

104TH CONGRESS  
1ST SESSION

# H. R. 2756

To direct the Secretary of Health and Human Services to make payments to each State for the operation of a comprehensive health insurance plan ensuring health insurance coverage for individuals and families in the State, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

DECEMBER 11, 1995

Mr. OBEY (for himself, Mr. HINCHEY, Mr. OWENS, Ms. PELOSI, and Mr. OBERSTAR) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Commerce and Economic and Educational Opportunities, 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

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## A BILL

To direct the Secretary of Health and Human Services to make payments to each State for the operation of a comprehensive health insurance plan ensuring health insurance coverage for individuals and families in the State, 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 This Act may be cited as the “American Health Secu-  
5 rity Partnership Act of 1995.”

1 **SEC. 2. FINDINGS; PURPOSE.**

2 (a) FINDINGS.—Congress finds as follows:

3 (1) 40 million Americans do not have health in-  
4 surance coverage.

5 (2) Cost shifting among payers and providers  
6 contributes to the increasing cost of health care in  
7 the United States.

8 (3) The only means of ending this cost shifting  
9 is to ensure that each individual in the United  
10 States has health insurance coverage.

11 (b) PURPOSE.—It is the purpose of this Act to pro-  
12 vide assistance to each State to enable the State to ensure,  
13 in the manner the State itself considers most appropriate,  
14 that each individual has health insurance coverage at least  
15 equivalent to the coverage provided to employees of the  
16 Federal Government.

17 **SEC. 3. STATE DEFINED.**

18 In this Act, the term “State” means each of the 50  
19 States and the District of Columbia.

20 **TITLE I—FEDERAL PAYMENTS**  
21 **TO STATES**

22 **SEC. 101. PAYMENTS TO STATES WITH CERTIFIED PLANS.**

23 For purposes of assisting States in carrying out plans  
24 approved under title II, the Secretary of Health and  
25 Human Services (hereafter in this Act referred to as the  
26 “Secretary”) shall make payments to States with com-

1 prehensive health insurance plans certified under title II  
2 for a fiscal year in an amount determined under section  
3 102.

4 **SEC. 102. AMOUNT OF STATE PAYMENT.**

5 The amount of payment made to a State for a fiscal  
6 year under section 101 shall be equal to the State's alloca-  
7 tion of the total amount available for payments under this  
8 title for the fiscal year under section 103, as determined  
9 in accordance with the following formula:

10 (1) 50 percent of the total amount available  
11 shall be allocated among the States on the basis of  
12 the ratio of the population of each State to the pop-  
13 ulation of all States.

14 (2) 50 percent of the total amount available  
15 shall be allocated among the States in amounts de-  
16 termined in accordance with the representative reve-  
17 nue system established by the Advisory Commission  
18 on Intergovernmental Relations.

19 **SEC. 103. TOTAL AMOUNT AVAILABLE FOR PAYMENTS.**

20 The total amount available for payments to States  
21 for a fiscal year under this title is equal to the following:

22 (1) For fiscal year 1998, \$1,000,000,000.

23 (2) For fiscal year 1999, \$2,000,000,000.

24 (3) For fiscal year 2000, \$28,000,000,000.

25 (4) For fiscal year 2001, \$29,000,000,000.

1 (5) For fiscal year 2002, \$30,000,000,000.

2 (6) For fiscal year 2003, \$31,000,000,000.

3 **TITLE II—REQUIREMENTS FOR**  
4 **COMPREHENSIVE HEALTH**  
5 **PLANS**

6 **SEC. 201. IMPLEMENTATION OF CERTIFIED HEALTH INSUR-**  
7 **ANCE PLANS BY STATES.**

8 (a) IN GENERAL.—Not later than July 1, 1999, each  
9 State shall submit to the Secretary a comprehensive health  
10 insurance plan designed to be administered by the State  
11 and containing the provisions required under this title,  
12 and shall have such plan in place and operating not later  
13 than January 1, 2000.

14 (b) CERTIFICATION OF PLANS BY SECRETARY.—The  
15 Secretary shall certify for a fiscal year those State plans  
16 developed and implemented under this title which meet the  
17 applicable requirements of this title for the fiscal year.

