

103D CONGRESS  
1ST SESSION

# H. R. 2789

To amend title XIX of the Social Security Act to establish a health allowance program under which payment may be made under the medicaid program to participating States for health allowances used for enrolling individuals in approved health plans, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JULY 28, 1993

Mr. HOBSON (for himself, Mr. BLILEY, Mr. CASTLE, Mr. CLINGER, Mr. GILLMOR, Mr. GINGRICH, Mr. GOSS, Mr. GRANDY, Mr. GUNDERSON, Mrs. JOHNSON of Connecticut, Mr. KASICH, Mr. KINGSTON, Mr. KOLBE, Mr. MCCRERY, Mr. MCKEON, Mr. PORTMAN, Mr. REGULA, Mr. ROBERTS, Ms. SNOWE, Mr. THOMAS of California, Mr. THOMAS of Wyoming, Mr. MOORHEAD, Mr. SUNDQUIST, Mr. HASTERT, and Mr. McMILLAN) introduced the following bill; which was referred to the Committee on Energy and Commerce

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## A BILL

To amend title XIX of the Social Security Act to establish a health allowance program under which payment may be made under the medicaid program to participating States for health allowances used for enrolling individuals in approved health plans, and for other purposes.

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

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Medicaid Health Allow-  
3 ance Act of 1993”.

4 **SEC. 2. ESTABLISHMENT OF PROGRAM.**

5 (a) IN GENERAL.—Title XIX of the Social Security  
6 Act (42 U.S.C. 1396 et seq.) is amended by adding at  
7 the end the following new section:

8 “STATE HEALTH ALLOWANCE PROGRAMS  
9 “SEC. 1931. (a) TREATMENT OF EXPENDITURES  
10 UNDER HEALTH ALLOWANCE PROGRAMS AS MEDICAL  
11 ASSISTANCE UNDER STATE PLAN.—

12 “(1) IN GENERAL.—Notwithstanding any other  
13 provision of this title, for purposes of determining  
14 the amount to be paid to a State under section  
15 1903(a)(1) for quarters in any fiscal year, amounts  
16 expended by an eligible State (as described in sub-  
17 section (b)) during the fiscal year under a State  
18 health allowance program (as described in subsection  
19 (c)) shall be included in the total amount expended  
20 during the fiscal year as medical assistance under  
21 the State plan (except as provided under paragraph  
22 (2) or under subsection (d)(1)(C)).

23 “(2) FEDERAL PAYMENT RESTRICTED TO  
24 ACUTE CARE SERVICES.—No amounts expended  
25 under a State health allowance program that are at-  
26 tributable to medical assistance described in para-

1 graphs (4), (14), (15), (23), or (24) of section  
2 1905(a) shall be included in the total amount ex-  
3 pended as medical assistance under the State plan.

4 “(b) ELIGIBILITY OF STATE.—

5 “(1) IN GENERAL.—A State is eligible for pur-  
6 poses of subsection (a) if the State submits (at such  
7 time and in such form as the Secretary may require)  
8 an application to the Secretary containing the fol-  
9 lowing information and assurances:

10 “(A) Assurances that the State laws gov-  
11 erning the sale and marketing of health plans  
12 reflect standards established by the National  
13 Association of Insurance Commissioners (or by  
14 the Secretary in accordance with paragraph  
15 (3)) relating to community rating of premiums  
16 that meet the requirements of paragraph (2).

17 “(B) Assurances that the State laws gov-  
18 erning the sale and marketing of health insur-  
19 ance plans reflect standards established by the  
20 National Association of Insurance Commis-  
21 sioners (or by the Secretary in accordance with  
22 paragraph (3)) relating to pre-existing condi-  
23 tions and guaranteed renewability.

24 “(C) Assurances that the State has adopt-  
25 ed and is enforced standards regarding quality

1 assurance for health benefit plans participating  
2 in the State health allowance program, includ-  
3 ing standards regarding—

4 “(i) uniform reporting requirements  
5 for such plans relating to a minimum set  
6 of clinical data, patient satisfaction data,  
7 and other information that may be used by  
8 individuals to compare the quality of var-  
9 ious plans; and

10 “(ii) the establishment or designation  
11 of an entity of the State government to  
12 collect the data described in clause (i) and  
13 to regularly report such data to the Sec-  
14 retary.

15 “(D) Such other information and assur-  
16 ances as the Secretary may require.

17 “(2) REQUIREMENTS FOR RATING BANDS FOR  
18 PREMIUMS.—

19 “(A) IN GENERAL.—Under the standards  
20 relating to community rating of premiums es-  
21 tablished by the National Association of Insur-  
22 ance Commissioners or by the Secretary, for a  
23 class of business of a carrier, the premium rates  
24 charged during a rating period to employers  
25 with similar demographic or other objective

1 characteristics (not relating to claims experi-  
2 ence, health status, or duration of coverage) for  
3 the same or similar coverage, or the rates which  
4 could be charged to such employers under the  
5 rating system for that class of business, shall  
6 not vary from the index rate by more than 15  
7 percent of the index rate.

