

107TH CONGRESS
1ST SESSION

H. R. 1033

To amend the Social Security Act to provide grants and flexibility through demonstration projects for States to provide universal, comprehensive, cost-effective systems of health care coverage, with simplified administration.

IN THE HOUSE OF REPRESENTATIVES

MARCH 14, 2001

Mr. TIERNEY (for himself, Mr. BONIOR, Mr. CAPUANO, Ms. CARSON of Indiana, Mr. CONYERS, Mr. DEFAZIO, Mr. HILLIARD, Mr. McDERMOTT, Mr. NADLER, Ms. NORTON, Mr. OLVER, Ms. RIVERS, Mr. SANDERS, Mr. WEINER, Mr. STARK, Mr. FATTAH, Mr. MCGOVERN, Ms. LEE, Ms. SCHAKOWSKY, Ms. WATERS, Mr. BALDACCI, Mr. KUCINICH, Mr. GUTIERREZ, Mrs. MEEK of Florida, Mr. KILDEE, Ms. MILLENDER-McDONALD, Mr. GEORGE MILLER of California, Mrs. CHRISTENSEN, Mr. HINCHEY, Mr. LANTOS, Mrs. JONES of Ohio, Mr. FILNER, Mr. LEWIS of Georgia, Mr. EVANS, Mr. HASTINGS of Florida, Ms. JACKSON-LEE of Texas, Mr. BRADY of Pennsylvania, Mr. PAYNE, Ms. BALDWIN, Mr. MARKEY, Mr. THOMPSON of Mississippi, Mr. OWENS, and Mr. DAVIS of Illinois) introduced the following bill; which was referred to the Committee on Energy and Commerce

A BILL

To amend the Social Security Act to provide grants and flexibility through demonstration projects for States to provide universal, comprehensive, cost-effective systems of health care coverage, with simplified administration.

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; TABLE OF CONTENTS.**

2 (a) SHORT TITLE.—This Act may be cited as the
3 “States’ Right To Innovate in Health Care Act of 2001”.

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

Sec. 1. Short title; table of contents.
Sec. 2. Findings and purposes.
Sec. 3. Amendment to Social Security Act.

“TITLE XXII—STATE COMPREHENSIVE HEALTH CARE AND COST
CONTAINMENT DEMONSTRATION PROJECTS

“Sec. 2201. Planning grants.
“Sec. 2202. Demonstration grants.
“Sec. 2203. State plan requirements.
“Sec. 2204. Interstate arrangements.
“Sec. 2205. Definitions.”.

6 **SEC. 2. FINDINGS AND PURPOSES.**

7 (a) FINDINGS.—Congress finds the following:

8 (1) In 1998, annual health care expenditures in
9 the United States totaled \$1.15 trillion, or \$4,094
10 per person.

11 (2) In 1998, health care expenditures rep-
12 resented 13.5 percent of the gross domestic product
13 (GDP) in the United States and grew at the rate of
14 5.6 percent while the gross domestic product grew
15 only at the rate of 4.9 percent.

16 (3) Businesses, and consumers, would save ap-
17 proximately \$562.8 billion over 7 years if health care
18 expenditures were increasing at the same rate as
19 GDP growth.

1 (4) Because many individuals do not have
2 health insurance coverage, they may incur health
3 care costs which they do not fully reimburse, result-
4 ing in cost-shifting to others.

5 (5) As a consequence of the piecemeal health
6 care system in the United States, administrative
7 overhead costs approximately \$1,000 per person an-
8 nually while other Western industrialized nations
9 with universal health care systems spend approxi-
10 mately \$200 per person annually for administrative
11 overhead.

12 (b) PURPOSE.—It is the purpose of this Act to en-
13 courage States—

14 (1) to develop plans for universal, comprehen-
15 sive, cost-effective systems of health care with sim-
16 plified administration to individuals residing in such
17 States; and

18 (2) to implement such plans by offering transi-
19 tional grants and by removing Federal statutory and
20 administrative barriers that may inhibit or discour-
21 age efforts by States to provide such health care
22 while maintaining Federal payments for health care
23 under Federal health care programs.

