

Union Calendar No. 30

115TH CONGRESS
1ST SESSION

H. R. 1628

[Report No. 115-52]

To provide for reconciliation pursuant to title II of the concurrent resolution
on the budget for fiscal year 2017.

IN THE HOUSE OF REPRESENTATIVES

MARCH 20, 2017

Mrs. BLACK from the Committee on the Budget, reported the following bill;
which was committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

A BILL

To provide for reconciliation pursuant to title II of the concurrent resolution on the budget for fiscal year 2017.

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 Care
 5 Act of 2017”.

6 **SEC. 2. TABLE OF CONTENTS.**

7 The table of contents of this Act is as follows:

- Sec. 1. Short title.
- Sec. 2. Table of contents.

TITLE I—ENERGY AND COMMERCE

Subtitle A—Patient Access to Public Health Programs

- Sec. 101. The Prevention and Public Health Fund.
- Sec. 102. Community health center program.
- Sec. 103. Federal payments to States.

Subtitle B—Medicaid Program Enhancement

- Sec. 111. Repeal of Medicaid provisions.
- Sec. 112. Repeal of Medicaid expansion.
- Sec. 113. Elimination of DSH cuts.
- Sec. 114. Reducing State Medicaid costs.
- Sec. 115. Safety net funding for non-expansion States.
- Sec. 116. Providing incentives for increased frequency of eligibility redeterminations.

Subtitle C—Per Capita Allotment for Medical Assistance

- Sec. 121. Per capita allotment for medical assistance.

Subtitle D—Patient Relief and Health Insurance Market Stability

- Sec. 131. Repeal of cost-sharing subsidy.
- Sec. 132. Patient and State Stability Fund.
- Sec. 133. Continuous health insurance coverage incentive.
- Sec. 134. Increasing coverage options.
- Sec. 135. Change in permissible age variation in health insurance premium rates.

TITLE II—COMMITTEE ON WAYS AND MEANS

Subtitle A—Repeal and Replace of Health-Related Tax Policy

- Sec. 201. Recapture excess advance payments of premium tax credits.
- Sec. 202. Additional modifications to premium tax credit.
- Sec. 203. Premium tax credit.
- Sec. 204. Small business tax credit.
- Sec. 205. Individual mandate.

- Sec. 206. Employer mandate.
- Sec. 207. Repeal of the tax on employee health insurance premiums and health plan benefits.
- Sec. 208. Repeal of tax on over-the-counter medications.
- Sec. 209. Repeal of increase of tax on health savings accounts.
- Sec. 210. Repeal of limitations on contributions to flexible spending accounts.
- Sec. 211. Repeal of medical device excise tax.
- Sec. 212. Repeal of elimination of deduction for expenses allocable to medicare part D subsidy.
- Sec. 213. Repeal of increase in income threshold for determining medical care deduction.
- Sec. 214. Repeal of Medicare tax increase.
- Sec. 215. Refundable tax credit for health insurance coverage.
- Sec. 216. Maximum contribution limit to health savings account increased to amount of deductible and out-of-pocket limitation.
- Sec. 217. Allow both spouses to make catch-up contributions to the same health savings account.
- Sec. 218. Special rule for certain medical expenses incurred before establishment of health savings account.

Subtitle B—Repeal of Certain Consumer Taxes

- Sec. 221. Repeal of tax on prescription medications.
- Sec. 222. Repeal of health insurance tax.

Subtitle C—Repeal of Tanning Tax

- Sec. 231. Repeal of tanning tax.

Subtitle D—Remuneration From Certain Insurers

- Sec. 241. Remuneration from certain insurers.

Subtitle E—Repeal of Net Investment Income Tax

- Sec. 251. Repeal of net investment income tax.

1 **TITLE I—ENERGY AND**
 2 **COMMERCE**
 3 **Subtitle A—Patient Access to**
 4 **Public Health Programs**

5 **SEC. 101. THE PREVENTION AND PUBLIC HEALTH FUND.**

- 6 (a) IN GENERAL.—Subsection (b) of section 4002 of
 7 the Patient Protection and Affordable Care Act (42
 8 U.S.C. 300u–11), as amended by section 5009 of the 21st
 9 Century Cures Act, is amended—

1 (1) in paragraph (2), by adding “and” at the
2 end;

3 (2) in paragraph (3)—

4 (A) by striking “each of fiscal years 2018
5 and 2019” and inserting “fiscal year 2018”;
6 and

7 (B) by striking the semicolon at the end
8 and inserting a period; and

9 (3) by striking paragraphs (4) through (8).

10 (b) RESCISSION OF UNOBLIGATED FUNDS.—Of the
11 funds made available by such section 4002, the unobli-
12 gated balance at the end of fiscal year 2018 is rescinded.

13 **SEC. 102. COMMUNITY HEALTH CENTER PROGRAM.**

14 Effective as if included in the enactment of the Medi-
15 care Access and CHIP Reauthorization Act of 2015 (Pub-
16 lic Law 114–10, 129 Stat. 87), paragraph (1) of section
17 221(a) of such Act is amended by inserting “, and an ad-
18 ditional \$422,000,000 for fiscal year 2017” after “2017”.

19 **SEC. 103. FEDERAL PAYMENTS TO STATES.**

20 (a) IN GENERAL.—Notwithstanding section 504(a),
21 1902(a)(23), 1903(a), 2002, 2005(a)(4), 2102(a)(7), or
22 2105(a)(1) of the Social Security Act (42 U.S.C. 704(a),
23 1396a(a)(23), 1396b(a), 1397a, 1397d(a)(4),
24 1397bb(a)(7), 1397ee(a)(1)), or the terms of any Med-
25 icaid waiver in effect on the date of enactment of this Act

1 that is approved under section 1115 or 1915 of the Social
2 Security Act (42 U.S.C. 1315, 1396n), for the 1-year pe-
3 riod beginning on the date of the enactment of this Act,
4 no Federal funds provided from a program referred to in
5 this subsection that is considered direct spending for any
6 year may be made available to a State for payments to
7 a prohibited entity, whether made directly to the prohib-
8 ited entity or through a managed care organization under
9 contract with the State.

10 (b) DEFINITIONS.—In this section:

11 (1) PROHIBITED ENTITY.—The term “prohib-
12 ited entity” means an entity, including its affiliates,
13 subsidiaries, successors, and clinics—

14 (A) that, as of the date of enactment of
15 this Act—

16 (i) is an organization described in sec-
17 tion 501(c)(3) of the Internal Revenue
18 Code of 1986 and exempt from tax under
19 section 501(a) of such Code;

20 (ii) is an essential community provider
21 described in section 156.235 of title 45,
22 Code of Federal Regulations (as in effect
23 on the date of enactment of this Act), that
24 is primarily engaged in family planning

1 services, reproductive health, and related
2 medical care; and

3 (iii) provides for abortions, other than
4 an abortion—

5 (I) if the pregnancy is the result
6 of an act of rape or incest; or

7 (II) in the case where a woman
8 suffers from a physical disorder, phys-
9 ical injury, or physical illness that
10 would, as certified by a physician,
11 place the woman in danger of death
12 unless an abortion is performed, in-
13 cluding a life-endangering physical
14 condition caused by or arising from
15 the pregnancy itself; and

16 (B) for which the total amount of Federal
17 and State expenditures under the Medicaid pro-
18 gram under title XIX of the Social Security Act
19 in fiscal year 2014 made directly to the entity
20 and to any affiliates, subsidiaries, successors, or
21 clinics of the entity, or made to the entity and
22 to any affiliates, subsidiaries, successors, or
23 clinics of the entity as part of a nationwide
24 health care provider network, exceeded
25 \$350,000,000.

1 (2) DIRECT SPENDING.—The term “direct
2 spending” has the meaning given that term under
3 section 250(c) of the Balanced Budget and Emer-
4 gency Deficit Control Act of 1985 (2 U.S.C. 900(c)).

5 **Subtitle B—Medicaid Program** 6 **Enhancement**

7 **SEC. 111. REPEAL OF MEDICAID PROVISIONS.**

8 The Social Security Act is amended—

9 (1) in section 1902 (42 U.S.C. 1396a)—

10 (A) in subsection (a)(47)(B), by inserting
11 “and provided that any such election shall cease
12 to be effective on January 1, 2020, and no such
13 election shall be made after that date” before
14 the semicolon at the end; and

15 (B) in subsection (l)(2)(C), by inserting
16 “and ending December 31, 2019,” after “Janu-
17 ary 1, 2014,”;

18 (2) in section 1915(k)(2) (42 U.S.C.
19 1396n(k)(2)), by striking “during the period de-
20 scribed in paragraph (1)” and inserting “on or after
21 the date referred to in paragraph (1) and before
22 January 1, 2020”; and

23 (3) in section 1920(e) (42 U.S.C. 1396r–1(e)),
24 by striking “under clause (i)(VIII), clause (i)(IX), or
25 clause (ii)(XX) of subsection (a)(10)(A)” and insert-

1 ing “under clause (i)(VIII) or clause (ii)(XX) of sec-
2 tion 1902(a)(10)(A) before January 1, 2020, section
3 1902(a)(10)(A)(i)(IX),”.

4 **SEC. 112. REPEAL OF MEDICAID EXPANSION.**

5 (a) IN GENERAL.—Section 1902(a)(10)(A) of the So-
6 cial Security Act (42 U.S.C. 1396a(a)(10)(A)) is amend-
7 ed—

8 (1) in clause (i)(VIII), by inserting “at the op-
9 tion of a State,” after “January 1, 2014,”; and

10 (2) in clause (ii)(XX), by inserting “and ending
11 December 31, 2019,” after “2014,”.

12 (b) TERMINATION OF EFMAP FOR NEW ACA EX-
13 PANSION ENROLLEES.—Section 1905 of the Social Secu-
14 rity Act (42 U.S.C. 1396d) is amended—

15 (1) in subsection (y)(1), in the matter preceding
16 subparagraph (A), by striking “with respect to” and
17 all that follows through “shall be” and inserting
18 “with respect to amounts expended before January
19 1, 2020, by such State for medical assistance for
20 newly eligible individuals described in subclause
21 (VIII) of section 1902(a)(10)(A)(i) who are enrolled
22 under the State plan (or a waiver of the plan) before
23 such date and with respect to amounts expended
24 after such date by such State for medical assistance
25 for individuals described in such subclause who were

1 enrolled under such plan (or waiver of such plan) as
2 of December 31, 2019, and who do not have a break
3 in eligibility for medical assistance under such State
4 plan (or waiver) for more than one month after such
5 date, shall be”; and

6 (2) in subsection (z)(2)—

7 (A) in subparagraph (A), by striking
8 “medical assistance for individuals” and all that
9 follows through “shall be” and inserting
10 “amounts expended before January 1, 2020, by
11 such State for medical assistance for individuals
12 described in section 1902(a)(10)(A)(i)(VIII)
13 who are nonpregnant childless adults with re-
14 spect to whom the State may require enrollment
15 in benchmark coverage under section 1937 and
16 who are enrolled under the State plan (or a
17 waiver of the plan) before such date and with
18 respect to amounts expended after such date by
19 such State for medical assistance for individuals
20 described in such section, who are nonpregnant
21 childless adults with respect to whom the State
22 may require enrollment in benchmark coverage
23 under section 1937, who were enrolled under
24 such plan (or waiver of such plan) as of Decem-
25 ber 31, 2019, and who do not have a break in

1 eligibility for medical assistance under such
2 State plan (or waiver) for more than one month
3 after such date, shall be”; and

4 (B) in subparagraph (B)(ii)—

5 (i) in subclause (III), by adding
6 “and” at the end; and

7 (ii) by striking subclauses (IV), (V),
8 and (VI) and inserting the following new
9 subclause:

10 “(IV) 2017 and each subsequent year is 80
11 percent.”.

12 (c) SUNSET OF ESSENTIAL HEALTH BENEFITS RE-
13 QUIREMENT.—Section 1937(b)(5) of the Social Security
14 Act (42 U.S.C. 1396u–7(b)(5)) is amended by adding at
15 the end the following: “This paragraph shall not apply
16 after December 31, 2019.”.

17 **SEC. 113. ELIMINATION OF DSH CUTS.**

18 Section 1923(f) of the Social Security Act (42 U.S.C.
19 1396r–4(f)) is amended—

20 (1) in paragraph (7)—

21 (A) in subparagraph (A)—

22 (i) in clause (i)—

23 (I) in the matter preceding sub-
24 clause (I), by striking “2025” and in-
25 serting “2019”; and

1 (ii) in clause (ii)—

2 (I) in subclause (I), by adding
3 “and” at the end;

4 (II) in subclause (II), by striking
5 the semicolon at the end and inserting
6 a period; and

7 (III) by striking subclauses (III)
8 through (VIII); and

9 (B) by adding at the end the following new
10 subparagraph:

11 “(C) EXEMPTION FROM EXEMPTION FOR
12 NON-EXPANSION STATES.—

13 “(i) IN GENERAL.—In the case of a
14 State that is a non-expansion State for a
15 fiscal year, subparagraph (A)(i) shall not
16 apply to the DSH allotment for such State
17 and fiscal year.

18 “(ii) NO CHANGE IN REDUCTION FOR
19 EXPANSION STATES.—In the case of a
20 State that is an expansion State for a fis-
21 cal year, the DSH allotment for such State
22 and fiscal year shall be determined as if
23 clause (i) did not apply.

24 “(iii) NON-EXPANSION AND EXPAN-
25 SION STATE DEFINED.—

1 “(I) The term ‘expansion State’
2 means with respect to a fiscal year, a
3 State that, as of July 1 of the pre-
4 ceding fiscal year, provides for eligi-
5 bility under clause (i)(VIII) or
6 (ii)(XX) of section 1902(a)(10)(A) for
7 medical assistance under this title (or
8 a waiver of the State plan approved
9 under section 1115).