18 **SEC. 202. REQUIRED PROVISIONS OF HEALTH INSURANCE**  
19 **PLAN.**

20 Each State shall have maximum flexibility in develop-  
21 ing and implementing its comprehensive health insurance  
22 plan under this title, except that the plan shall include  
23 at least the following provisions:

24 (1) COVERAGE.—Health insurance coverage  
25 meeting the requirements of this title for all individ-

1 uals in the State without regard to employment sta-  
2 tus, income, or pre-existing condition or other health  
3 status.

4 (2) PORTABILITY AND GUARANTEED RE-  
5 NEWAL.—A prohibition against the denial, cancella-  
6 tion, or refusal to renew the coverage of an individ-  
7 ual or employer except—

8 (A) on the basis of nonpayment of pre-  
9 miums,

10 (B) on the basis of fraud or misrepresenta-  
11 tion, or

12 (C) because the plan is ceasing to provide  
13 any coverage in a geographic area.

14 (3) BENEFITS.—

15 (A) COMPARABLE TO FEHBP.—Coverage  
16 comparable to the coverage available to employ-  
17 ees of the Federal Government under the Fed-  
18 eral Employees Health Benefits Program  
19 (FEHBP) (as determined by the Secretary).  
20 Coverage under title XVIII of the Social Secu-  
21 rity Act or coverage under a State plan under  
22 title XIX of such Act shall be deemed to meet  
23 the requirement of the previous sentence.

24 (B) AVAILABILITY OF HOME- AND COMMU-  
25 NITY-BASED CARE.—The offering of home- and

1 community-based care as an alternative to insti-  
2 tutional care if medically appropriate.

3 (4) COMMUNITY RATING OF PREMIUMS.—A re-  
4 quirement that the premium charged shall be equiv-  
5 alent for all individuals within any community, ex-  
6 cept that the premium may vary with respect to an  
7 individual on the basis of the individual’s age or the  
8 number of members of the individual’s family cov-  
9 ered.

10 (5) STATE SUPPLEMENTAL PREMIUM PAY-  
11 MENTS.—The payment by the State of supplemental  
12 amounts to ensure that all individuals may obtain  
13 coverage at reasonable rates.

14 (6) QUALITY OF CARE.—The creation of ade-  
15 quate mechanisms designed to assure, monitor, and  
16 maintain the provision of high quality health care to  
17 individuals in the State.

18 (7) COST CONTAINMENT.—The creation of ade-  
19 quate mechanisms designed to control premiums and  
20 the costs of providing high quality health care to in-  
21 dividuals in the State.

1 **SEC. 203. WAIVER OF ERISA LIMITATION ON STATE REGU-**  
2 **LATION OF SELF-INSURED PLANS.**

3 Section 514(b) of the Employee Retirement Income  
4 Security Act of 1974 (29 U.S.C. 1144(b)) is amended by  
5 adding at the end the following paragraph:

6 “(9) Subsection (a) shall not apply to any State  
7 law to the extent such law conforms to or reflects  
8 the provisions of a comprehensive health insurance  
9 plan developed and implemented by the State and  
10 certified by the Secretary of Health and Human  
11 Services under title II of the American Health Secu-  
12 rity Partnership Act of 1995.”.

13 **SEC. 204. REQUIRING OPERATION OF CERTIFIED PLAN TO**  
14 **RECEIVE MEDICAID PAYMENTS.**

15 Section 1903 of the Social Security Act (42 U.S.C.  
16 1396b) is amended by adding at the end the following new  
17 subsection:

18 “(x)(1) In order to receive payments under this title  
19 for any quarter beginning on or after January 1, 2000,  
20 a State must have in effect a comprehensive health insur-  
21 ance plan certified for the fiscal year in which the quarter  
22 occurs by the Secretary under section 201(b) of the Amer-  
23 ican Health Security Partnership Act of 1995.

24 “(2)(A) The provisions of this subsection shall not  
25 apply to a State for any quarter—

1           “(i) that follows the quarter during which the  
2 State meets the requirements of this subsection; or

3           “(ii) with respect to which the Secretary deter-  
4 mines that the State is unable to comply with the  
5 relevant requirements of this subsection—

6                   “(I) for good cause (but such a waiver may  
7 not be for a period in excess of 4 quarters), or

8                   “(II) due to circumstances beyond the con-  
9 trol of such State.