1 **SEC. 3. AMENDMENT TO SOCIAL SECURITY ACT.**

2 The Social Security Act (42 U.S.C. 301 et seq.) is
3 amended by adding at the end the following new title:

4 “TITLE XXII—STATE COMPREHENSIVE
5 HEALTH CARE AND COST CONTAINMENT
6 DEMONSTRATION PROJECTS

7 **“SEC. 2201. PLANNING GRANTS.**

8 “(a) APPLICATION.—A State may apply to the Sec-
9 retary for a State planning grant under this section to
10 develop a State plan to offer universal comprehensive
11 health care, with simplified administration, and to improve
12 the cost-effectiveness of the health care delivery system.

13 “(b) CONTENTS.—The Secretary may not approve
14 such a State planning grant for a State unless the applica-
15 tion for the grant includes or provides for the following:

16 “(1) BUDGET.—A budget and a budget jus-
17 tification.

18 “(2) PLANNING PROCESS.—A description of
19 how under the grant the State shall—

20 “(A) identify options to provide a uni-
21 versal, comprehensive, and cost-effective system
22 of health care, with simplified administration,
23 that is affordable and accessible to all eligible
24 beneficiaries in the State; and

25 “(B) conduct an analysis that compares
26 projected overall health expenditures over a 7-

1 year period under the proposed system with the
2 projected overall health expenditures that would
3 otherwise occur during such period.

4 “(3) OPPORTUNITY FOR PUBLIC PARTICIPA-
5 TION.—Assurances that the State will include a
6 process for public contribution and participation in
7 the planning process.

8 “(c) NUMBER OF STATES; PERIOD OF GRANT.—The
9 Secretary may not award State planning grants under this
10 section to more than 10 States. A State planning grant
11 under this section shall be effective for a period of up to
12 30 months. In awarding State planning grants under this
13 section the Secretary shall give preference to States from
14 a variety of geographic areas in the United States.

15 “(d) AMOUNT.—The amount of a State planning
16 grant under this section to a State may not exceed
17 \$3,750,000.

18 “(e) TECHNICAL ASSISTANCE.—The Secretary shall
19 provide States with technical assistance in applying for
20 and implementing State planning grants under this sec-
21 tion. At the request of the Secretary, other Departments
22 and Offices of the Federal Government shall provide
23 States with such technical assistance.

1 **“SEC. 2202. DEMONSTRATION GRANTS.**

2 “(a) APPLICATION.—A State that has developed a
3 State plan may apply to the Secretary for approval of a
4 demonstration grant under this section to achieve a cost-
5 effective delivery system of universal, comprehensive
6 health care with simplified administration. The Secretary
7 shall notify the chief executive officer of all States of the
8 availability of demonstration grants under this section.

9 “(b) APPROVAL.—The Secretary shall approve the
10 applications of not more than 5 States under this section.
11 In approving grants under this section the Secretary shall
12 give preference to States from a variety of geographic
13 areas in the United States. If the Secretary determines
14 that a State no longer meets the conditions for approval
15 of the grant, the Secretary shall notify the State of such
16 determination and provide the State with an opportunity
17 to correct deficiencies in a timely manner. If the Secretary
18 further determines that a State has not corrected such de-
19 ficiencies in a timely manner, the Secretary shall termi-
20 nate the grant (including waivers authorized under the
21 grant).

22 “(c) PERIOD.—A demonstration grant approved
23 under this section shall be effective for 7 years from the
24 date of final approval of the demonstration grant applica-
25 tion under subsection (b).

1 “(d) STATE PLAN REQUIRED.—The Secretary may
2 not approve a demonstration grant under this section un-
3 less the State has a State plan to carry out the grant con-
4 sistent with the requirements of section 2203.

