULL FEDERAL PAYMENT FOR INCREASED
20 COSTS.—Section 1903 of the Social Security Act (42
21 U.S.C. 1396b) is amended by adding at the end the follow-
22 ing new subsection:

23 “(w)(1) Notwithstanding subsection (a), with respect
24 to new mandated expenditures (as defined in paragraph
25 (2)) in a quarter, instead of the amounts otherwise paid

1 to a State under subsection (a) for a quarter with respect
2 to such expenditures, there shall be paid to the State an
3 amount equal to 100 percent of the amount of such ex-
4 penditures.

5 “(2) In this subsection, the term ‘new mandated ex-
6 penditures’ means the sum of the following expenditures
7 under the State plan during a quarter:

8 “(A) The amount by which (i) the minimum
9 amount of expenditures for medical assistance for
10 inpatient hospital services (consistent with section
11 4(e)(1)(A) of the Tobacco Health Tax Act of 1993),
12 exceeds (ii) the amount of expenditures for such as-
13 sistance which the Secretary determines would have
14 been payable under the plan (as such plan was in ef-
15 fect as of the date of the enactment of this sub-
16 section).

17 “(B) The amount by which (i) the minimum
18 amount of expenditures under the plan for medical
19 assistance for physicians’ services (consistent with
20 section 1902(a)(13)(G)) for the quarter, exceeds (ii)
21 the amount of expenditures under the plan for such
22 assistance which the Secretary determines would
23 have been payable under the plan (as such plan was
24 in effect as of the date of the enactment of this sub-
25 section) for the quarter.

1 “(C) The amount of expenditures for medical
2 assistance attributable to individuals with respect to
3 whom the State plan would not be required to pro-
4 vide such assistance but for the amendments made
5 by section 4(c) of the Tobacco Health Tax Act of
6 1993.

7 “(D) The amount of expenses reasonably attrib-
8 utable to the expenditures described in subpara-
9 graphs (A) through (C).”.

10 **SEC. 5. STATE GRANTS TO REPLACE STATE AND LOCAL**
11 **REVENUE LOSS DUE TO FEDERAL TOBACCO**
12 **TAX INCREASE.**

13 With respect to the funds made available under sec-
14 tion 9512(c)(2) of the Internal Revenue Code of 1986, the
15 Secretary of the Treasury shall, by grant, allocate such
16 funds among State and local governments to compensate
17 for any reduction in revenues to such governments which
18 such Secretary determines is attributable to the reduced
19 consumption of articles subject to tax under section 5701
20 of such Code by reason of the amendments made by sec-
21 tion 2 of this Act. In determining revenue reduction, such
22 Secretary shall take into account the presence of military
23 bases and international boundaries, among other factors.

1 **SEC. 6. ADDITIONAL FUNDS FOR GENERAL HEALTH PRE-**
2 **VENTION AND ACCESS TO HEALTH CARE.**

3 With respect to the funds made available under sec-
4 tion 9512(c)(3) of the Internal Revenue Code of 1986, the
5 Secretary of Health and Human Services shall, for the
6 purpose of providing additional funds to carry out the fol-
7 lowing programs, make such allocations as the Secretary
8 deems appropriate:

9 (1) LEAD POISONING PREVENTION.—The pro-
10 gram under section 317A of the Public Health Serv-
11 ice Act.

12 (2) MINORITY HEALTH PROMOTION.—Programs
13 under section 1707 of such Act.

14 (3) AIDS PREVENTION.—Programs of the Cen-
15 ters for Disease Control and Prevention under such
16 Act to prevent infection with the human
17 immunodeficiency virus.

18 (4) PREVENTIVE HEALTH AND HEALTH SERV-
19 ICES BLOCK GRANT.—The program under part A of
20 title XIX of such Act.

21 (5) NATIONAL HEALTH SERVICE CORPS.—The
22 programs of the National Health Service Corps
23 under subparts II and III of part D of title III of
24 such Act.

25 (6) COMMUNITY HEALTH PROGRAMS.—The pro-
26 grams under sections 329 and 330 of such Act.

1 **SEC. 7. ADDITIONAL FUNDS FOR COUNTER ADVERTISING**
2 **AND TOBACCO PREVENTIVE ACTIVITIES.**

3 With respect to the funds made available under sec-
4 tion 9512(c)(4) of the Internal Revenue Code of 1986, the
5 Secretary of Health and Human Services shall provide for
6 public education and other activities to discourage the use
7 of tobacco products, with special emphasis on discouraging
8 cigarette smoking by youths. At least $\frac{1}{2}$ of such funds
9 shall be made available for counter-advertising to discour-
10 age the use of such products.