10 “(II) The term ‘non-expansion
11 State’ means, with respect to a fiscal
12 year, a State that is not an expansion
13 State.”; and

14 (2) in paragraph (8), by striking “fiscal year
15 2025” and inserting “fiscal year 2019”.

16 **SEC. 114. REDUCING STATE MEDICAID COSTS.**

17 (a) LETTING STATES DISENROLL HIGH DOLLAR
18 LOTTERY WINNERS.—

19 (1) IN GENERAL.—Section 1902 of the Social
20 Security Act (42 U.S.C. 1396a) is amended—

21 (A) in subsection (a)(17), by striking
22 “(e)(14), (e)(14)” and inserting “(e)(14),
23 (e)(15)”;

24 (B) in subsection (e)—

1 (i) in paragraph (14) (relating to
2 modified adjusted gross income), by adding
3 at the end the following new subparagraph:

4 “(J) TREATMENT OF CERTAIN LOTTERY
5 WINNINGS AND INCOME RECEIVED AS A LUMP
6 SUM.—

7 “(i) IN GENERAL.—In the case of an
8 individual who is the recipient of qualified
9 lottery winnings (pursuant to lotteries oc-
10 ccurring on or after January 1, 2020) or
11 qualified lump sum income (received on or
12 after such date) and whose eligibility for
13 medical assistance is determined based on
14 the application of modified adjusted gross
15 income under subparagraph (A), a State
16 shall, in determining such eligibility, in-
17 clude such winnings or income (as applica-
18 ble) as income received—

19 “(I) in the month in which such
20 winnings or income (as applicable) is
21 received if the amount of such
22 winnings or income is less than
23 \$80,000;

24 “(II) over a period of 2 months
25 if the amount of such winnings or in-

1 come (as applicable) is greater than or
2 equal to \$80,000 but less than
3 \$90,000;

4 “(III) over a period of 3 months
5 if the amount of such winnings or in-
6 come (as applicable) is greater than or
7 equal to \$90,000 but less than
8 \$100,000; and

9 “(IV) over a period of 3 months
10 plus 1 additional month for each in-
11 crement of \$10,000 of such winnings
12 or income (as applicable) received, not
13 to exceed a period of 120 months (for
14 winnings or income of \$1,260,000 or
15 more), if the amount of such winnings
16 or income is greater than or equal to
17 \$100,000.

18 “(ii) COUNTING IN EQUAL INSTALL-
19 MENTS.—For purposes of subclauses (II),
20 (III), and (IV) of clause (i), winnings or
21 income to which such subclause applies
22 shall be counted in equal monthly install-
23 ments over the period of months specified
24 under such subclause.

1 “(iii) **HARDSHIP EXEMPTION.**—An in-
2 dividual whose income, by application of
3 clause (i), exceeds the applicable eligibility
4 threshold established by the State, may
5 continue to be eligible for medical assist-
6 ance to the extent that the State deter-
7 mines, under procedures established by the
8 State under the State plan (or in the case
9 of a waiver of the plan under section 1115,
10 incorporated in such waiver), or as other-
11 wise established by such State in accord-
12 ance with such standards as may be speci-
13 fied by the Secretary, that the denial of eli-
14 gibility of the individual would cause an
15 undue medical or financial hardship as de-
16 termined on the basis of criteria estab-
17 lished by the Secretary.

18 “(iv) **NOTIFICATIONS AND ASSIST-**
19 **ANCE REQUIRED IN CASE OF LOSS OF ELI-**
20 **GIBILITY.**—A State shall, with respect to
21 an individual who loses eligibility for med-
22 ical assistance under the State plan (or a
23 waiver of such plan) by reason of clause
24 (i), before the date on which the individual
25 loses such eligibility, inform the individual

1 of the date on which the individual would
2 no longer be considered ineligible by reason
3 of such clause to receive medical assistance
4 under the State plan or under any waiver
5 of such plan and the date on which the in-
6 dividual would be eligible to reapply to re-
7 ceive such medical assistance.

8 “(v) QUALIFIED LOTTERY WINNINGS
9 DEFINED.—In this subparagraph, the term
10 ‘qualified lottery winnings’ means winnings
11 from a sweepstakes, lottery, or pool de-
12 scribed in paragraph (3) of section 4402 of
13 the Internal Revenue Code of 1986 or a
14 lottery operated by a multistate or multi-
15 jurisdictional lottery association, including
16 amounts awarded as a lump sum payment.

17 “(vi) QUALIFIED LUMP SUM INCOME
18 DEFINED.—In this subparagraph, the term
19 ‘qualified lump sum income’ means income
20 that is received as a lump sum from one
21 of the following sources:

22 “(I) Monetary winnings from
23 gambling (as defined by the Secretary
24 and including monetary winnings from
25 gambling activities described in sec-

1 tion 1955(b)(4) of title 18, United
2 States Code).

3 “(II) Income received as liquid
4 assets from the estate (as defined in
5 section 1917(b)(4)) of a deceased in-
6 dividual.”; and

7 (ii) by striking “(14) EXCLUSION”
8 and inserting “(15) EXCLUSION”.

9 (2) RULES OF CONSTRUCTION.—

10 (A) INTERCEPTION OF LOTTERY WINNINGS
11 ALLOWED.—Nothing in the amendment made
12 by paragraph (1)(B)(i) shall be construed as
13 preventing a State from intercepting the State
14 lottery winnings awarded to an individual in the
15 State to recover amounts paid by the State
16 under the State Medicaid plan under title XIX
17 of the Social Security Act for medical assistance
18 furnished to the individual.

19 (B) APPLICABILITY LIMITED TO ELIGI-
20 BILITY OF RECIPIENT OF LOTTERY WINNINGS
21 OR LUMP SUM INCOME.—Nothing in the amend-
22 ment made by paragraph (1)(B)(i) shall be con-
23 strued, with respect to a determination of
24 household income for purposes of a determina-
25 tion of eligibility for medical assistance under

1 the State plan under title XIX of the Social Se-
2 curity Act (42 U.S.C. 1396 et seq.) (or a waiver
3 of such plan) made by applying modified ad-
4 justed gross income under subparagraph (A) of
5 section 1902(e)(14) of such Act (42 U.S.C.
6 1396a(e)(14)), as limiting the eligibility for
7 such medical assistance of any individual that is
8 a member of the household other than the indi-
9 vidual (or the individual's spouse) who received
10 qualified lottery winnings or qualified lump-sum
11 income (as defined in subparagraph (J) of such
12 section 1902(e)(14), as added by paragraph
13 (1)(B)(i) of this subsection).

14 (b) REPEAL OF RETROACTIVE ELIGIBILITY.—

15 (1) IN GENERAL.—

16 (A) STATE PLAN REQUIREMENTS.—Section
17 1902(a)(34) of the Social Security Act (42
18 U.S.C. 1396a(a)(34)) is amended by striking
19 “in or after the third month before the month
20 in which he made application” and inserting “in
21 or after the month in which the individual made
22 application”.

23 (B) DEFINITION OF MEDICAL ASSIST-
24 ANCE.—Section 1905(a) of the Social Security
25 Act (42 U.S.C. 1396d(a)) is amended by strik-

1 ing “in or after the third month before the
2 month in which the recipient makes application
3 for assistance” and inserting “in or after the
4 month in which the recipient makes application
5 for assistance”.

6 (2) EFFECTIVE DATE.—The amendments made
7 by paragraph (1) shall apply to medical assistance
8 with respect to individuals whose eligibility for such
9 assistance is based on an application for such assist-
10 ance made (or deemed to be made) on or after Octo-
11 ber 1, 2017.

12 (c) ENSURING STATES ARE NOT FORCED TO PAY
13 FOR INDIVIDUALS INELIGIBLE FOR THE PROGRAM.—

14 (1) IN GENERAL.—Section 1137(f) of the Social
15 Security Act (42 U.S.C. 1320b–7(f)) is amended—

16 (A) by striking “Subsections (a)(1) and
17 (d)” and inserting “(1) Subsections (a)(1) and
18 (d)”; and

19 (B) by adding at the end the following new
20 paragraph:

21 “(2)(A) Subparagraphs (A) and (B)(ii) of subsection
22 (d)(4) shall not apply in the case of an initial determina-
23 tion made on or after the date that is 6 months after the
24 date of the enactment of this paragraph with respect to

1 the eligibility of an alien described in subparagraph (B)
2 for benefits under the program listed in subsection (b)(2).

3 “(B) An alien described in this subparagraph is an
4 individual declaring to be a citizen or national of the
5 United States with respect to whom a State, in accordance
6 with section 1902(a)(46)(B), requires—

7 “(i) pursuant to 1902(ee), the submission of a
8 social security number; or

9 “(ii) pursuant to 1903(x), the presentation of
10 satisfactory documentary evidence of citizenship or
11 nationality.”.

12 (2) NO PAYMENTS FOR MEDICAL ASSISTANCE
13 PROVIDED BEFORE PRESENTATION OF EVIDENCE.—
14 Section 1903(i)(22) of the Social Security Act (42
15 U.S.C. 1396b(i)(22)) is amended—

16 (A) by striking “with respect to amounts
17 expended” and inserting “(A) with respect to
18 amounts expended”;

19 (B) by inserting “and” at the end; and

20 (C) by adding at the end the following new
21 subparagraph:

22 “(B) in the case of a State that elects to pro-
23 vide a reasonable period to present satisfactory doc-
24 umentary evidence of such citizenship or nationality
25 pursuant to paragraph (2)(C) of section 1902(ee) or

1 paragraph (4) of subsection (x) of this section, for
2 amounts expended for medical assistance for such an
3 individual (other than an individual described in
4 paragraph (2) of such subsection (x)) during such
5 period;”.

6 (3) CONFORMING AMENDMENTS.—Section
7 1137(d)(4) of the Social Security Act (42 U.S.C.
8 1320b–7(d)(4)) is amended—

9 (A) in subparagraph (A), in the matter
10 preceding clause (i), by inserting “subject to
11 subsection (f)(2),” before “the State”; and

12 (B) in subparagraph (B)(ii), by inserting
13 “subject to subsection (f)(2),” before “pending
14 such verification”.

15 (d) UPDATING ALLOWABLE HOME EQUITY LIMITS
16 IN MEDICAID.—

17 (1) IN GENERAL.—Section 1917(f)(1) of the
18 Social Security Act (42 U.S.C. 1396p(f)(1)) is
19 amended—

20 (A) in subparagraph (A), by striking “sub-
21 paragraphs (B) and (C)” and inserting “sub-
22 paragraph (B)”;

23 (B) by striking subparagraph (B);

24 (C) by redesignating subparagraph (C) as
25 subparagraph (B); and

1 (D) in subparagraph (B), as so redesignated,
2 nated, by striking “dollar amounts specified in
3 this paragraph” and inserting “dollar amount
4 specified in subparagraph (A)”.

5 (2) EFFECTIVE DATE.—

6 (A) IN GENERAL.—The amendments made
7 by paragraph (1) shall apply with respect to eli-
8 gibility determinations made after the date that
9 is 180 days after the date of the enactment of
10 this section.

11 (B) EXCEPTION FOR STATE LEGISLA-
12 TION.—In the case of a State plan under title
13 XIX of the Social Security Act that the Sec-
14 retary of Health and Human Services deter-
15 mines requires State legislation in order for the
16 respective plan to meet any requirement im-
17 posed by amendments made by this subsection,
18 the respective plan shall not be regarded as fail-
19 ing to comply with the requirements of such
20 title solely on the basis of its failure to meet
21 such an additional requirement before the first
22 day of the first calendar quarter beginning after
23 the close of the first regular session of the
24 State legislature that begins after the date of
25 the enactment of this Act. For purposes of the

1 previous sentence, in the case of a State that
2 has a 2-year legislative session, each year of the
3 session shall be considered to be a separate reg-
4 ular session of the State legislature.

5 **SEC. 115. SAFETY NET FUNDING FOR NON-EXPANSION**
6 **STATES.**

7 Title XIX of the Social Security Act is amended by
8 inserting after section 1923 (42 U.S.C. 1396r-4) the fol-
9 lowing new section:

10 “ADJUSTMENT IN PAYMENT FOR SERVICES OF SAFETY
11 NET PROVIDERS IN NON-EXPANSION STATES

12 “SEC. 1923A. (a) IN GENERAL.—Subject to the limi-
13 tations of this section, for each year during the period be-
14 ginning with 2018 and ending with 2021, each State that
15 is one of the 50 States or the District of Columbia and
16 that, as of July 1 of the preceding year, did not provide
17 for eligibility under clause (i)(VIII) or (ii)(XX) of section
18 1902(a)(10)(A) for medical assistance under this title (or
19 a waiver of the State plan approved under section 1115)
20 (each such State or District referred to in this section for
21 the year as a ‘non-expansion State’) may adjust the pay-
22 ment amounts otherwise provided under the State plan
23 under this title (or a waiver of such plan) to health care
24 providers that provide health care services to individuals
25 enrolled under this title (in this section referred to as ‘eli-
26 gible providers’).

1 “(b) INCREASE IN APPLICABLE FMAP.—Notwith-
2 standing section 1905(b), the Federal medical assistance
3 percentage applicable with respect to expenditures attrib-
4 utable to a payment adjustment under subsection (a) for
5 which payment is permitted under subsection (c) shall be
6 equal to—

7 “(1) 100 percent for calendar quarters in cal-
8 endar years 2018, 2019, 2020, and 2021; and

9 “(2) 95 percent for calendar quarters in cal-
10 endar year 2022.