5 “(e) FUNDING.—

6 “(1) TRANSITIONAL GRANT AMOUNT.—The
7 amount awarded under this section to a State with
8 a demonstration grant approved under this section
9 may not exceed an aggregate amount of
10 \$10,000,000 plus \$3 multiplied by the number of el-
11 igible State residents of the State, to assist the
12 State in the transition of the health care delivery
13 and financing infrastructure. Such amount shall be
14 made available to a State during the period of tran-
15 sition, as provided in the State plan. The number of
16 eligible State residents of a State shall be deter-
17 mined based on the best available Census Bureau
18 data as of the July 1 before the date the grant
19 under this section is approved.

20 “(2) MAINTENANCE OF FEDERAL FUNDS
21 UNDER WAIVERS.—Pursuant to the waivers under
22 subsection (f), the Federal Government shall pay to
23 a State amounts for health care under Federal
24 health care programs that would otherwise have
25 been payable by the Federal Government but for the

1 State’s universal, comprehensive health care system
2 under this section.

3 “(f) WAIVER OF ERISA PREEMPTION AND WAIVERS
4 TO POOL FUNDS.—As part of a demonstration grant
5 under this section and subject to the benefit maintenance
6 requirements applicable under section 2203(b), a State
7 may request (and the Secretary may grant) the following
8 waivers of requirements and provisions to the extent nec-
9 essary to carry out the State plan under section 2203:

10 “(1) ERISA.—Waiving application of section
11 514 of the Employee Retirement Income Security
12 Act of 1974.

13 “(2) MEDICARE.—Waiving provisions necessary
14 to permit the State—

15 “(A) to use funds otherwise paid under
16 title XVIII for beneficiaries residing in the
17 State; and

18 “(B) to permit the State to enter into an
19 arrangement with the Secretary under which el-
20 igible State residents who are not otherwise en-
21 rolled for benefits under parts A and B of such
22 title are enrolled for such benefits under such
23 title and the State provides for such actuarially
24 appropriate reimbursement to the Secretary
25 with respect to coverage of such benefits for

1 such residents as is necessary to assure that the
2 Trust Funds under such title are not adversely
3 affected by virtue of such waiver, such reim-
4 bursement subject to—

5 “(i) an independent audit, to be re-
6 viewed by the Comptroller General of the
7 United States, assuring that such reim-
8 bursement does not adversely affect in any
9 way the Trust Funds for medicare eligible
10 beneficiaries, and

11 “(ii) in the case that the audit deter-
12 mines that additional reimbursement to the
13 Secretary is required, such additional reim-
14 bursement, with appropriate adjustments
15 for interest attributable to the late reim-
16 bursement.

17 “(3) MEDICAID.—Waiving provisions necessary
18 to permit the State to use funds otherwise paid to
19 the State under title XIX.

20 “(4) SCHIP.—Waiving provisions necessary to
21 permit the State to use funds otherwise paid to the
22 State under title XXI.

23 “(5) FEHBP.—Waiving provisions necessary to
24 permit the State to use funds otherwise paid under
25 chapter 89 of title 5, United States Code, or allow-

1 ing the Office of Personnel Management to purchase
2 health care coverage for Federal employees and re-
3 tirees in the State under the State plan.

4 “(6) USE OF OTHER FUNDS.—Waiving provi-
5 sions necessary to permit the State to use funds oth-
6 erwise provided under other Federal programs for
7 the provision of health care coverage or services,
8 identified by the State.

9 “(7) OTHER LAWS.—Waiving of other provi-
10 sions of Federal law identified by the State under
11 section 2203(e)(3) only if the Secretary determines
12 such a waiver to be appropriate after consultation
13 with the head of the Federal agency or department
14 concerned.

15 The Secretary may grant a waiver under this subsection
16 only if the State provides the Secretary with satisfactory
17 assurances that necessary safeguards have been taken to
18 protect the health and welfare of individuals provided serv-
19 ices under the waiver and that financial accountability is
20 maintained for any funds expended under the waiver. The
21 Secretary may grant a waiver under paragraph (1) only
22 with the concurrence of the Secretary of Labor.