10          “(B) For purposes of determining deadlines imposed  
11 under this subsection, any time period during which a  
12 State was found under subparagraph (A)(ii)(II) to be un-  
13 able to comply with the requirements of this subsection  
14 shall not be taken into account, and the Secretary shall  
15 modify all such deadlines with respect to such State ac-  
16 cordingly.”.

17 **SEC. 205. INCREASE IN MINIMUM COMMUNITY SPOUSE RE-**  
18 **SOURCE ALLOWANCE UNDER MEDICAID.**

19          (a) IN GENERAL.—Section 1924(f)(2)(A)(i) of the  
20 Social Security Act (42 U.S.C. 1396r-5(f)(2)(A)(i)) is  
21 amended by striking “\$12,000” and inserting “\$50,000”.

22          (b) EFFECTIVE DATE.—The amendment made by  
23 subsection (a) shall apply to quarters beginning on or  
24 after October 1, 1995.

1                   **TITLE III—FINANCING**  
2                   **MECHANISMS**

3   **SEC. 301. INCREASE IN TOP INCOME TAX RATE APPLICA-**  
4                   **BLE TO CORPORATIONS.**

5           (a) IN GENERAL.—Subsection (b) of section 11 of the  
6 Internal Revenue Code of 1986 is amended by striking  
7 “35 percent” each place it appears and inserting “36 per-  
8 cent”.

9           (b) CONFORMING AMENDMENTS.—

10           (1) The last sentence of section 11(b) of such  
11 Code is amended by striking “\$100,000” and insert-  
12 ing “\$200,000”.

13           (2) Clause (iii) of section 852(b)(3)(D) of such  
14 Code is amended by striking “65 percent” and in-  
15 serting “64 percent”.

16           (3) Subsection (a) of section 1201 of such Code  
17 is amended by striking “35 percent” each place it  
18 appears and inserting “36 percent”.

19           (4) Paragraphs (1) and (2) of section 1445(e)  
20 of such Code are each amended by striking “35 per-  
21 cent” and inserting “36 percent”.

22           (c) EFFECTIVE DATE.—The amendments made by  
23 this section shall apply to taxable years beginning after  
24 December 31, 1995.

1 **SEC. 302. REVISION OF FEDERAL MEDICAL ASSISTANCE**  
2 **PERCENTAGE UNDER MEDICAID.**

3 Section 1905(b) of the Social Security Act (42 U.S.C.  
4 1396d(b)) is amended—

5 (1) in the first sentence, by striking “83 per  
6 centum” and inserting “the applicable maximum  
7 percentage described in the second sentence”; and

8 (2) by inserting after the first sentence the fol-  
9 lowing new sentence: “In the previous sentence, the  
10 ‘applicable maximum percentage’ is 83 per centum  
11 for quarters occurring during fiscal years prior to  
12 fiscal year 1998 and 60 per centum for quarters oc-  
13 ccurring during fiscal year 1998 and each succeeding  
14 fiscal year.”.

15 **SEC. 303. INCREASE IN EXCISE TAXES ON TOBACCO PROD-**  
16 **UCTS.**

17 (a) CIGARETTES.—Subsection (b) of section 5701 of  
18 the Internal Revenue Code of 1986 is 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 “\$49.50 per  
22 thousand”, and

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 “\$103.95 per  
26 thousand”.

1 (b) CIGARS.—Subsection (a) of section 5701 of such  
2 Code is amended—

3 (1) by striking “\$1.125 cents per thousand  
4 (93.75 cents per thousand on cigars removed during  
5 1991 or 1992)” in paragraph (1) and inserting  
6 “\$38.62½ per thousand”, and

7 (2) by striking “equal to” and all that follows  
8 in paragraph (2) and inserting “equal to 52.594 per-  
9 cent of the price for which sold but not more than  
10 \$123.75 per thousand.”.

11 (c) CIGARETTE PAPERS.—Subsection (c) of section  
12 5701 of such Code is amended by striking “0.75 cent  
13 (0.625 cent on cigarette papers removed during 1991 or  
14 1992)” and inserting “3.09 cents”.