11 “(c) LIMITATIONS; DISQUALIFICATION OF STATES.—

12 “(1) ANNUAL ALLOTMENT LIMITATION.—Pay-
13 ment under section 1903(a) shall not be made to a
14 State with respect to any payment adjustment made
15 under this section for all calendar quarters in a year
16 in excess of the \$2,000,000,000 multiplied by the
17 ratio of—

18 “(A) the population of the State with in-
19 come below 138 percent of the poverty line in
20 2015 (as determined based the table entitled
21 ‘Health Insurance Coverage Status and Type
22 by Ratio of Income to Poverty Level in the Past
23 12 Months by Age’ for the universe of the civil-
24 ian noninstitutionalized population for whom
25 poverty status is determined based on the 2015

1 American Community Survey 1-Year Estimates,
2 as published by the Bureau of the Census), to

3 “(B) the sum of the populations under
4 subparagraph (A) for all non-expansion States.

5 “(2) LIMITATION ON PAYMENT ADJUSTMENT
6 AMOUNT FOR INDIVIDUAL PROVIDERS.—The amount
7 of a payment adjustment under subsection (a) for an
8 eligible provider may not exceed the provider’s costs
9 incurred in furnishing health care services (as deter-
10 mined by the Secretary and net of payments under
11 this title, other than under this section, and by unin-
12 sured patients) to individuals who either are eligible
13 for medical assistance under the State plan (or
14 under a waiver of such plan) or have no health in-
15 surance or health plan coverage for such services.

16 “(d) DISQUALIFICATION IN CASE OF STATE COV-
17 ERAGE EXPANSION.—If a State is a non-expansion for a
18 year and provides eligibility for medical assistance de-
19 scribed in subsection (a) during the year, the State shall
20 no longer be treated as a non-expansion State under this
21 section for any subsequent years.”.

1 **SEC. 116. PROVIDING INCENTIVES FOR INCREASED FRE-**
2 **QUENCY OF ELIGIBILITY REDETERMINA-**
3 **TIONS.**

4 (a) **IN GENERAL.**—Section 1902(e)(14) of the Social
5 Security Act (42 U.S.C. 1396a(e)(14)) (relating to modi-
6 fied adjusted gross income), as amended by section
7 114(a)(1), is further amended by adding at the end the
8 following:

9 “(K) **FREQUENCY OF ELIGIBILITY REDE-**
10 **TERMINATIONS.**—Beginning on October 1,
11 2017, and notwithstanding subparagraph (H),
12 in the case of an individual whose eligibility for
13 medical assistance under the State plan under
14 this title (or a waiver of such plan) is deter-
15 mined based on the application of modified ad-
16 justed gross income under subparagraph (A)
17 and who is so eligible on the basis of clause
18 (i)(VIII) or clause (ii)(XX) of subsection
19 (a)(10)(A), a State shall redetermine such indi-
20 vidual’s eligibility for such medical assistance
21 no less frequently than once every 6 months.”.

22 (b) **CIVIL MONETARY PENALTY.**—Section 1128A(a)
23 of the Social Security Act (42 U.S.C. 1320a–7a(a)) is
24 amended, in the matter following paragraph (10), by strik-
25 ing “(or, in cases under paragraph (3))” and inserting the
26 following: “(or, in cases under paragraph (1) in which an

1 individual was knowingly enrolled on or after October 1,
2 2017, pursuant to section 1902(a)(10)(A)(i)(VIII) for
3 medical assistance under the State plan under title XIX
4 whose income does not meet the income threshold specified
5 in such section or in which a claim was presented on or
6 after October 1, 2017, as a claim for an item or service
7 furnished to an individual described in such section but
8 whose enrollment under such State plan is not made on
9 the basis of such individual's meeting the income threshold
10 specified in such section, \$20,000 for each such individual
11 or claim; in cases under paragraph (3)''.

12 (c) INCREASED ADMINISTRATIVE MATCHING PER-
13 CENTAGE.—For each calendar quarter during the period
14 beginning on October 1, 2017, and ending on December
15 31, 2019, the Federal matching percentage otherwise ap-
16 plicable under section 1903(a) of the Social Security Act
17 (42 U.S.C. 1396b(a)) with respect to State expenditures
18 during such quarter that are attributable to meeting the
19 requirement of section 1902(e)(14) (relating to determina-
20 tions of eligibility using modified adjusted gross income)
21 of such Act shall be increased by 5 percentage points with
22 respect to State expenditures attributable to activities car-
23 ried out by the State (and approved by the Secretary) to
24 increase the frequency of eligibility redeterminations re-
25 quired by subparagraph (K) of such section (relating to

1 eligibility redeterminations made on a 6-month basis) (as
2 added by subsection (a)).

3 **Subtitle C—Per Capita Allotment**
4 **for Medical Assistance**

5 **SEC. 121. PER CAPITA ALLOTMENT FOR MEDICAL ASSIST-**
6 **ANCE.**

7 Title XIX of the Social Security Act is amended—

8 (1) in section 1903 (42 U.S.C. 1396b)—

9 (A) in subsection (a), in the matter before
10 paragraph (1), by inserting “and section
11 1903A(a)” after “except as otherwise provided
12 in this section”; and

13 (B) in subsection (d)(1), by striking “to
14 which” and inserting “to which, subject to sec-
15 tion 1903A(a),”; and

16 (2) by inserting after such section 1903 the fol-
17 lowing new section:

18 **“SEC. 1903A. PER CAPITA-BASED CAP ON PAYMENTS FOR**
19 **MEDICAL ASSISTANCE.**

20 **“(a) APPLICATION OF PER CAPITA CAP ON PAY-**
21 **MENTS FOR MEDICAL ASSISTANCE EXPENDITURES.—**

22 **“(1) IN GENERAL.—**If a State has excess ag-
23 gregate medical assistance expenditures (as defined
24 in paragraph (2)) for a fiscal year (beginning with
25 fiscal year 2020), the amount of payment to the

1 State under section 1903(a)(1) for each quarter in
2 the following fiscal year shall be reduced by $\frac{1}{4}$ of
3 the excess aggregate medical assistance payments
4 (as defined in paragraph (3)) for that previous fiscal
5 year. In this section, the term ‘State’ means only the
6 50 States and the District of Columbia.

7 “(2) EXCESS AGGREGATE MEDICAL ASSISTANCE
8 EXPENDITURES.—In this subsection, the term ‘ex-
9 cess aggregate medical assistance expenditures’
10 means, for a State for a fiscal year, the amount (if
11 any) by which—

12 “(A) the amount of the adjusted total med-
13 ical assistance expenditures (as defined in sub-
14 section (b)(1)) for the State and fiscal year; ex-
15 ceeds

16 “(B) the amount of the target total med-
17 ical assistance expenditures (as defined in sub-
18 section (c)) for the State and fiscal year.

19 “(3) EXCESS AGGREGATE MEDICAL ASSISTANCE
20 PAYMENTS.—In this subsection, the term ‘excess ag-
21 gregate medical assistance payments’ means, for a
22 State for a fiscal year, the product of—

23 “(A) the excess aggregate medical assist-
24 ance expenditures (as defined in paragraph (2))
25 for the State for the fiscal year; and

1 “(B) the Federal average medical assist-
2 ance matching percentage (as defined in para-
3 graph (4)) for the State for the fiscal year.

4 “(4) FEDERAL AVERAGE MEDICAL ASSISTANCE
5 MATCHING PERCENTAGE.—In this subsection, the
6 term ‘Federal average medical assistance matching
7 percentage’ means, for a State for a fiscal year, the
8 ratio (expressed as a percentage) of—

9 “(A) the amount of the Federal payments
10 that would be made to the State under section
11 1903(a)(1) for medical assistance expenditures
12 for calendar quarters in the fiscal year if para-
13 graph (1) did not apply; to

14 “(B) the amount of the medical assistance
15 expenditures for the State and fiscal year.

16 “(b) ADJUSTED TOTAL MEDICAL ASSISTANCE EX-
17 PENDITURES.—Subject to subsection (g), the following
18 shall apply:

19 “(1) IN GENERAL.—In this section, the term
20 ‘adjusted total medical assistance expenditures’
21 means, for a State—

22 “(A) for fiscal year 2016, the product of—

23 “(i) the amount of the medical assist-
24 ance expenditures (as defined in paragraph
25 (2)) for the State and fiscal year, reduced

1 by the amount of any excluded expendi-
2 tures (as defined in paragraph (3)) for the
3 State and fiscal year otherwise included in
4 such medical assistance expenditures; and

5 “(ii) the 1903A FY16 population per-
6 centage (as defined in paragraph (4)) for
7 the State; or

8 “(B) for fiscal year 2019 or a subsequent
9 fiscal year, the amount of the medical assist-
10 ance expenditures (as defined in paragraph (2))
11 for the State and fiscal year that is attributable
12 to 1903A enrollees, reduced by the amount of
13 any excluded expenditures (as defined in para-
14 graph (3)) for the State and fiscal year other-
15 wise included in such medical assistance ex-
16 penditures.

17 “(2) MEDICAL ASSISTANCE EXPENDITURES.—

18 In this section, the term ‘medical assistance expendi-
19 tures’ means, for a State and fiscal year, the med-
20 ical assistance payments as reported by medical
21 service category on the Form CMS-64 quarterly ex-
22 pense report (or successor to such a report form,
23 and including enrollment data and subsequent ad-
24 justments to any such report, in this section referred
25 to collectively as a ‘CMS-64 report’) that directly re-

1 sult from providing medical assistance under the
2 State plan (including under a waiver of the plan) for
3 which payment is (or may otherwise be) made pur-
4 suant to section 1903(a)(1).

5 “(3) EXCLUDED EXPENDITURES.—In this sec-
6 tion, the term ‘excluded expenditures’ means, for a
7 State and fiscal year, expenditures under the State
8 plan (or under a waiver of such plan) that are at-
9 tributable to any of the following:

10 “(A) DSH.—Payment adjustments made
11 for disproportionate share hospitals under sec-
12 tion 1923.

13 “(B) MEDICARE COST-SHARING.—Pay-
14 ments made for medicare cost-sharing (as de-
15 fined in section 1905(p)(3)).

16 “(C) SAFETY NET PROVIDER PAYMENT AD-
17 JUSTMENTS IN NON-EXPANSION STATES.—Pay-
18 ment adjustments under subsection (a) of sec-
19 tion 1923A for which payment is permitted
20 under subsection (c) of such section.

21 “(4) 1903A FY 16 POPULATION PERCENTAGE.—
22 In this subsection, the term ‘1903A FY16 popu-
23 lation percentage’ means, for a State, the Sec-
24 retary’s calculation of the percentage of the actual
25 medical assistance expenditures, as reported by the

1 State on the CMS–64 reports for calendar quarters
2 in fiscal year 2016, that are attributable to 1903A
3 enrollees (as defined in subsection (e)(1)).

4 “(c) TARGET TOTAL MEDICAL ASSISTANCE EXPEND-
5 ITURES.—

6 “(1) CALCULATION.—In this section, the term
7 ‘target total medical assistance expenditures’ means,
8 for a State for a fiscal year, the sum of the prod-
9 ucts, for each of the 1903A enrollee categories (as
10 defined in subsection (e)(2)), of—

11 “(A) the target per capita medical assist-
12 ance expenditures (as defined in paragraph (2))
13 for the enrollee category, State, and fiscal year;
14 and

15 “(B) the number of 1903A enrollees for
16 such enrollee category, State, and fiscal year, as
17 determined under subsection (e)(4).

18 “(2) TARGET PER CAPITA MEDICAL ASSISTANCE
19 EXPENDITURES.—In this subsection, the term ‘tar-
20 get per capita medical assistance expenditures’
21 means, for a 1903A enrollee category, State, and a
22 fiscal year, an amount equal to—

23 “(A) the provisional FY19 target per cap-
24 ita amount for such enrollee category (as cal-

1 culated under subsection (d)(5)) for the State;
2 increased by

3 “(B) the percentage increase in the med-
4 ical care component of the consumer price index
5 for all urban consumers (U.S. city average)
6 from September of 2019 to September of the
7 fiscal year involved.

8 “(d) CALCULATION OF FY19 PROVISIONAL TARGET
9 AMOUNT FOR EACH 1903A ENROLLEE CATEGORY.—Sub-
10 ject to subsection (g), the following shall apply:

11 “(1) CALCULATION OF BASE AMOUNTS FOR FIS-
12 CAL YEAR 2016.—For each State the Secretary shall
13 calculate (and provide notice to the State not later
14 than April 1, 2018, of) the following:

15 “(A) The amount of the adjusted total
16 medical assistance expenditures (as defined in
17 subsection (b)(1)) for the State for fiscal year
18 2016.

19 “(B) The number of 1903A enrollees for
20 the State in fiscal year 2016 (as determined
21 under subsection (e)(4)).

22 “(C) The average per capita medical as-
23 sistance expenditures for the State for fiscal
24 year 2016 equal to—

1 “(i) the amount calculated under sub-
2 paragraph (A); divided by

3 “(ii) the number calculated under sub-
4 paragraph (B).

5 “(2) FISCAL YEAR 2019 AVERAGE PER CAPITA
6 AMOUNT BASED ON INFLATING THE FISCAL YEAR
7 2016 AMOUNT TO FISCAL YEAR 2019 BY CPI-MED-
8 ICAL.—The Secretary shall calculate a fiscal year
9 2019 average per capita amount for each State
10 equal to—

11 “(A) the average per capita medical assist-
12 ance expenditures for the State for fiscal year
13 2016 (calculated under paragraph (1)(C)); in-
14 creased by

15 “(B) the percentage increase in the med-
16 ical care component of the consumer price index
17 for all urban consumers (U.S. city average)
18 from September, 2016 to September, 2019.

19 “(3) AGGREGATE AND AVERAGE EXPENDI-
20 TURES PER CAPITA FOR FISCAL YEAR 2019.—The
21 Secretary shall calculate for each State the fol-
22 lowing:

23 “(A) The amount of the adjusted total
24 medical assistance expenditures (as defined in

1 subsection (b)(1)) for the State for fiscal year
2 2019.