23 “(g) REENROLLMENT OF ELIGIBLE STATE RESI-
24 DENTS WHO MOVE FROM A PARTICIPATING STATE.—In
25 the case of an eligible State resident who is covered under

1 a State plan under section 2203, who (but for such cov-
2 erage) is eligible to be enrolled in a program described in
3 subsection (f) (including the medicare and medicaid pro-
4 grams), and who is not enrolled in such a program because
5 of such coverage, if the resident leaves the State to reside
6 in a State that does not have such a State plan in effect,
7 the resident shall be permitted, notwithstanding any other
8 provision of law, to enroll immediately in such a program
9 if the resident is still otherwise eligible to be so enrolled.
10 In the case of such enrollment in the medicare program,
11 the resident shall be treated for purposes of section
12 1882(s)(2) (relating to availability of medigap policies
13 without underwriting) as if the resident had turned 65
14 years of age on the date the resident enrolls in the medi-
15 care program.

16 “(h) DUTIES OF THE SECRETARY.—

17 “(1) GUIDANCE AND INFORMATION.—The Sec-
18 retary shall—

19 “(A) provide guidance to State health care
20 authorities regarding applications for grants
21 under this title and exchange information with,
22 and otherwise assist, such authorities upon the
23 request of the authorities;

24 “(B) set application procedures;

1 “(C) review and approve applications for
2 demonstration grants under this section, includ-
3 ing providing for appropriate waivers described
4 in subsection (f);

5 “(D) provide appropriate levels of funding
6 for such approved applications consistent with
7 such section;

8 “(E) conduct such evaluation, monitoring,
9 compliance, and other review functions as may
10 be appropriate;

11 “(F) develop guidelines, standards, and
12 formats for States to follow in evaluating, re-
13 porting, and collecting data in order to enable
14 the Commission to monitor State plan adminis-
15 tration and compliance, and to evaluate and
16 compare the effectiveness of State plans; and

17 “(G) implement any other requirements or
18 activities necessary and appropriate under this
19 title.

20 “(2) ANNUAL REPORT.—The Secretary shall
21 submit to the President and the Congress an annual
22 report. Such report shall be submitted not later than
23 March 30 of each year and shall include information
24 concerning States that receive grants under this title

1 and the effectiveness of any health care programs
2 assisted by such grants during the previous year.

3 “(3) APPROVAL PROCESS.—The provisions of
4 section 2106(c) shall apply to State plans and the
5 Secretary under this title in the same manner as
6 they apply to State plans and the Secretary under
7 such section.

8 **“SEC. 2203. STATE PLAN REQUIREMENTS.**

9 “(a) COVERAGE.—

10 “(1) IN GENERAL.—A State plan shall provide
11 a process and a timeline for achieving coverage of all
12 eligible State residents statewide, without regard to
13 employment status, income, health status or pre-
14 existing condition, or location of residency within the
15 State.

16 “(2) OUTREACH MECHANISMS.—A State plan
17 shall describe the outreach mechanisms to be used to
18 assure coverage of all eligible individuals, including
19 measures to assure coverage of individuals in hard-
20 to-reach populations and to assure benefits are pro-
21 vided to eligible individuals located in underserved
22 areas.

23 “(b) BENEFITS.—

24 “(1) BASIC BENEFITS.—A State plan shall pro-
25 vide for health benefits that—

1 “(A) are at least actuarially equivalent to
2 the standard Blue Cross/Blue Shield preferred
3 provider option service benefit plan, described
4 in and offered under section 8903(1) of title 5,
5 United States Code; and

6 “(B) include benefits for at least the fol-
7 lowing items and services:

8 “(i) Inpatient and outpatient hospital
9 services, including emergency services
10 available 24 hours a day.

11 “(ii) Long term, acute, and chronic
12 care services, including skilled nursing fa-
13 cility services, intermediate care facility
14 services home health services, home and
15 community-based long-term care services,
16 hospice care, and services in intermediate
17 care facilities for individuals diagnosed
18 with mental retardation.

19 “(iii) Professional services of health
20 care practitioners authorized to provide
21 health care services under State law.