8 “(B) DEFINITIONS.—In this paragraph:

9 “(i) BASE PREMIUM RATE.—The term  
10 ‘base premium rate’ means, for each class  
11 of business for each rating period, the low-  
12 est premium rate charged or which could  
13 have charged under a rating system for  
14 that class of business by the carrier to em-  
15 ployers with similar demographic or other  
16 objective characteristics (not relating to  
17 claims experience, health status, or dura-  
18 tion of coverage) for health benefit plans  
19 with the same or similar coverage.

20 “(ii) CARRIER.—The term ‘carrier’  
21 means any entity which provides health in-  
22 surance or health benefits in a State, and  
23 includes a licensed insurance company, a  
24 prepaid hospital or medical service plan, a  
25 health maintenance organization, the plan

1 sponsor of a multiple employer welfare ar-  
2 rangement or an employee benefit plan (as  
3 defined under the Employee Retirement  
4 Income Security Act of 1974), or any other  
5 entity providing a plan of health insurance  
6 subject to State insurance regulation.

7 “(iii) CLASS OF BUSINESS.—The term  
8 ‘class of business’ means, with respect to a  
9 carrier, all (or a distinct group of) small  
10 employers as shown on the records of the  
11 carrier. For purposes of the preceding sen-  
12 tence—

13 “(I) a carrier may establish, sub-  
14 ject to subclause (II), a distinct group  
15 of employers on the basis that the ap-  
16 plicable health benefit plans either—

17 “(aa) are marketed and sold  
18 through individuals and organiza-  
19 tions which are not participating  
20 in the marketing or sale of other  
21 distinct groups of employers for  
22 the carrier,

23 “(bb) have been acquired  
24 from another carrier as a distinct  
25 group, or

1           “(cc) are provided through  
2           an association that has a mem-  
3           bership of not less than 100 em-  
4           ployers and that has been formed  
5           for purposes other than obtaining  
6           health coverage;

7           “(II) a carrier may not establish  
8           more than 2 groupings under each  
9           class of business based on the car-  
10          rier’s use of managed-care techniques  
11          if the techniques are expected to  
12          produce substantial variation in health  
13          care costs; and

14          “(III) notwithstanding subclauses  
15          (I) and (II), a State commissioner of  
16          Insurance of a State, upon application  
17          and if authorized under State law,  
18          may approve additional distinct  
19          groups upon a finding that such ap-  
20          proval would enhance the efficiency  
21          and fairness of the employer market-  
22          place.

23          “(iv) DEMOGRAPHIC CHARACTERIS-  
24          TICS.—The term ‘demographic characteris-  
25          tics’ means age, gender, industry, geo-

1 graphic area, family composition, and  
2 group size.

3 “(v) INDEX RATE.—The term “index  
4 rate” means, with respect to a class of  
5 business, the arithmetic average of the ap-  
6 plicable base premium rate and the cor-  
7 responding highest premium rate for the  
8 class.

9 “(3) ESTABLISHMENT OF STANDARDS BY SEC-  
10 RETARY.—If, after the expiration of the 9-month pe-  
11 riod that begins on the date of the enactment of this  
12 Act, the National Association of Insurance Commis-  
13 sioners has not established the standards described  
14 in paragraph (1), the Secretary shall establish such  
15 standards not later than 1 year after the date of the  
16 enactment of this Act.

17 “(c) STATE HEALTH ALLOWANCE PROGRAM DE-  
18 SCRIBED.—

19 “(1) ENROLLMENT OF PARTICIPATING INDIVID-  
20 UALS IN APPROVED HEALTH BENEFIT PLANS.—In  
21 this section, a State health allowance program is a  
22 program in effect in all the political subdivisions of  
23 the State (except as provided in (c)) under which the  
24 State makes payments to the individual’s insurer as  
25 an allowance towards the costs of providing the indi-

1       vidual with benefits under an approved health bene-  
2       fit plan.

3           “(2) APPROVED PLANS DESCRIBED.—For pur-  
4       poses of paragraph (1), a State shall approve health  
5       benefit plans in accordance with such standards as  
6       the State may establish, except that—

7           “(A) the State may not approve a plan for  
8       a year unless the actuarial value of the benefits  
9       provided by and the cost-sharing associated  
10      with the plan for the year—

11           “(i) with respect to the first year for  
12      which the plan is approved for purposes of  
13      this subsection, is not less than the actuar-  
14      ial value of the medical assistance provided  
15      under the State plan under this title for  
16      the year (as determined by the Secretary  
17      without regard to medical assistance de-  
18      scribed in paragraphs (4), (14), (15), (23),  
19      or (24) of section 1905(a)); and

20           “(ii) with respect to any subsequent  
21      year, is not greater than the amount deter-  
22      mined under this subparagraph for the  
23      preceding year, increased by the amount  
24      (expressed as a percentage) by which the  
25      actuarial value of the medical assistance

1 described in clause (i) for the year exceeds  
2 or is less than the actuarial value of such  
3 medical assistance for the preceding year;

4 “(B) at least one of the plans approved by  
5 the State shall be a health maintenance organi-  
6 zation or other plan under which payments are  
7 otherwise made on a capitated basis for provid-  
8 ing medical assistance to individuals enrolled in  
9 the State plan under this title; and

10 “(C) in the case of an individual who is en-  
11 titled to benefits under the State plan under  
12 this title as of the first month during which the  
13 State health allowance program is in effect, an  
14 approved plan may not require the individual to  
15 contribute a greater amount of cost-sharing  
16 than the individual would have been required to  
17 contribute under the State plan (except as may  
18 be imposed on an individual described in sub-  
19 paragraph (B) or subparagraph (C) of sub-  
20 section (d)(1)).