3 “(B) The number of 1903A enrollees for
4 the State in fiscal year 2019 (as determined
5 under subsection (e)(4)).

6 “(4) PER CAPITA EXPENDITURES FOR FISCAL
7 YEAR 2019 FOR EACH 1903A ENROLLEE CATEGORY.—
8 The Secretary shall calculate (and provide notice to
9 each State not later than January 1, 2020, of) the
10 following:

11 “(A)(i) For each 1903A enrollee category,
12 the amount of the adjusted total medical assist-
13 ance expenditures (as defined in subsection
14 (b)(1)) for the State for fiscal year 2019 for in-
15 dividuals in the enrollee category, calculated by
16 excluding from medical assistance expenditures
17 those expenditures attributable to expenditures
18 described in clause (iii) or non-DSH supple-
19 mental expenditures (as defined in clause (ii)).

20 “(ii) In this paragraph, the term ‘non-
21 DSH supplemental expenditure’ means a pay-
22 ment to a provider under the State plan (or
23 under a waiver of the plan) that—

24 “(I) is not made under section 1923;

1 “(II) is not made with respect to a
2 specific item or service for an individual;

3 “(III) is in addition to any payments
4 made to the provider under the plan (or
5 waiver) for any such item or service; and

6 “(IV) complies with the limits for ad-
7 ditional payments to providers under the
8 plan (or waiver) imposed pursuant to sec-
9 tion 1902(a)(30)(A), including the regula-
10 tions specifying upper payment limits
11 under the State plan in part 447 of title
12 42, Code of Federal Regulations (or any
13 successor regulations).

14 “(iii) An expenditure described in this
15 clause is an expenditure that meets the criteria
16 specified in subclauses (I), (II), and (III) of
17 clause (ii) and is authorized under section 1115
18 for the purposes of funding a delivery system
19 reform pool, uncompensated care pool, a des-
20 ignated state health program, or any other
21 similar expenditure (as defined by the Sec-
22 retary).

23 “(B) For each 1903A enrollee category,
24 the number of 1903A enrollees for the State in

1 fiscal year 2019 in the enrollee category (as de-
2 termined under subsection (e)(4)).

3 “(C) For fiscal year 2016, the State’s non-
4 DSH supplemental payment percentage is equal
5 to the ratio (expressed as a percentage) of—

6 “(i) the total amount of non-DSH
7 supplemental expenditures (as defined in
8 subparagraph (A)(ii)) for the State for fis-
9 cal year 2016; to

10 “(ii) the amount described in sub-
11 section (b)(1)(A) for the State for fiscal
12 year 2016.

13 “(D) For each 1903A enrollee category an
14 average medical assistance expenditures per
15 capita for the State for fiscal year 2019 for the
16 enrollee category equal to—

17 “(i) the amount calculated under sub-
18 paragraph (A) for the State, increased by
19 the non-DSH supplemental payment per-
20 centage for the State (as calculated under
21 subparagraph (C)); divided by

22 “(ii) the number calculated under sub-
23 paragraph (B) for the State for the en-
24 rollee category.

1 “(5) PROVISIONAL FY19 PER CAPITA TARGET
2 AMOUNT FOR EACH 1903A ENROLLEE CATEGORY.—
3 Subject to subsection (f)(2), the Secretary shall cal-
4 culate for each State a provisional FY19 per capita
5 target amount for each 1903A enrollee category
6 equal to the average medical assistance expenditures
7 per capita for the State for fiscal year 2019 (as cal-
8 culated under paragraph (4)(D)) for such enrollee
9 category multiplied by the ratio of—

10 “(A) the product of—

11 “(i) the fiscal year 2019 average per
12 capita amount for the State, as calculated
13 under paragraph (2); and

14 “(ii) the number of 1903A enrollees
15 for the State in fiscal year 2019, as cal-
16 culated under paragraph (3)(B); to

17 “(B) the amount of the adjusted total
18 medical assistance expenditures for the State
19 for fiscal year 2019, as calculated under para-
20 graph (3)(A).

21 “(e) 1903A ENROLLEE; 1903A ENROLLEE CAT-
22 EGORY.—Subject to subsection (g), for purposes of this
23 section, the following shall apply:

24 “(1) 1903A ENROLLEE.—The term ‘1903A en-
25 rollee’ means, with respect to a State and a month,

1 any Medicaid enrollee (as defined in paragraph (3))
2 for the month, other than such an enrollee who for
3 such month is in any of the following categories of
4 excluded individuals:

5 “(A) CHIP.—An individual who is pro-
6 vided, under this title in the manner described
7 in section 2101(a)(2), child health assistance
8 under title XXI.

9 “(B) IHS.—An individual who receives
10 any medical assistance under this title for serv-
11 ices for which payment is made under the third
12 sentence of section 1905(b).

13 “(C) BREAST AND CERVICAL CANCER
14 SERVICES ELIGIBLE INDIVIDUAL.—An indi-
15 vidual who is entitled to medical assistance
16 under this title only pursuant to section
17 1902(a)(10)(A)(ii)(XVIII).

18 “(D) PARTIAL-BENEFIT ENROLLEES.—An
19 individual who—

20 “(i) is an alien who is entitled to med-
21 ical assistance under this title only pursu-
22 ant to section 1903(v)(2);

23 “(ii) is entitled to medical assistance
24 under this title only pursuant to subclause
25 (XII) or (XXI) of section

1 1902(a)(10)(A)(ii) (or pursuant to a waiver
2 er that provides only comparable benefits);

3 “(iii) is a dual eligible individual (as
4 defined in section 1915(h)(2)(B)) and is
5 entitled to medical assistance under this
6 title (or under a waiver) only for some or
7 all of medicare cost-sharing (as defined in
8 section 1905(p)(3)); or

9 “(iv) is entitled to medical assistance
10 under this title and for whom the State is
11 providing a payment or subsidy to an em-
12 ployer for coverage of the individual under
13 a group health plan pursuant to section
14 1906 or section 1906A (or pursuant to a
15 waiver that provides only comparable bene-
16 fits).

17 “(2) 1903A ENROLLEE CATEGORY.—The term
18 ‘1903A enrollee category’ means each of the fol-
19 lowing:

20 “(A) ELDERLY.—A category of 1903A en-
21 rollees who are 65 years of age or older.

22 “(B) BLIND AND DISABLED.—A category
23 of 1903A enrollees (not described in the pre-
24 vious subparagraph) who are eligible for med-

1 ical assistance under this title on the basis of
2 being blind or disabled.

3 “(C) CHILDREN.—A category of 1903A
4 enrollees (not described in a previous subpara-
5 graph) who are children under 19 years of age.

6 “(D) EXPANSION ENROLLEES.—A cat-
7 egory of 1903A enrollees (not described in a
8 previous subparagraph) for whom the amounts
9 expended for medical assistance are subject to
10 an increase or change in the Federal medical
11 assistance percentage under subsection (y) or
12 (z)(2), respectively, of section 1905.

13 “(E) OTHER NONELDERLY, NONDISABLED,
14 NON-EXPANSION ADULTS.—A category of
15 1903A enrollees who are not described in any
16 previous subparagraph.

17 “(3) MEDICAID ENROLLEE.—The term ‘Med-
18 icaid enrollee’ means, with respect to a State for a
19 month, an individual who is eligible for medical as-
20 sistance for items or services under this title and en-
21 rolled under the State plan (or a waiver of such
22 plan) under this title for the month.

23 “(4) DETERMINATION OF NUMBER OF 1903A
24 ENROLLEES.—The number of 1903A enrollees for a
25 State and fiscal year, and, if applicable, for a 1903A

1 enrollee category, is the average monthly number of
2 Medicaid enrollees for such State and fiscal year
3 (and, if applicable, in such category) that are re-
4 ported through the CMS-64 report under (and sub-
5 ject to audit under) subsection (h).

6 “(f) SPECIAL PAYMENT RULES.—

7 “(1) APPLICATION IN CASE OF RESEARCH AND
8 DEMONSTRATION PROJECTS AND OTHER WAIVERS.—

9 In the case of a State with a waiver of the State
10 plan approved under section 1115, section 1915, or
11 another provision of this title, this section shall
12 apply to medical assistance expenditures and medical
13 assistance payments under the waiver, in the same
14 manner as if such expenditures and payments had
15 been made under a State plan under this title and
16 the limitations on expenditures under this section
17 shall supersede any other payment limitations or
18 provisions (including limitations based on a per cap-
19 ita limitation) otherwise applicable under such a
20 waiver.

21 “(2) TREATMENT OF STATES EXPANDING COV-
22 ERAGE AFTER FISCAL YEAR 2016.—In the case of a
23 State that did not provide for medical assistance for
24 the 1903A enrollee category described in subsection
25 (e)(2)(D) during fiscal year 2016 but which provides

1 for such assistance for such category in a subse-
2 quent year, the provisional FY19 per capita target
3 amount for such enrollee category under subsection
4 (d)(5) shall be equal to the provisional FY19 per
5 capita target amount for the 1903A enrollee cat-
6 egory described in subsection (e)(2)(E).

7 “(3) IN CASE OF STATE FAILURE TO REPORT
8 NECESSARY DATA.—If a State for any quarter in a
9 fiscal year (beginning with fiscal year 2019) fails to
10 satisfactorily submit data on expenditures and en-
11 rollees in accordance with subsection (h)(1), for such
12 fiscal year and any succeeding fiscal year for which
13 such data are not satisfactorily submitted—

14 “(A) the Secretary shall calculate and
15 apply subsections (a) through (e) with respect
16 to the State as if all 1903A enrollee categories
17 for which such expenditure and enrollee data
18 were not satisfactorily submitted were a single
19 1903A enrollee category; and

20 “(B) the growth factor otherwise applied
21 under subsection (c)(2)(B) shall be decreased
22 by 1 percentage point.

23 “(g) RECALCULATION OF CERTAIN AMOUNTS FOR
24 DATA ERRORS.—The amounts and percentage calculated
25 under paragraphs (1) and (4)(C) of subsection (d) for a

1 State for fiscal year 2016, and the amounts of the ad-
2 justed total medical assistance expenditures calculated
3 under subsection (b) and the number of Medicaid enrollees
4 and 1903A enrollees determined under subsection (e)(4)
5 for a State for fiscal year 2016, fiscal year 2019, and any
6 subsequent fiscal year, may be adjusted by the Secretary
7 based upon an appeal (filed by the State in such a form,
8 manner, and time, and containing such information relat-
9 ing to data errors that support such appeal, as the Sec-
10 retary specifies) that the Secretary determines to be valid,
11 except that any adjustment by the Secretary under this
12 subsection for a State may not result in an increase of
13 the target total medical assistance expenditures exceeding
14 2 percent.

15 “(h) REQUIRED REPORTING AND AUDITING OF
16 CMS-64 DATA; TRANSITIONAL INCREASE IN FEDERAL
17 MATCHING PERCENTAGE FOR CERTAIN ADMINISTRATIVE
18 EXPENSES.—

19 “(1) REPORTING.—In addition to the data re-
20 quired on form Group VIII on the CMS-64 report
21 form as of January 1, 2017, in each CMS-64 report
22 required to be submitted (for each quarter beginning
23 on or after October 1, 2018), the State shall include
24 data on medical assistance expenditures within such
25 categories of services and categories of enrollees (in-

1 including each 1903A enrollee category and each cat-
2 egory of excluded individuals under subsection
3 (e)(1)) and the numbers of enrollees within each of
4 such enrollee categories, as the Secretary determines
5 are necessary (including timely guidance published
6 as soon as possible after the date of the enactment
7 of this section) in order to implement this section
8 and to enable States to comply with the requirement
9 of this paragraph on a timely basis.

10 “(2) AUDITING.—The Secretary shall conduct
11 for each State an audit of the number of individuals
12 and expenditures reported through the CMS–64 re-
13 port for fiscal year 2016, fiscal year 2019, and each
14 subsequent fiscal year, which audit may be con-
15 ducted on a representative sample (as determined by
16 the Secretary).

17 “(3) TEMPORARY INCREASE IN FEDERAL
18 MATCHING PERCENTAGE TO SUPPORT IMPROVED
19 DATA REPORTING SYSTEMS FOR FISCAL YEARS 2018
20 AND 2019.—For amounts expended during calendar
21 quarters beginning on or after October 1, 2017, and
22 before October 1, 2019—

23 “(A) the Federal matching percentage ap-
24 plied under section 1903(a)(3)(A)(i) shall be in-
25 creased by 10 percentage points to 100 percent;

1 “(B) the Federal matching percentage ap-
2 plied under section 1903(a)(3)(B) shall be in-
3 creased by 25 percentage points to 100 percent;
4 and

5 “(C) the Federal matching percentage ap-
6 plied under section 1903(a)(7) shall be in-
7 creased by 10 percentage points to 60 percent
8 but only with respect to amounts expended that
9 are attributable to a State’s additional adminis-
10 trative expenditures to implement the data re-
11 quirements of paragraph (1).”.

12 **Subtitle D—Patient Relief and**
13 **Health Insurance Market Stability**

14 **SEC. 131. REPEAL OF COST-SHARING SUBSIDY.**

15 (a) IN GENERAL.—Section 1402 of the Patient Pro-
16 tection and Affordable Care Act is repealed.

17 (b) EFFECTIVE DATE.—The repeal made by sub-
18 section (a) shall apply to cost-sharing reductions (and pay-
19 ments to issuers for such reductions) for plan years begin-
20 ning after December 31, 2019.