22 “(iv) Community-based primary
23 health care services, including rural health
24 clinic services and Federally-qualified
25 health center services.

1 “(v) Laboratory, x-ray services, and
2 diagnostic tests.

3 “(vi) Preventive care, including pre-
4 natal, well-baby, and well-child care, appro-
5 priate immunizations, pap smears, screen-
6 ing mammography, colorectal cancer
7 screening, physical examinations, and fam-
8 ily planning.

9 “(vii) Prescription drugs and
10 biologicals, including insulin and medical
11 foods.

12 “(viii) Mental health services.

13 “(ix) Substance abuse treatment serv-
14 ices.

15 “(x) Vision services, including routine
16 eye examinations, eyeglasses, and contact
17 lenses.

18 “(xi) Hearing services, including hear-
19 ing aids.

20 “(xii) Dental services, including rou-
21 tine check ups.

22 “(xiii) Durable medical equipment, in-
23 cluding home dialysis supplies and equip-
24 ment.

25 “(xiv) Emergency ambulance services.

1 “(xv) Prosthetics.

2 “(xvi) Outpatient therapy, including
3 physical therapy, occupational therapy, and
4 speech language pathology services and re-
5 lated services.

6 “(2) ASSURANCE THAT BENEFITS ARE NOT RE-
7 DUCED FOR INDIVIDUALS COVERED UNDER FED-
8 ERAL PROGRAMS.—Insofar as the State under the
9 plan incorporates funding provided by Federal pro-
10 grams described in section 2202(f), the State plan
11 may not provide for a reduction in benefits (includ-
12 ing coverage, access, availability, duration, and bene-
13 ficiary rights, and, if applicable, vaccine benefits
14 under section 1928) otherwise provided for under
15 such programs or an increase in cost-sharing and
16 premiums otherwise provided for under such pro-
17 grams.

18 “(3) CONTINUATION OF BENEFITS FOR CER-
19 TAIN ALIENS.—Nothing in this title shall be con-
20 strued as affecting the access of aliens described in
21 section 2204(1)(D) to health care services provided
22 under law for such aliens as of the date of the enact-
23 ment of this title.

24 “(c) QUALITY ASSURANCE.—

1 “(1) IN GENERAL.—A State plan shall provide,
2 and describe, mechanisms to be used to assure, mon-
3 itor, and maintain the quality of items and services
4 furnished under the plan.

5 “(2) HEALTH OUTCOMES.—A State plan shall
6 describe the plan’s projected effect on health out-
7 comes in the State, including estimates of health
8 benefits, decreased morbidity and mortality, and im-
9 proved productivity resulting from reduction in the
10 number of individuals without health benefits.

11 “(d) PROGRAMS FOR MEDICAL EDUCATION.—A
12 State plan shall describe health professions training and
13 graduate medical education activities applicable under the
14 plan, and shall provide, under the State plan, for payment
15 from Federal, State, and local governments for such train-
16 ing and education activities in the amounts that would
17 otherwise be payable by such governments but for the
18 State’s universal, comprehensive health care system under
19 the State plan.

20 “(e) FINANCING.—

21 “(1) BUDGET.—A State plan shall incorporate
22 a budget which contains—

23 “(A) detailed projections of health care ex-
24 penditures presently and under the proposed
25 system, including an identification and calcula-

1 tion of the amount of funding to be provided by
2 the Federal, State, and local governments under
3 the plan and an assurance that the amount of
4 expenditures made by the State and local gov-
5 ernments will not be reduced as a result of the
6 implementation of the plan; and

7 “(B) a description (and an estimate of
8 costs) of transitional activities to be undertaken
9 in implementing the proposed system.

10 “(2) COST CONTAINMENT.—A State plan shall
11 describe the means to be used to contain costs under
12 the plan, including when and how the plan will in-
13 crease efficiencies.

14 “(3) FEDERAL EXPENDITURE LIMIT.—A State
15 plan shall contain assurances that aggregate Federal
16 expenditures on health care (including Federal ex-
17 penditures under titles 5, 10, and 38 of the United
18 States Code, and under this Act) under the plan will
19 not exceed aggregate Federal expenditures that
20 would have been incurred in the absence of such
21 plan.