21 “(3) WAIVER OF STATEWIDENESS REQUIRE-  
22 MENT.—At the request of a State, the Secretary  
23 may waive for a period not to exceed 3 years (sub-  
24 ject to one 3-year extension) the requirement under  
25 paragraph (1) that the State health allowance pro-

1       gram be in effect in all political subdivisions of the  
2       State.

3       “(d) ELIGIBILITY OF INDIVIDUALS TO PARTICIPATE  
4 IN ALLOWANCE PROGRAM.—

5           “(1) IN GENERAL.—An individual is eligible to  
6 participate in a State health allowance program de-  
7 scribed in subsection (c) if the individual meets such  
8 criteria as the State may impose, except that—

9           “(A) the State shall enroll the individual in  
10 the program if the individual’s income is equal  
11 to or less than 100 percent of the official pov-  
12 erty line (as defined by the Office of Manage-  
13 ment and Budget, and revised annually in ac-  
14 cordance with section 673(2) of the Omnibus  
15 Budget Reconciliation Act of 1991) applicable  
16 to a family of the size involved;

17           “(B) the State may enroll the individual in  
18 the program if the individual’s income is great-  
19 er than 100 percent of such official poverty  
20 line, except that the State may require such an  
21 individual to contribute additional cost-sharing  
22 towards the health benefit plan if such cost-  
23 sharing is determined in accordance with a slid-  
24 ing scale based on the individual’s income;

1           “(C) the State may enroll an individual  
2           who is described in subparagraph (B) and  
3           whose income is equal to or greater than 200  
4           percent of such official poverty line in the pro-  
5           gram, except that no amounts expended by the  
6           State during a fiscal year on behalf of such an  
7           individual may be included in the total amount  
8           expended during the fiscal year as medical as-  
9           sistance under the State plan; and

10           “(D) no individual shall be eligible to par-  
11           ticipate in the program if the individual is enti-  
12           tled to benefits under title XVIII of the Social  
13           Security Act pursuant to section 226 of such  
14           Act.

15           “(2) AUTOMATIC ELIGIBILITY OF MEDICAID  
16           CATEGORICALLY ELIGIBLE INDIVIDUALS.—Under  
17           the criteria imposed by a State under paragraph (1),  
18           any individual to whom the State makes medical as-  
19           sistance available under the State plan under this  
20           title pursuant to clause (i) of section 1902(a)(10)(A)  
21           shall be eligible to participate in the State health al-  
22           lowance program.

23           “(3) USE OF RESOURCE STANDARD.—Under  
24           the criteria imposed by a State under paragraph (1),  
25           a State may not require an individual to meet any

1 resource standard unless the Secretary approves the  
2 State's use of such a standard.

3 “(e) EVALUATIONS AND REPORTS.—

4 “(1) EVALUATIONS.—Not later than 3 years  
5 after the date of the enactment of this section (and  
6 at such subsequent intervals as the Secretary consid-  
7 ers appropriate), the Secretary shall evaluate the ef-  
8 fectiveness of the State health allowance programs  
9 for which Federal financial participation is provided  
10 under this section, and the impact of such programs  
11 on increasing the number of individuals with health  
12 insurance coverage in participating States and in  
13 controlling the costs of health care in such States.

14 “(2) REPORTS.—Not later than 3 years after  
15 the date of the enactment of this section (and at  
16 such subsequent intervals as the Secretary considers  
17 appropriate), the Secretary shall submit a report on  
18 the program to Congress.”.

19 (b) ENSURING BUDGET NEUTRALITY THROUGH RE-  
20 DUCATION IN DISPROPORTIONATE SHARE HOSPITAL PAY-  
21 MENTS FOR PARTICIPATING STATES.—Section 1923 of  
22 the Social Security Act (42 U.S.C. 1396r-4) is amended  
23 by adding at the end the following new subsection:

24 “(g) REDUCTION IN PAYMENT ADJUSTMENTS FOR  
25 STATES WITH HEALTH ALLOWANCE PROGRAMS.—In the

1 case of a State operating a State health allowance pro-  
2 gram under section 1931 in a fiscal year, the Secretary  
3 shall reduce the total payment adjustments made under  
4 this section for hospitals in the State for quarters in the  
5 year by such amount as the Secretary determines to be  
6 necessary to ensure that the total amount paid to the  
7 State under section 1903(a)(1) for the year does not ex-  
8 ceed the amount that would have been paid to the State  
9 under such section for the year if the State did not operate  
10 such a program.

11 **SEC. 3. EFFECTIVE DATE.**

12 The amendments made by section 2 shall apply to  
13 calendar quarters beginning on or after January 1, 1994.

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