21 **SEC. 132. PATIENT AND STATE STABILITY FUND.**

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

1 **“TITLE XXII—PATIENT AND**
2 **STATE STABILITY FUND**

3 **“SEC. 2201. ESTABLISHMENT OF PROGRAM.**

4 “There is hereby established the ‘Patient and State
5 Stability Fund’ to be administered by the Secretary of
6 Health and Human Services, acting through the Adminis-
7 trator of the Centers for Medicare & Medicaid Services
8 (in this section referred to as the ‘Administrator’), to pro-
9 vide funding, in accordance with this title, to the 50 States
10 and the District of Columbia (each referred to in this sec-
11 tion as a ‘State’) during the period, subject to section
12 2204(c), beginning on January 1, 2018, and ending on
13 December 31, 2026, for the purposes described in section
14 2202.

15 **“SEC. 2202. USE OF FUNDS.**

16 “A State may use the funds allocated to the State
17 under this title for any of the following purposes:

18 “(1) Helping, through the provision of financial
19 assistance, high-risk individuals who do not have ac-
20 cess to health insurance coverage offered through an
21 employer enroll in health insurance coverage in the
22 individual market in the State, as such market is de-
23 fined by the State (whether through the establish-
24 ment of a new mechanism or maintenance of an ex-
25 isting mechanism for such purpose).

1 “(2) Providing incentives to appropriate entities
2 to enter into arrangements with the State to help
3 stabilize premiums for health insurance coverage in
4 the individual market, as such markets are defined
5 by the State.

6 “(3) Reducing the cost for providing health in-
7 surance coverage in the individual market and small
8 group market, as such markets are defined by the
9 State, to individuals who have, or are projected to
10 have, a high rate of utilization of health services (as
11 measured by cost).

12 “(4) Promoting participation in the individual
13 market and small group market in the State and in-
14 creasing health insurance options available through
15 such market.

16 “(5) Promoting access to preventive services;
17 dental care services (whether preventive or medically
18 necessary); vision care services (whether preventive
19 or medically necessary); prevention, treatment, or re-
20 covery support services for individuals with mental
21 or substance use disorders; or any combination of
22 such services.

23 “(6) Providing payments, directly or indirectly,
24 to health care providers for the provision of such

1 health care services as are specified by the Adminis-
2 trator.

3 “(7) Providing assistance to reduce out-of-pock-
4 et costs, such as copayments, coinsurance, pre-
5 miums, and deductibles, of individuals enrolled in
6 health insurance coverage in the State.

7 **“SEC. 2203. STATE ELIGIBILITY AND APPROVAL; DEFAULT**
8 **SAFEGUARD.**

9 “(a) ENCOURAGING STATE OPTIONS FOR ALLOCA-
10 TIONS.—

11 “(1) IN GENERAL.—To be eligible for an alloca-
12 tion of funds under this title for a year during the
13 period described in section 2201 for use for one or
14 more purposes described in section 2202, a State
15 shall submit to the Administrator an application at
16 such time (but, in the case of allocations for 2018,
17 not later than 45 days after the date of the enact-
18 ment of this title and, in the case of allocations for
19 a subsequent year, not later than March 31 of the
20 previous year) and in such form and manner as
21 specified by the Administrator and containing—

22 “(A) a description of how the funds will be
23 used for such purposes;

24 “(B) a certification that the State will
25 make, from non-Federal funds, expenditures for

1 such purposes in an amount that is not less
2 than the State percentage required for the year
3 under section 2204(e)(1); and

4 “(C) such other information as the Admin-
5 istrator may require.

6 “(2) AUTOMATIC APPROVAL.—An application so
7 submitted is approved unless the Administrator noti-
8 fies the State submitting the application, not later
9 than 60 days after the date of the submission of
10 such application, that the application has been de-
11 nied for not being in compliance with any require-
12 ment of this title and of the reason for such denial.

13 “(3) ONE-TIME APPLICATION.—If an applica-
14 tion of a State is approved for a year, with respect
15 to a purpose described in section 2202, such applica-
16 tion shall be treated as approved, with respect to
17 such purpose, for each subsequent year through
18 2026.

19 “(4) TREATMENT AS A STATE HEALTH CARE
20 PROGRAM.—Any program receiving funds from an
21 allocation for a State under this title, including pur-
22 suant to subsection (b), shall be considered to be a
23 ‘State health care program’ for purposes of sections
24 1128, 1128A, and 1128B.

25 “(b) DEFAULT FEDERAL SAFEGUARD.—

1 “(1) IN GENERAL.—

2 “(A) 2018.—For allocations made under
3 this title for 2018, in the case of a State that
4 does not submit an application under subsection
5 (a) by the 45-day submission date applicable to
6 such year under subsection (a)(1) and in the
7 case of a State that does submit such an appli-
8 cation by such date that is not approved, sub-
9 ject to section 2204(e), the Administrator, in
10 consultation with the State insurance commis-
11 sioner, shall use the allocation that would other-
12 wise be provided to the State under this title
13 for such year, in accordance with paragraph
14 (2), for such State.

15 “(B) 2019 THROUGH 2026.—In the case of
16 a State that does not have in effect an approved
17 application under this section for 2019 or a
18 subsequent year beginning during the period
19 described in section 2201, subject to section
20 2204(e), the Administrator, in consultation with
21 the State insurance commissioner, shall use the
22 allocation that would otherwise be provided to
23 the State under this title for such year, in ac-
24 cordance with paragraph (2), for such State.

1 “(2) REQUIRED USE FOR MARKET STABILIZA-
2 TION PAYMENTS TO ISSUERS.—Subject to section
3 2204(a), an allocation for a State made pursuant to
4 paragraph (1) for a year shall be used to carry out
5 the purpose described in section 2202(2) in such
6 State by providing payments to appropriate entities
7 described in such section with respect to claims that
8 exceed \$50,000 (or, with respect to allocations made
9 under this title for 2020 or a subsequent year dur-
10 ing the period specified in section 2201, such dollar
11 amount specified by the Administrator), but do not
12 exceed \$350,000 (or, with respect to allocations
13 made under this title for 2020 or a subsequent year
14 during such period, such dollar amount specified by
15 the Administrator), in an amount equal to 75 per-
16 cent (or, with respect to allocations made under this
17 title for 2020 or a subsequent year during such pe-
18 riod, such percentage specified by the Administrator)
19 of the amount of such claims.

20 **“SEC. 2204. ALLOCATIONS.**

21 “(a) APPROPRIATION.—For the purpose of providing
22 allocations for States (including pursuant to section
23 2203(b)) under this title there is appropriated, out of any
24 money in the Treasury not otherwise appropriated—

25 “(1) for 2018, \$15,000,000,000;

1 “(2) for 2019, \$15,000,000,000;

2 “(3) for 2020, \$10,000,000,000;

3 “(4) for 2021, \$10,000,000,000;

4 “(5) for 2022, \$10,000,000,000;

5 “(6) for 2023, \$10,000,000,000;

6 “(7) for 2024, \$10,000,000,000;

7 “(8) for 2025, \$10,000,000,000; and

8 “(9) for 2026, \$10,000,000,000.

9 “(b) ALLOCATIONS.—

10 “(1) PAYMENT.—

11 “(A) IN GENERAL.—From amounts appro-
12 priated under subsection (a) for a year, the Ad-
13 ministrator shall, with respect to a State and
14 not later than the date specified under subpara-
15 graph (B) for such year, allocate, subject to
16 subsection (e), for such State (including pursu-
17 ant to section 2203(b)) the amount determined
18 for such State and year under paragraph (2).

19 “(B) SPECIFIED DATE.—For purposes of
20 subparagraph (A), the date specified in this
21 subparagraph is—

22 “(i) for 2018, the date that is 45 days
23 after the date of the enactment of this
24 title; and

1 “(ii) for 2019 and subsequent years,
2 January 1 of the respective year.

3 “(2) ALLOCATION AMOUNT DETERMINA-
4 TIONS.—

5 “(A) FOR 2018 AND 2019.—

6 “(i) IN GENERAL.—For purposes of
7 paragraph (1), the amount determined
8 under this paragraph for 2018 and 2019
9 for a State is an amount equal to the sum
10 of—

11 “(I) the relative incurred claims
12 amount described in clause (ii) for
13 such State and year; and

14 “(II) the relative uninsured and
15 issuer participation amount described
16 in clause (iv) for such State and year.

17 “(ii) RELATIVE INCURRED CLAIMS
18 AMOUNT.—For purposes of clause (i), the
19 relative incurred claims amount described
20 in this clause for a State for 2018 and
21 2019 is the product of—

22 “(I) 85 percent of the amount
23 appropriated under subsection (a) for
24 the year; and

1 “(II) the relative State incurred
2 claims proportion described in clause
3 (iii) for such State and year.

4 “(iii) RELATIVE STATE INCURRED
5 CLAIMS PROPORTION.—The relative State
6 incurred claims proportion described in
7 this clause for a State and year is the
8 amount equal to the ratio of—

9 “(I) the adjusted incurred claims
10 by the State, as reported through the
11 medical loss ratio annual reporting
12 under section 2718 of the Public
13 Health Service Act for the third pre-
14 vious year; to

15 “(II) the sum of such adjusted
16 incurred claims for all States, as so
17 reported, for such third previous year.

18 “(iv) RELATIVE UNINSURED AND
19 ISSUER PARTICIPATION AMOUNT.—For
20 purposes of clause (i), the relative unin-
21 sured and issuer participation amount de-
22 scribed in this clause for a State for 2018
23 and 2019 is the product of—

1 “(I) 15 percent of the amount
2 appropriated under subsection (a) for
3 the year; and

4 “(II) the relative State uninsured
5 and issuer participation proportion de-
6 scribed in clause (v) for such State
7 and year.

8 “(v) RELATIVE STATE UNINSURED
9 AND ISSUER PARTICIPATION PROPOR-
10 TION.—The relative State uninsured and
11 issuer participation proportion described in
12 this clause for a State and year is—

13 “(I) in the case of a State not
14 described in clause (vi) for such year,
15 0; and

16 “(II) in the case of a State de-
17 scribed in clause (vi) for such year,
18 the amount equal to the ratio of—

19 “(aa) the number of individ-
20 uals residing in such State who
21 for the third preceding year were
22 not enrolled in a health plan or
23 otherwise did not have health in-
24 surance coverage (including
25 through a Federal or State

1 health program) and whose in-
2 come is below 100 percent of the
3 poverty line applicable to a family
4 of the size involved; to

5 “(bb) the sum of the num-
6 ber of such individuals for all
7 States described in clause (vi) for
8 the third preceding year.

9 “(vi) STATES DESCRIBED.—For pur-
10 poses of clause (v), a State is described in
11 this clause, with respect to 2018 and 2019,
12 if the State satisfies either of the following
13 criterion:

14 “(I) The number of individuals
15 residing in such State and described
16 in clause (v)(II)(aa) was higher in
17 2015 than 2013.

18 “(II) The State have fewer than
19 three health insurance issuers offering
20 qualified health plans through the Ex-
21 change for 2017.

22 “(B) FOR 2020 THROUGH 2026.—For pur-
23 poses of paragraph (1), the amount determined
24 under this paragraph for a year (beginning with
25 2020) during the period described in section

1 2201 for a State is an amount determined in
2 accordance with an allocation methodology spec-
3 ified by the Administrator which—

4 “(i) takes into consideration the ad-
5 justed incurred claims of such State, the
6 number of residents of such State who for
7 the previous year were not enrolled in a
8 health plan or otherwise did not have
9 health insurance coverage (including
10 through a Federal or State health pro-
11 gram) and whose income is below 100 per-
12 cent of the poverty line applicable to a
13 family of the size involved, and the number
14 of health insurance issuers participating in
15 the insurance market in such State for
16 such year;

17 “(ii) is established after consultation
18 with health care consumers, health insur-
19 ance issuers, State insurance commis-
20 sioners, and other stakeholders and after
21 taking into consideration additional cost
22 and risk factors that may inhibit health
23 care consumer and health insurance issuer
24 participation; and

1 “(iii) reflects the goals of improving
2 the health insurance risk pool, promoting a
3 more competitive health insurance market,
4 and increasing choice for health care con-
5 sumers.

6 “(c) ANNUAL DISTRIBUTION OF PREVIOUS YEAR’S
7 REMAINING FUNDS.— In carrying out subsection (b), the
8 Administrator shall, with respect to a year (beginning with
9 2020 and ending with 2027), not later than March 31 of
10 such year—

11 “(1) determine the amount of funds, if any,
12 from the amounts appropriated under subsection (a)
13 for the previous year but not allocated for such pre-
14 vious year; and

15 “(2) if the Administrator determines that any
16 funds were not so allocated for such previous year,
17 allocate such remaining funds, in accordance with
18 the allocation methodology specified pursuant to
19 subsection (b)(2)(B)—

20 “(A) to States that have submitted an ap-
21 plication approved under section 2203(a) for
22 such previous year for any purpose for which
23 such an application was approved; and

24 “(B) for States for which allocations were
25 made pursuant to section 2203(b) for such pre-

1 vious year, to be used by the Administrator for
2 such States, to carry out the purpose described
3 in section 2202(2) in such States by providing
4 payments to appropriate entities described in
5 such section with respect to claims that exceed
6 \$1,000,000;

7 with, respect to a year before 2027, any remaining
8 funds being made available for allocations to States
9 for the subsequent year.

10 “(d) AVAILABILITY.—Amounts appropriated under
11 subsection (a) for a year and allocated to States in accord-
12 ance with this section shall remain available for expendi-
13 ture through December 31, 2027.