22 “(f) IMPLEMENTATION.—

23 “(1) IN GENERAL.—A State plan shall describe
24 the method (including a timetable and period of
25 transition) for implementing the plan.

1 “(2) COORDINATION.—A State plan shall identify
2 tify all Federal, State, and local programs that provide
3 health care services in the State and describe
4 how such programs would be incorporated in, or coordinated
5 with, the health coverage system under the
6 plan.

7 “(3) FEDERAL WAIVERS REQUIRED.—A State
8 plan shall identify any waivers of Federal law required
9 to implement the plan, including the use of
10 any pooled Federal funds and other waivers described
11 in section 2202(f).

12 “(4) APPROVAL OF STATE LEGISLATURE.—A
13 State plan shall provide that State approvals and
14 commitments (including approval of the State legislature)
15 necessary for the implementation of the plan
16 will be obtained by not later than 1 year after the
17 date of the Secretary’s approval of the plan. Any approval
18 of a grant is conditioned upon the timely
19 completion of such approvals and commitments.

20 “(g) EVALUATION.—A State plan shall provide for a
21 process for its evaluation, and shall comply with any evaluation
22 reporting or data collection requirements imposed
23 by the Secretary.

24 “(h) CONSTRUCTION.—Nothing in this title shall be
25 construed as preempting State laws that provide greater

1 protections or benefits than the protections or benefits re-
2 quired under this title.

3 **“SEC. 2204. INTERSTATE ARRANGEMENTS.**

4 “(a) IN GENERAL.—One or more contiguous States
5 in a geographic region may file a joint application for
6 planning and demonstration grants under this title.

7 “(B) CONGRESSIONAL APPROVAL.—Congress hereby
8 authorizes and approves States entering into Interstate
9 Compacts in order to conduct joint health care programs
10 under such a grant.

11 “(c) REFERENCES TO STATE.—In the case of a joint
12 application described in subsection (a), any reference in
13 this title to a State is deemed to refer to all of the States,
14 and the approval of a grant with respect to such a joint
15 application shall be counted as 1 State for purposes of
16 applying sections 2201(c) and 2202(b).

17 **“SEC. 2205. DEFINITIONS.**

18 “As used in this title:

19 “(1) ELIGIBLE STATE RESIDENT.—The term
20 ‘eligible State resident’ means any resident of the
21 United States who is a citizen or national of the
22 United States, or lawful resident alien, and who re-
23 sides in any particular State. Such term may in-
24 clude, at the option of a State, the following:

1 “(A) State employees and dependents of
2 such employees.

3 “(B) Employees, and dependents of such
4 employees, working in a work site of a business
5 located in the State.

6 “(C) One or more classes of non-
7 immigrants (as defined in section 101(a)(15) of
8 the Immigration and Nationality Act) specified
9 in the State plan.

10 “(D) Aliens unlawfully present in the
11 United States.

12 “(2) **LAWFUL RESIDENT ALIEN.**—The term
13 ‘lawful resident alien’ means an alien lawfully admit-
14 ted for permanent residence and any other alien law-
15 fully residing permanently in the United States
16 under color of law, including an alien granted asy-
17 lum or with lawful temporary resident status under
18 section 210, 210A, or 245A of the Immigration and
19 Nationality Act.

20 “(3) **SECRETARY.**—The term ‘Secretary’ means
21 the Secretary of Health and Human Services.

22 “(4) **STATE.**—Subject to section 2204(c), the
23 term ‘State’ means a State, the District of Colum-
24 bia, the Commonwealth of Puerto Rico, the United
25 States Virgin Islands, Guam, American Samoa, and

1 the Commonwealth of the Northern Mariana Is-
2 lands.

3 “(5) STATE PLAN.—The term ‘State plan’
4 means a comprehensive health care plan of a State
5 participating in a State Care demonstration project
6 under this title that meets the requirements of sec-
7 tion 2203.”.

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