15 (d) CIGARETTE TUBES.—Subsection (d) of section  
16 5701 of such Code is amended by striking “1.5 cents (1.25  
17 cents on cigarette tubes removed during 1991 or 1992)”  
18 and inserting “6.19 cents”.

19 (e) SMOKELESS TOBACCO.—Subsection (e) of section  
20 5701 of such Code is amended—

21 (1) by striking “36 cents (30 cents on snuff re-  
22 moved during 1991 or 1992)” in paragraph (1) and  
23 inserting “\$12.86”, and

1           (2) by striking “12 cents (10 cents on chewing  
2           tobacco removed during 1991 or 1992)” in para-  
3           graph (2) and inserting “\$12.62”.

4           (f) PIPE TOBACCO.—Subsection (f) of section 5701  
5           of such Code is amended by striking “67.5 cents (56.25  
6           cents on pipe tobacco removed during 1991 or 1992)” and  
7           inserting “\$13.17½”.

8           (g) EFFECTIVE DATE.—The amendments made by  
9           this section shall apply to articles removed (as defined in  
10          section 5702(k) of the Internal Revenue Code of 1986)  
11          after December 31, 1996.

## 12       **TITLE IV—TAX DEDUCTIBILITY** 13       **OF HEALTH INSURANCE**

### 14       **SEC. 401. TAX DEDUCTIBILITY OF HEALTH INSURANCE.**

15          (a) IN GENERAL.—Part VII of subchapter B of chap-  
16          ter 1 of the Internal Revenue Code of 1986 (relating to  
17          additional itemized deductions) is amended by redesignat-  
18          ing section 220 as section 221 and by inserting after sec-  
19          tion 219 the following new section:

#### 20       **“SEC. 220. HEALTH INSURANCE COSTS.**

21          “(a) IN GENERAL.—In the case of an individual,  
22          there shall be allowed as a deduction an amount equal to  
23          80 percent (or 100 percent, in the case of an individual  
24          who is a self-employed individual within the meaning of  
25          section 401(c)) of the amount paid during the taxable year

1 for insurance which constitutes medical care for the tax-  
2 payer, his spouse, and dependents.

3 “(b) LIMITATION BASED ON EARNED INCOME.—No  
4 deduction shall be allowed under subsection (a) to the ex-  
5 tent that the amount of such deduction exceeds the sum  
6 of—

7 “(1) the taxpayer’s wages, salaries, tips, and  
8 other employee compensation includible in gross in-  
9 come, plus

10 “(2) the taxpayer’s earned income (as defined  
11 in section 401(c)(2)).

12 “(c) OTHER COVERAGE.—Subsection (a) shall not  
13 apply to any taxpayer for any calendar month for which  
14 the taxpayer is eligible to participate in any subsidized  
15 health plan maintained by any employer of the taxpayer  
16 or of the spouse of the taxpayer.

17 “(d) SPECIAL RULES.—

18 “(1) COORDINATION WITH MEDICAL DEDUC-  
19 TION, ETC.—Any amount paid by a taxpayer for in-  
20 surance to which subsection (a) applies shall not be  
21 taken into account in computing the amount allow-  
22 able to the taxpayer as a deduction under section  
23 213(a).

24 “(2) DEDUCTION NOT ALLOWED FOR SELF-EM-  
25 PLOYMENT TAX PURPOSES.—The deduction allow-

1 able by reason of this section shall not be taken into  
2 account in determining an individual's net earnings  
3 from self-employment (within the meaning of section  
4 1402(a)) for purposes of chapter 2.”

5 (b) CONFORMING AMENDMENTS.—

6 (1) Subsection (l) of section 162 of such Code  
7 is hereby repealed.

8 (2) Subsection (a) of section 62 of such Code  
9 is amended by inserting after paragraph (15) the  
10 following new item:

11 “(16) HEALTH INSURANCE COSTS.—The deduc-  
12 tion allowed by section 220.”

13 (3) The table of sections for part VII of sub-  
14 chapter B of chapter 1 of such Code is amended by  
15 striking the last item and inserting the following  
16 new items:

“Sec. 220. Health insurance costs.  
“Sec. 221. Cross reference.”

17 (c) EFFECTIVE DATE.—The amendments made by  
18 this section shall apply to taxable years beginning after  
19 December 31, 1995.

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