14 “(e) CONDITIONS FOR AND LIMITATIONS ON RE-
15 CEIPT OF FUNDS.—The Secretary may not make an allo-
16 cation under this title for a State, with respect to a pur-
17 pose described in section 2202—

18 “(1) in the case of an allocation that would be
19 made to a State pursuant to section 2203(a), if the
20 State does not agree that the State will make avail-
21 able non-Federal contributions towards such purpose
22 in an amount equal to—

23 “(A) for 2020, 7 percent of the amount al-
24 located under this subsection to such State for
25 such year and purpose;

1 “(B) for 2021, 14 percent of the amount
2 allocated under this subsection to such State
3 for such year and purpose;

4 “(C) for 2022, 21 percent of the amount
5 allocated under this subsection to such State
6 for such year and purpose;

7 “(D) for 2023, 28 percent of the amount
8 allocated under this subsection to such State
9 for such year and purpose;

10 “(E) for 2024, 35 percent of the amount
11 allocated under this subsection to such State
12 for such year and purpose;

13 “(F) for 2025, 42 percent of the amount
14 allocated under this subsection to such State
15 for such year and purpose; and

16 “(G) for 2026, 50 percent of the amount
17 allocated under this subsection to such State
18 for such year and purpose;

19 “(2) in the case of an allocation that would be
20 made for a State pursuant to section 2203(b), if the
21 State does not agree that the State will make avail-
22 able non-Federal contributions towards such purpose
23 in an amount equal to—

1 “(A) for 2020, 10 percent of the amount
2 allocated under this subsection to such State
3 for such year and purpose;

4 “(B) for 2021, 20 percent of the amount
5 allocated under this subsection to such State
6 for such year and purpose; and

7 “(C) for 2022, 30 percent of the amount
8 allocated under this subsection to such State
9 for such year and purpose;

10 “(D) for 2023, 40 percent of the amount
11 allocated under this subsection to such State
12 for such year and purpose;

13 “(E) for 2024, 50 percent of the amount
14 allocated under this subsection to such State
15 for such year and purpose;

16 “(F) for 2025, 50 percent of the amount
17 allocated under this subsection to such State
18 for such year and purpose; and

19 “(G) for 2026, 50 percent of the amount
20 allocated under this subsection to such State
21 for such year and purpose; or

22 “(3) if such an allocation for such purpose
23 would not be permitted under subsection (c)(7) of
24 section 2105 if such allocation were payment made
25 under such section.”.

1 **SEC. 133. CONTINUOUS HEALTH INSURANCE COVERAGE IN-**
2 **CENTIVE.**

3 Subpart I of part A of title XXVII of the Public
4 Health Service Act is amended—

5 (1) in section 2701(a)(1)(B), by striking “such
6 rate” and inserting “subject to section 2710A, such
7 rate”;

8 (2) by redesignating the second section 2709 as
9 section 2710; and

10 (3) by adding at the end the following new sec-
11 tion:

12 **“SEC. 2710A. ENCOURAGING CONTINUOUS HEALTH INSUR-**
13 **ANCE COVERAGE.**

14 “(a) PENALTY APPLIED.—

15 “(1) IN GENERAL.—Notwithstanding section
16 2701, subject to the succeeding provisions of this
17 section, a health insurance issuer offering health in-
18 surance coverage in the individual or small group
19 market shall, in the case of an individual who is an
20 applicable policyholder of such coverage with respect
21 to an enforcement period applicable to enrollments
22 for a plan year beginning with plan year 2019 (or,
23 in the case of enrollments during a special enroll-
24 ment period, beginning with plan year 2018), in-
25 crease the monthly premium rate otherwise applica-
26 ble to such individual for such coverage during each

1 month of such period, by an amount determined
2 under paragraph (2).

3 “(2) AMOUNT OF PENALTY.—The amount de-
4 termined under this paragraph for an applicable pol-
5 icyholder enrolling in health insurance coverage de-
6 scribed in paragraph (1) for a plan year, with re-
7 spect to each month during the enforcement period
8 applicable to enrollments for such plan year, is the
9 amount that is equal to 30 percent of the monthly
10 premium rate otherwise applicable to such applicable
11 policyholder for such coverage during such month.

12 “(b) DEFINITIONS.—For purposes of this section:

13 “(1) APPLICABLE POLICYHOLDER.—The term
14 ‘applicable policyholder’ means, with respect to
15 months of an enforcement period and health insur-
16 ance coverage, an individual who—

17 “(A) is a policyholder of such coverage for
18 such months;

19 “(B) cannot demonstrate (through presen-
20 tation of certifications described in section
21 2704(e) or in such other manner as may be
22 specified in regulations, such as a return or
23 statement made under section 6055(d) or 36C
24 of the Internal Revenue Code of 1986), during
25 the look-back period that is with respect to such

1 enforcement period, there was not a period of
2 at least 63 continuous days during which the
3 individual did not have creditable coverage (as
4 defined in paragraph (1) of section 2704(c) and
5 credited in accordance with paragraphs (2) and
6 (3) of such section); and

7 “(C) in the case of an individual who had
8 been enrolled under dependent coverage under a
9 group health plan or health insurance coverage
10 by reason of section 2714 and such dependent
11 coverage of such individual ceased because of
12 the age of such individual, is not enrolling dur-
13 ing the first open enrollment period following
14 the date on which such coverage so ceased.

15 “(2) LOOK-BACK PERIOD.—The term ‘look-back
16 period’ means, with respect to an enforcement period
17 applicable to an enrollment of an individual for a
18 plan year beginning with plan year 2019 (or, in the
19 case of an enrollment of an individual during a spe-
20 cial enrollment period, beginning with plan year
21 2018) in health insurance coverage described in sub-
22 section (a)(1), the 12-month period ending on the
23 date the individual enrolls in such coverage for such
24 plan year.

1 “(3) ENFORCEMENT PERIOD.—The term ‘en-
2 forcement period’ means—

3 “(A) with respect to enrollments during a
4 special enrollment period for plan year 2018,
5 the period beginning with the first month that
6 is during such plan year and that begins subse-
7 quent to such date of enrollment, and ending
8 with the last month of such plan year; and

9 “(B) with respect to enrollments for plan
10 year 2019 or a subsequent plan year, the 12-
11 month period beginning on the first day of the
12 respective plan year.”.

13 **SEC. 134. INCREASING COVERAGE OPTIONS.**

14 Section 1302 of the Patient Protection and Afford-
15 able Care Act (42 U.S.C. 18022) is amended—

16 (1) in subsection (a)(3), by inserting “and with
17 respect to a plan year before plan year 2020” after
18 “subsection (e)”; and

19 (2) in subsection (d), by adding at the end the
20 following:

21 “(5) SUNSET.—The provisions of this sub-
22 section shall not apply after December 31, 2019,
23 and after such date any reference to this subsection
24 or level of coverage or plan described in this sub-
25 section and any requirement under law applying

1 such a level of coverage or plan shall have no force
2 or effect (and such a requirement shall be applied as
3 if this section had been repealed).”.

4 **SEC. 135. CHANGE IN PERMISSIBLE AGE VARIATION IN**
5 **HEALTH INSURANCE PREMIUM RATES.**

6 Section 2701(a)(1)(A)(iii) of the Public Health Serv-
7 ice Act (42 U.S.C. 300gg(a)(1)(A)(iii)), as inserted by sec-
8 tion 1201(4) of the Patient Protection and Affordable
9 Care Act, is amended by inserting after “(consistent with
10 section 2707(c))” the following: “or, for plan years begin-
11 ning on or after January 1, 2018, as the Secretary may
12 implement through interim final regulation, 5 to 1 for
13 adults (consistent with section 2707(c)) or such other
14 ratio for adults (consistent with section 2707(c)) as the
15 State involved may provide”.

16 **TITLE II—COMMITTEE ON WAYS**
17 **AND MEANS**

18 **Subtitle A—Repeal and Replace of**
19 **Health-Related Tax Policy**

20 **SEC. 201. RECAPTURE EXCESS ADVANCE PAYMENTS OF**
21 **PREMIUM TAX CREDITS.**

22 Subparagraph (B) of section 36B(f)(2) of the Inter-
23 nal Revenue Code of 1986 is amended by adding at the
24 end the following new clause:

1 “(iii) NONAPPLICABILITY OF LIMITA-
2 TION.—This subparagraph shall not apply
3 to taxable years beginning after December
4 31, 2017, and before January 1, 2020.”.

5 **SEC. 202. ADDITIONAL MODIFICATIONS TO PREMIUM TAX**
6 **CREDIT.**

7 (a) MODIFICATION OF DEFINITION OF QUALIFIED
8 HEALTH PLAN.—

9 (1) IN GENERAL.—Section 36B(e)(3)(A) of the
10 Internal Revenue Code of 1986 is amended—

11 (A) by inserting “(determined without re-
12 gard to subparagraphs (A), (C)(ii), and (C)(iv)
13 of paragraph (1) thereof and without regard to
14 whether the plan is offered on an Exchange)”
15 after “1301(a) of the Patient Protection and
16 Affordable Care Act”, and

17 (B) by striking “shall not include” and all
18 that follows and inserting “shall not include any
19 health plan that—

20 “(i) is a grandfathered health plan or
21 a grandmothers health plan, or

22 “(ii) includes coverage for abortions
23 (other than any abortion necessary to save
24 the life of the mother or any abortion with

1 respect to a pregnancy that is the result of
2 an act of rape or incest).”.

3 (2) DEFINITION OF GRANDMOTHERED HEALTH
4 PLAN.—Section 36B(c)(3) of such Code is amended
5 by adding at the end the following new subpara-
6 graph:

7 “(C) GRANDMOTHERED HEALTH PLAN.—
8 “(i) IN GENERAL.—The term
9 ‘grandmothered health plan’ means health
10 insurance coverage which is offered in the
11 individual health insurance market as of
12 October 1, 2013, and is permitted to be of-
13 fered in such market after January 1,
14 2014, as a result of CCIIO guidance.

15 “(ii) CCIIO GUIDANCE DEFINED.—
16 The term ‘CCIIO guidance’ means the let-
17 ter issued by the Centers for Medicare &
18 Medicaid Services on November 14, 2013,
19 to the State Insurance Commissioners out-
20 lining a transitional policy for non-grand-
21 fathered coverage in the individual health
22 insurance market, as subsequently ex-
23 tended and modified (including by a com-
24 munication entitled ‘Insurance Standards
25 Bulletin Series—INFORMATION—Ex-

1 tension of Transitional Policy through Cal-
2 endar Year 2017’ issued on February 29,
3 2016, by the Director of the Center for
4 Consumer Information & Insurance Over-
5 sight of such Centers).

6 “(iii) INDIVIDUAL HEALTH INSUR-
7 ANCE MARKET.—The term ‘individual
8 health insurance market’ means the mar-
9 ket for health insurance coverage (as de-
10 fined in section 9832(b)) offered to individ-
11 uals other than in connection with a group
12 health plan (within the meaning of section
13 5000(b)(1)).”.

14 (3) CONFORMING AMENDMENT RELATED TO
15 ABORTION COVERAGE.—Section 36B(c)(3) of such
16 Code, as amended by paragraph (2), is amended by
17 adding at the end the following new subparagraph:

18 “(D) CERTAIN RULES RELATED TO ABOR-
19 TION.—

20 “(i) OPTION TO PURCHASE SEPARATE
21 COVERAGE OR PLAN.—Nothing in subpara-
22 graph (A) shall be construed as prohibiting
23 any individual from purchasing separate
24 coverage for abortions described in such
25 subparagraph, or a health plan that in-

1 cludes such abortions, so long as no credit
2 is allowed under this section with respect
3 to the premiums for such coverage or plan.

4 “(ii) OPTION TO OFFER COVERAGE OR
5 PLAN.—Nothing in subparagraph (A) shall
6 restrict any health insurance issuer offer-
7 ing a health plan from offering separate
8 coverage for abortions described in such
9 subparagraph, or a plan that includes such
10 abortions, so long as premiums for such
11 separate coverage or plan are not paid for
12 with any amount attributable to the credit
13 allowed under this section (or the amount
14 of any advance payment of the credit
15 under section 1412 of the Patient Protec-
16 tion and Affordable Care Act).

17 “(iii) OTHER TREATMENTS.—The
18 treatment of any infection, injury, disease,
19 or disorder that has been caused by or ex-
20 acerbated by the performance of an abor-
21 tion shall not be treated as an abortion for
22 purposes of subparagraph (A).”.

23 (4) CONFORMING AMENDMENTS RELATED TO
24 OFF-EXCHANGE COVERAGE.—

1 (A) ADVANCE PAYMENT NOT APPLICA-
2 BLE.—Section 1412 of the Patient Protection
3 and Affordable Care Act is amended by adding
4 at the end the following new subsection:

5 “(f) EXCLUSION OF OFF-EXCHANGE COVERAGE.—
6 Advance payments under this section, and advance deter-
7 minations under section 1411, with respect to any credit
8 allowed under section 36B shall not be made with respect
9 to any health plan which is not enrolled in through an
10 Exchange.”.

11 (B) REPORTING.—Section 6055(b) of the
12 Internal Revenue Code of 1986 is amended by
13 adding at the end the following new paragraph:

14 “(3) INFORMATION RELATING TO OFF-EX-
15 CHANGE PREMIUM CREDIT ELIGIBLE COVERAGE.—If
16 minimum essential coverage provided to an indi-
17 vidual under subsection (a) consists of a qualified
18 health plan (as defined in section 36B(c)(3)) which
19 is not enrolled in through an Exchange established
20 under title I of the Patient Protection and Afford-
21 able Care Act, a return described in this subsection
22 shall include—

23 “(A) a statement that such plan is a quali-
24 fied health plan (as defined in section
25 36B(c)(3)),

1 “(B) the premiums paid with respect to
2 such coverage,

3 “(C) the months during which such cov-
4 erage is provided to the individual,

5 “(D) the adjusted monthly premium for
6 the applicable second lowest cost silver plan (as
7 defined in section 36B(b)(3)) for each such
8 month with respect to such individual, and

9 “(E) such other information as the Sec-
10 retary may prescribe.

11 This paragraph shall not apply with respect to cov-
12 erage provided for any month beginning after De-
13 cember 31, 2019.”.