11 **SEC. 8. DEPARTMENT OF AGRICULTURE PROGRAMS TO AS-**
12 **SIST TOBACCO PRODUCERS EXPERIENCING**
13 **FINANCIAL HARDSHIP CAUSED BY IN-**
14 **CREASED EXCISE TAXES ON TOBACCO PROD-**
15 **UCTS.**

16 (a) INCOME ASSISTANCE.—

17 (1) ASSISTANCE AUTHORIZED.—If the Sec-
18 retary of Agriculture determines that the domestic
19 consumption of tobacco for a marketing year is
20 equal to or less than 95 percent of the normal year's
21 domestic consumption of tobacco calculated in 1993,
22 the Secretary may make payments to a tobacco pro-
23 ducer in the United States to offset all or a portion
24 of the reduced sales of tobacco made by that pro-
25 ducer during that marketing year compared to sales

1 made by that producer during the marketing year
2 ending in 1993.

3 (2) EXCEPTION.—The Secretary may not make
4 a payment under this subsection to a tobacco pro-
5 ducer if the Secretary determines that the reduction
6 in tobacco sales by the producer—

7 (A) is unrelated to the increase in excise
8 taxes on tobacco products imposed by section 2;
9 or

10 (B) is offset by sales of other crops pro-
11 duced on lands converted from tobacco produc-
12 tion.

13 (b) PROMOTION OF ALTERNATIVE CROPS.—The Sec-
14 retary of Agriculture shall encourage and assist tobacco
15 producers in the United States to convert their farm oper-
16 ations from the production of tobacco to other crops. As-
17 sistance provided under this subsection may include—

18 (1) the provision of grants and loans to pur-
19 chase equipment, seeds or nursery stocks, or fer-
20 tilizer to produce other crops;

21 (2) the treatment of lands converted from to-
22 bacco production to the production of another pro-
23 gram crop as lands considered planted to that crop
24 in the calculation of crop acreage bases under title

1 V of the Agricultural Act of 1949 (7 U.S.C. 1461
2 et seq.);

3 (3) the provision of technical advice regarding
4 the care and harvesting of other crops; and

5 (4) the undertaking of measures to improve the
6 access of tobacco producers to the markets for other
7 crops.

8 (c) PROCESSING AND MARKETING INITIATIVES.—

9 (1) GRANTS.—The Secretary of Agriculture
10 shall make grants to States in which tobacco is pro-
11 duced to assist those States—

12 (A) in attracting food processing compa-
13 nies to establish food processing facilities in
14 those States in order to create a market for to-
15 bacco producers who convert their farm oper-
16 ations from the production of tobacco to other
17 crops; and

18 (B) in establishing a cooperative collection
19 and distribution process among tobacco produc-
20 ers who convert to other crops in order to effi-
21 ciently supply food processing facilities in those
22 States.

23 (2) APPLICATION AND CONVERSION PLAN.—To
24 receive a grant under this subsection, a State shall
25 submit to the Secretary an application in such form

1 and containing such information as the Secretary
2 may require. The application shall contain—

3 (A) a description of the extent to which the
4 economy of the State is dependent upon the
5 production of tobacco and the manufacturing of
6 tobacco products; and

7 (B) a specific plan to use the grant to re-
8 duce the State's dependence upon the produc-
9 tion of tobacco and the manufacturing of to-
10 bacco products.

11 (3) REPORT.—Not later than 15 months after
12 receiving a grant under this subsection, each State
13 receiving such a grant shall submit a report to the
14 Secretary containing—

15 (A) a description of the uses made of the
16 grant by the State, including the amount of the
17 grant expended for each use; and

18 (B) an evaluation of the extent to which
19 the grant assisted the State in reducing its de-
20 pendence upon the production of tobacco and
21 the manufacturing of tobacco products.

22 (d) FUNDING.—The Secretary of Agriculture shall
23 carry out this section using funds made available to the
24 Secretary from the Tobacco Health Tax Trust Fund

1 under section 9512(c)(5) of the Internal Revenue Code of
2 1986.

3 (e) DEFINITIONS.—For purposes of this section:

4 (1) The term “normal year’s domestic con-
5 sumption” has the meaning given that term in sec-
6 tion 301(b)(11)(B) of the Agricultural Adjustment
7 Act of 1938 (7 U.S.C. 1301(b)(11)(B)).

8 (2) The term “marketing year” has the mean-
9 ing given that term in section 301(b)(7) of such Act
10 (7 U.S.C. 1301(b)(7)).

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