14 (C) OTHER CONFORMING AMENDMENTS.—

15 (i) Section 36B(b)(2)(A) is amended
16 by striking “and which were enrolled” and
17 all that follows and inserting “, or”.

18 (ii) Section 36B(b)(3)(B)(i) is amend-
19 ed by striking “the same Exchange” and
20 all that follows and inserting “the Ex-
21 change through which such taxpayer is
22 permitted to obtain coverage, and”.

23 (b) MODIFICATION OF APPLICABLE PERCENTAGE.—

24 Section 36B(b)(3)(A) of such Code is amended to read
25 as follows:

1 “(A) APPLICABLE PERCENTAGE.—

2 “(i) IN GENERAL.—The applicable
 3 percentage for any taxable year shall be
 4 the percentage such that the applicable
 5 percentage for any taxpayer whose house-
 6 hold income is within an income tier speci-
 7 fied in the following table shall increase, on
 8 a sliding scale in a linear manner, from the
 9 initial percentage to the final percentage
 10 specified in such table for such income tier
 11 with respect to a taxpayer of the age in-
 12 volved:

“In the case of household income (expressed as a percent of the poverty line) within the following income tier:	Up to Age 29		Age 30-39		Age 40-49		Age 50-59		Over Age 59	
	Initial %	Final %	Initial %	Final %	Initial %	Final %	Initial %	Final %	Initial %	Final %
Up to 133%	2	2	2	2	2	2	2	2	2	2
133%-150%	3	4	3	4	3	4	3	4	3	4
150%-200%	4	4.3	4	5.3	4	6.3	4	7.3	4	8.3
200%-250%	4.3	4.3	5.3	5.9	6.3	8.05	7.3	9	8.3	10
250%-300%	4.3	4.3	5.9	5.9	8.05	8.35	9	10.5	10	11.5
300%-400%	4.3	4.3	5.9	5.9	8.35	8.35	10.5	10.5	11.5	11.5

13 “(ii) AGE DETERMINATIONS.—

14 “(I) IN GENERAL.—For purposes
 15 of clause (i), the age of the taxpayer
 16 taken into account under clause (i)
 17 with respect to any taxable year is the
 18 age attained by such taxpayer before
 19 the close of such taxable year.

1 “(II) JOINT RETURNS.—In the
2 case of a joint return, the age of the
3 older spouse shall be taken into ac-
4 count under clause (i).

5 “(iii) INDEXING.—In the case of any
6 taxable year beginning in calendar year
7 2019, the initial and final percentages con-
8 tained in clause (i) shall be adjusted to re-
9 flect—

10 “(I) the excess (if any) of the
11 rate of premium growth for the period
12 beginning with calendar year 2013
13 and ending with calendar year 2018,
14 over the rate of income growth for
15 such period, and

16 “(II) in addition to any adjust-
17 ment under subclause (I), the excess
18 (if any) of the rate of premium
19 growth for calendar year 2018, over
20 the rate of growth in the consumer
21 price index for calendar year 2018.

22 “(iv) FAILSAFE.—Clause (iii)(II) shall
23 apply only if the aggregate amount of pre-
24 mium tax credits under this section and
25 cost-sharing reductions under section 1402

1 of the Patient Protection and Affordable
2 Care Act for calendar year 2018 exceeds
3 an amount equal to 0.504 percent of the
4 gross domestic product for such calendar
5 year.”.

6 (b) EFFECTIVE DATE.—

7 (1) IN GENERAL.—Except as otherwise pro-
8 vided in this subsection, the amendments made by
9 this section shall apply to taxable years beginning
10 after December 31, 2017.

11 (2) ADVANCE PAYMENT NOT APPLICABLE TO
12 OFF-EXCHANGE COVERAGE.—The amendment made
13 by subsection (a)(4)(A) shall take effect on January
14 1, 2018.

15 (3) REPORTING.—The amendment made by
16 subsection (a)(4)(B) shall apply to coverage provided
17 for months beginning after December 31, 2017.

18 (4) MODIFICATION OF APPLICABLE PERCENT-
19 AGE.—The amendment made by subsection (b) shall
20 apply to taxable years beginning after December 31,
21 2018.

22 **SEC. 203. PREMIUM TAX CREDIT.**

23 (a) REPEAL OF PREMIUM TAX CREDIT.—Section
24 36B of the Internal Revenue Code of 1986 is amended
25 by adding at the end the following new subsection:

1 “(h) TERMINATION.—No credit shall be allowed
2 under this section with respect to any coverage month
3 which begins after December 31, 2019.”.

4 (b) REPEAL OF ADVANCE PAYMENT OF, AND ELIGI-
5 BILITY DETERMINATION FOR, PREMIUM TAX CREDIT.—
6 Section 1412 of the Patient Protection and Affordable
7 Care Act, as amended by the preceding provisions of this
8 subtitle, is amended by adding at the end the following
9 new subsection:

10 “(g) TERMINATION WITH RESPECT TO PREMIUM
11 TAX CREDIT.—Effective January 1, 2020, no provision of
12 this section or section 1411 shall apply to the credit al-
13 lowed under section 36B of the Internal Revenue Code of
14 1986 (or to the advance payment of, or determination of
15 eligibility for, such credit or payment).”.

16 (c) EFFECTIVE DATES.—

17 (1) PREMIUM TAX CREDIT.—The amendment
18 made by subsection (a) shall apply to months begin-
19 ning after December 31, 2019, in taxable years end-
20 ing after such date.

21 (2) ELIGIBILITY DETERMINATIONS.—The
22 amendment made by subsection (b) shall take effect
23 on January 1, 2020.

1 **SEC. 204. SMALL BUSINESS TAX CREDIT.**

2 (a) IN GENERAL.—Section 45R of the Internal Rev-
3 enue Code of 1986 is amended by adding at the end the
4 following new subsection:

5 “(j) SHALL NOT APPLY.—This section shall not
6 apply with respect to amounts paid or incurred in taxable
7 years beginning after December 31, 2019.”.

8 (b) DISALLOWANCE OF SMALL EMPLOYER HEALTH
9 INSURANCE EXPENSE CREDIT FOR PLAN WHICH IN-
10 CLUDES COVERAGE FOR ABORTION.—Subsection (h) of
11 section 45R of the Internal Revenue Code of 1986 is
12 amended—

13 (1) by striking “Any term” and inserting the
14 following:

15 “(1) IN GENERAL.—Any term”; and

16 (2) by adding at the end the following new
17 paragraph:

18 “(2) EXCLUSION OF HEALTH PLANS INCLUDING
19 COVERAGE FOR ABORTION.—

20 “(A) IN GENERAL.—The term ‘qualified
21 health plan’ does not include any health plan
22 that includes coverage for abortions (other than
23 any abortion necessary to save the life of the
24 mother or any abortion with respect to a preg-
25 nancy that is the result of an act of rape or in-
26 cest) .

1 “(B) CERTAIN RULES RELATED TO ABOR-
2 TION.—

3 “(i) OPTION TO PURCHASE SEPARATE
4 COVERAGE OR PLAN.—Nothing in subpara-
5 graph (A) shall be construed as prohibiting
6 any employer from purchasing for its em-
7 ployees separate coverage for abortions de-
8 scribed in such subparagraph, or a health
9 plan that includes such abortions, so long
10 as no credit is allowed under this section
11 with respect to the employer contributions
12 for such coverage or plan.

13 “(ii) OPTION TO OFFER COVERAGE OR
14 PLAN.—Nothing in subparagraph (A) shall
15 restrict any health insurance issuer offer-
16 ing a health plan from offering separate
17 coverage for abortions described in such
18 subparagraph, or a plan that includes such
19 abortions, so long as such separate cov-
20 erage or plan is not paid for with any em-
21 ployer contribution eligible for the credit
22 allowed under this section.

23 “(iii) OTHER TREATMENTS.—The
24 treatment of any infection, injury, disease,
25 or disorder that has been caused by or ex-

1 acerbated by the performance of an abor-
2 tion shall not be treated as an abortion for
3 purposes of subparagraph (A).”.

4 (c) EFFECTIVE DATES.—

5 (1) IN GENERAL.—The amendment made by
6 subsection (a) shall apply to taxable years beginning
7 after December 31, 2019.

8 (2) DISALLOWANCE OF SMALL EMPLOYER
9 HEALTH INSURANCE EXPENSE CREDIT FOR PLAN
10 WHICH INCLUDES COVERAGE FOR ABORTION.—The
11 amendments made by subsection (b) shall apply to
12 taxable years beginning after December 31, 2017.

13 **SEC. 205. INDIVIDUAL MANDATE.**

14 (a) IN GENERAL.—Section 5000A(c) of the Internal
15 Revenue Code of 1986 is amended—

16 (1) in paragraph (2)(B)(iii), by striking “2.5
17 percent” and inserting “Zero percent”, and

18 (2) in paragraph (3)—

19 (A) by striking “\$695” in subparagraph

20 (A) and inserting “\$0”, and

21 (B) by striking subparagraph (D).

22 (b) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to months beginning after Decem-
24 ber 31, 2015.

1 **SEC. 206. EMPLOYER MANDATE.**

2 (a) IN GENERAL.—

3 (1) Paragraph (1) of section 4980H(c) of the
4 Internal Revenue Code of 1986 is amended by in-
5 sserting “(\$0 in the case of months beginning after
6 December 31, 2015)” after “\$2,000”.

7 (2) Paragraph (1) of section 4980H(b) of the
8 Internal Revenue Code of 1986 is amended by in-
9 sserting “(\$0 in the case of months beginning after
10 December 31, 2015)” after “\$3,000”.

11 (b) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to months beginning after Decem-
13 ber 31, 2015.

14 **SEC. 207. REPEAL OF THE TAX ON EMPLOYEE HEALTH IN-**
15 **SURANCE PREMIUMS AND HEALTH PLAN**
16 **BENEFITS.**

17 Section 4980I of the Internal Revenue Code of 1986
18 is amended by adding at the end the following new sub-
19 section:

20 “(h) SHALL NOT APPLY.—No tax shall be imposed
21 under this section with respect to any taxable period be-
22 ginning after December 31, 2019, and before January 1,
23 2025.”.

1 **SEC. 208. REPEAL OF TAX ON OVER-THE-COUNTER MEDICA-**
2 **TIONS.**

3 (a) HSAS.—Subparagraph (A) of section 223(d)(2)
4 of the Internal Revenue Code of 1986 is amended by strik-
5 ing “Such term” and all that follows through the period.

6 (b) ARCHER MSAS.—Subparagraph (A) of section
7 220(d)(2) of the Internal Revenue Code of 1986 is amend-
8 ed by striking “Such term” and all that follows through
9 the period.

10 (c) HEALTH FLEXIBLE SPENDING ARRANGEMENTS
11 AND HEALTH REIMBURSEMENT ARRANGEMENTS.—Sec-
12 tion 106 of the Internal Revenue Code of 1986 is amended
13 by striking subsection (f) and by redesignating subsection
14 (g) as subsection (f).

15 (d) EFFECTIVE DATES.—

16 (1) DISTRIBUTIONS FROM SAVINGS AC-
17 COUNTS.—The amendments made by subsections (a)
18 and (b) shall apply to amounts paid with respect to
19 taxable years beginning after December 31, 2017.

20 (2) REIMBURSEMENTS.—The amendment made
21 by subsection (c) shall apply to expenses incurred
22 with respect to taxable years beginning after Decem-
23 ber 31, 2017.

1 **SEC. 209. REPEAL OF INCREASE OF TAX ON HEALTH SAV-**
2 **INGS ACCOUNTS.**

3 (a) HSAs.—Section 223(f)(4)(A) of the Internal
4 Revenue Code of 1986 is amended by striking “20 per-
5 cent” and inserting “10 percent”.

6 (b) ARCHER MSAs.—Section 220(f)(4)(A) of the In-
7 ternal Revenue Code of 1986 is amended by striking “20
8 percent” and inserting “15 percent”.

9 (c) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to distributions made after Decem-
11 ber 31, 2017.

12 **SEC. 210. REPEAL OF LIMITATIONS ON CONTRIBUTIONS TO**
13 **FLEXIBLE SPENDING ACCOUNTS.**

14 (a) IN GENERAL.—Section 125 of the Internal Rev-
15 enue Code of 1986 is amended by striking subsection (i).

16 (b) EFFECTIVE DATE.—The amendment made by
17 this section shall apply to taxable years beginning after
18 December 31, 2017.

19 **SEC. 211. REPEAL OF MEDICAL DEVICE EXCISE TAX.**

20 Section 4191 of the Internal Revenue Code of 1986
21 is amended by adding at the end the following new sub-
22 section:

23 “(d) APPLICABILITY.—The tax imposed under sub-
24 section (a) shall not apply to sales after December 31,
25 2017.”.

1 **SEC. 212. REPEAL OF ELIMINATION OF DEDUCTION FOR**
2 **EXPENSES ALLOCABLE TO MEDICARE PART D**
3 **SUBSIDY.**

4 (a) **IN GENERAL.**—Section 139A of the Internal Rev-
5 enue Code of 1986 is amended by adding at the end the
6 following new sentence: “This section shall not be taken
7 into account for purposes of determining whether any de-
8 duction is allowable with respect to any cost taken into
9 account in determining such payment.”.

10 (b) **EFFECTIVE DATE.**—The amendment made by
11 this section shall apply to taxable years beginning after
12 December 31, 2017.

13 **SEC. 213. REPEAL OF INCREASE IN INCOME THRESHOLD**
14 **FOR DETERMINING MEDICAL CARE DEDUC-**
15 **TION.**

16 (a) **IN GENERAL.**—Subsection (a) of section 213 of
17 the Internal Revenue Code of 1986 is amended by striking
18 “10 percent” and inserting “7.5 percent”.

19 (b) **EXTENSION OF SPECIAL RULE.**—Subsection (f)
20 of section 213 of such Code is amended—

21 (1) by striking “2017” and inserting “2018”,
22 and

23 (2) by striking “AND 2016” and inserting
24 “2016, AND 2017”.

25 (c) **EFFECTIVE DATE.**—

1 (1) IN GENERAL.—The amendment made by
2 subsection (a) shall apply to taxable years beginning
3 after December 31, 2017.

4 (2) EXTENSION OF SPECIAL RULE.—The
5 amendments made by subsection (b) shall apply to
6 taxable years beginning after December 31, 2016.

7 **SEC. 214. REPEAL OF MEDICARE TAX INCREASE.**

8 (a) IN GENERAL.—Subsection (b) of section 3101 of
9 the Internal Revenue Code of 1986 is amended to read
10 as follows:

11 “(b) HOSPITAL INSURANCE.—In addition to the tax
12 imposed by the preceding subsection, there is hereby im-
13 posed on the income of every individual a tax equal to 1.45
14 percent of the wages (as defined in section 3121(a)) re-
15 ceived by such individual with respect to employment (as
16 defined in section 3121(b)).”.

17 (b) SECA.—Subsection (b) of section 1401 of the In-
18 ternal Revenue Code of 1986 is amended to read as fol-
19 lows:

20 “(b) HOSPITAL INSURANCE.—In addition to the tax
21 imposed by the preceding subsection, there shall be im-
22 posed for each taxable year, on the self-employment in-
23 come of every individual, a tax equal to 2.9 percent of the
24 amount of the self-employment income for such taxable
25 year.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply with respect to remuneration re-
3 ceived after, and taxable years beginning after, December
4 31, 2017.

5 **SEC. 215. REFUNDABLE TAX CREDIT FOR HEALTH INSUR-**
6 **ANCE COVERAGE.**

7 (a) IN GENERAL.—Subpart C of part IV of sub-
8 chapter A of chapter 1 of the Internal Revenue Code of
9 1986 is amended by inserting after section 36B the fol-
10 lowing new section:

11 **“SEC. 36C. HEALTH INSURANCE COVERAGE.**

12 “(a) IN GENERAL.—In the case of an individual,
13 there shall be allowed as a credit against the tax imposed
14 by this subtitle for the taxable year the sum of the month-
15 ly credit amounts with respect to such taxpayer for cal-
16 endar months during such taxable year.

17 “(b) MONTHLY CREDIT AMOUNTS.—

18 “(1) IN GENERAL.—The monthly credit amount
19 with respect to any taxpayer for any calendar month
20 is the lesser of—

21 “(A) the sum of the monthly limitation
22 amounts determined under subsection (c) with
23 respect to the taxpayer and the taxpayer’s
24 qualifying family members for such month, or

1 “(B) the amount paid for eligible health
2 insurance for the taxpayer and the taxpayer’s
3 qualifying family members for such month.

4 “(2) ELIGIBLE COVERAGE MONTH REQUIRE-
5 MENT.—No amount shall be taken into account
6 under subparagraph (A) or (B) of paragraph (1)
7 with respect to any individual for any month unless
8 such month is an eligible coverage month with re-
9 spect to such individual.

10 “(c) MONTHLY LIMITATION AMOUNTS.—

11 “(1) IN GENERAL.—The monthly limitation
12 amount with respect to any individual for any eligi-
13 ble coverage month during any taxable year is $\frac{1}{12}$
14 of—

15 “(A) \$2,000 in the case of an individual
16 who has not attained age 30 as of the begin-
17 ning of such taxable year,

18 “(B) \$2,500 in the case of an individual
19 who has attained age 30 but who has not at-
20 tained age 40 as of such time,

21 “(C) \$3,000 in the case of an individual
22 who has attained age 40 but who has not at-
23 tained age 50 as of such time,

1 “(D) \$3,500 in the case of an individual
2 who has attained age 50 but who has not at-
3 tained age 60 as of such time, and

4 “(E) \$4,000 in the case of an individual
5 who has attained age 60 as of such time.

6 “(2) LIMITATION BASED ON MODIFIED AD-
7 JUSTED GROSS INCOME.—

8 “(A) IN GENERAL.—The amount otherwise
9 determined under subsection (b)(1)(A) (without
10 regard to this subparagraph but after any other
11 adjustment of such amount under this section)
12 for the taxable year shall be reduced (but not
13 below zero) by 10 percent of the excess (if any)
14 of—

15 “(i) the taxpayer’s modified adjusted
16 gross income for such taxable year, over

17 “(ii) \$75,000 (twice such amount in
18 the case of a joint return).

19 “(B) MODIFIED ADJUSTED GROSS IN-
20 COME.—For purposes of this paragraph, the
21 term ‘modified adjusted gross income’ means
22 adjusted gross income increased by—

23 “(i) any amount excluded from gross
24 income under section 911,

1 “(ii) any amount of interest received
2 or accrued by the taxpayer during the tax-
3 able year which is exempt from tax, and

4 “(iii) an amount equal to the portion
5 of the taxpayer’s social security benefits
6 (as defined in section 86(d)) which is not
7 included in gross income under section 86
8 for the taxable year.

9 “(3) OTHER LIMITATIONS.—

10 “(A) AGGREGATE DOLLAR LIMITATION.—
11 The sum of the monthly limitation amounts
12 taken into account under this section with re-
13 spect to any taxpayer for any taxable year shall
14 not exceed \$14,000.

15 “(B) MAXIMUM NUMBER OF INDIVIDUALS
16 TAKEN INTO ACCOUNT.—With respect to any
17 taxpayer for any month, monthly limitation
18 amounts shall be taken into account under this
19 section only with respect to the 5 oldest individ-
20 uals with respect to whom monthly limitation
21 amounts could (without regard to this subpara-
22 graph) otherwise be so taken into account.

23 “(d) ELIGIBLE COVERAGE MONTH.—For purposes of
24 this section, the term ‘eligible coverage month’ means,

1 with respect to any individual, any month if, as of the first
2 day of such month, the individual—

3 “(1) is covered by eligible health insurance,

4 “(2) is not eligible for other specified coverage,

5 “(3) is either—

6 “(A) a citizen or national of the United
7 States, or

8 “(B) a qualified alien (within the meaning
9 of section 431 of the Personal Responsibility
10 and Work Opportunity Reconciliation Act of
11 1996 (8 U.S.C. 1641)), and

12 “(4) is not incarcerated, other than incarcer-
13 ation pending the disposition of charges.

14 “(e) QUALIFYING FAMILY MEMBER.—For purposes
15 of this section, the term ‘qualifying family member’
16 means—

17 “(1) in the case of a joint return, the taxpayer’s
18 spouse,

19 “(2) any dependent of the taxpayer, and

20 “(3) with respect to any eligible coverage
21 month, any child (as defined in section 152(f)(1)) of
22 the taxpayer who as of the end of the taxable year
23 has not attained age 27 if such child is covered for
24 such month under eligible health insurance which

1 also covers the taxpayer (in the case of a joint re-
2 turn, either spouse).

3 “(f) ELIGIBLE HEALTH INSURANCE.—For purposes
4 of this section—

5 “(1) IN GENERAL.—The term ‘eligible health
6 insurance’ means any health insurance coverage (as
7 defined in section 9832(b)) if—

8 “(A) such coverage is either—

9 “(i) offered in the individual health
10 insurance market within a State, or

11 “(ii) is unsubsidized COBRA continu-
12 ation coverage,

13 “(B) such coverage is not a grandfathered
14 health plan (as defined in section 1251 of the
15 Patient Protection and Affordable Care Act) or
16 a grandmothers health plan,

17 “(C) substantially all of such coverage is
18 not of excepted benefits described in section
19 9832(c),

20 “(D) such coverage does not include cov-
21 erage for abortions (other than any abortion
22 necessary to save the life of the mother or any
23 abortion with respect to a pregnancy that is the
24 result of an act of rape or incest),

1 “(E) such coverage does not consist of
2 short-term limited duration insurance (as de-
3 fined by the Secretary), and

4 “(F) the State in which such insurance is
5 offered certifies that such coverage meets the
6 requirements of this paragraph.

7 “(2) RULES RELATED TO STATE CERTIFI-
8 CATION.—

9 “(A) CERTIFICATION MADE AVAILABLE TO
10 PUBLIC.—A certification shall not be taken into
11 account under paragraph (1)(E) unless such
12 certification is made available to the public and
13 meets such other requirements as the Secretary
14 may provide.

15 “(B) SPECIAL RULE FOR UNSUBSIDIZED
16 COBRA CONTINUATION COVERAGE.—In the case
17 of unsubsidized COBRA continuation cov-
18 erage—

19 “(i) paragraph (1)(E) shall be applied
20 by substituting ‘the plan administrator (as
21 defined in section 414(g)) of the health
22 plan’ for ‘the State in which such insur-
23 ance is offered’, and

24 “(ii) the requirements of subpara-
25 graph (A) shall be treated as satisfied if

1 the certification meets such requirements
2 as the Secretary may provide.

3 “(3) GRANDMOTHERED HEALTH PLAN.—

4 “(A) IN GENERAL.—The term
5 ‘grandmothered health plan’ means health in-
6 surance coverage which is offered in the indi-
7 vidual health insurance market as of January 1,
8 2013, and is permitted to be offered in such
9 market after January 1, 2014, as a result of
10 CCIIO guidance.

11 “(B) CCIIO GUIDANCE DEFINED.—The
12 term ‘CCIIO guidance’ means the letter issued
13 by the Centers for Medicare & Medicaid Serv-
14 ices on November 14, 2013, to the State Insur-
15 ance Commissioners outlining a transitional pol-
16 icy for non-grandfathered coverage in the indi-
17 vidual health insurance market, as subsequently
18 extended and modified (including by a commu-
19 nication entitled ‘Insurance Standards Bulletin
20 Series—INFORMATION—Extension of Tran-
21 sitional Policy through Calendar Year 2017’
22 issued on February 29, 2016, by the Director
23 of the Center for Consumer Information & In-
24 surance Oversight of such Centers).

1 “(4) INDIVIDUAL HEALTH INSURANCE MAR-
2 KET.—The term ‘individual health insurance mar-
3 ket’ means the market for health insurance coverage
4 (as defined in section 9832(b)) offered to individuals
5 other than in connection with a group health plan
6 (within the meaning of section 5000(b)(1)).

7 “(g) OTHER SPECIFIED COVERAGE.—For purposes
8 of this section—

9 “(1) IN GENERAL.—The term ‘other specified
10 coverage’ means any of the following:

11 “(A) Coverage under a group health plan
12 (within the meaning of section 5000(b)(1))
13 other than—

14 “(i) coverage under a plan substan-
15 tially all of the coverage of which is of ex-
16 cepted benefits described in section
17 9832(c), and

18 “(ii) COBRA continuation coverage.

19 “(B) Coverage under the Medicare pro-
20 gram under part A of title XVIII of the Social
21 Security Act.

22 “(C) Coverage under the Medicaid pro-
23 gram under title XIX of the Social Security
24 Act.

1 “(D) Coverage under the CHIP program
2 under title XXI of the Social Security Act.

3 “(E) Medical coverage under chapter 55 of
4 title 10, United States Code, including coverage
5 under the TRICARE program.

6 “(F) Coverage under a health care pro-
7 gram under chapter 17 or 18 of title 38, United
8 States Code, as determined by the Secretary of
9 Veterans Affairs, in coordination with the Sec-
10 retary of Health and Human Services and the
11 Secretary of the Treasury.

12 “(G) Coverage under a health plan under
13 section 2504(e) of title 22, United States Code
14 (relating to Peace Corps volunteers).

15 “(H) Coverage under the Nonappropriated
16 Fund Health Benefits Program of the Depart-
17 ment of Defense, established under section 349
18 of the National Defense Authorization Act for
19 Fiscal Year 1995 (Public Law 103–337; 10
20 U.S.C. 1587 note).

21 “(2) SPECIAL RULE WITH RESPECT TO VET-
22 ERANS HEALTH PROGRAMS.—In the case of other
23 specified coverage described in paragraph (1)(F), an
24 individual shall not be treated as eligible for such

1 coverage unless such individual is enrolled in such
2 coverage.

3 “(h) UNSUBSIDIZED COBRA CONTINUATION COV-
4 ERAGE.—For purposes of this section—

5 “(1) IN GENERAL.—The term ‘unsubsidized
6 COBRA continuation coverage’ means COBRA con-
7 tinuation coverage no portion of the premiums for
8 which are subsidized by the employer.

9 “(2) COBRA CONTINUATION COVERAGE.—The
10 term ‘COBRA continuation coverage’ means con-
11 tinuation coverage provided pursuant to part 6 of
12 subtitle B of title I of the Employee Retirement In-
13 come Security Act of 1974 (other than under section
14 609), title XXII of the Public Health Service Act,
15 section 4980B of the Internal Revenue Code of 1986
16 (other than subsection (f)(1) of such section insofar
17 as it relates to pediatric vaccines), or section 8905a
18 of title 5, United States Code, or under a State pro-
19 gram that provides comparable continuation cov-
20 erage. Such term shall not include coverage under a
21 health flexible spending arrangement.

22 “(i) SPECIAL RULES.—

23 “(1) MARRIED COUPLES MUST FILE JOINT RE-
24 TURN.—If the taxpayer is married (within the mean-
25 ing of section 7703) at the close of the taxable year,

1 no credit shall be allowed under this section to such
2 taxpayer unless such taxpayer and the taxpayer's
3 spouse file a joint return for such taxable year.

4 “(2) DENIAL OF CREDIT TO DEPENDENTS.—

5 “(A) IN GENERAL.—No credit shall be al-
6 lowed under this section to any individual who
7 is a dependent with respect to another taxpayer
8 for a taxable year beginning in the calendar
9 year in which such individual's taxable year be-
10 gins.

11 “(B) COORDINATION WITH RULE FOR
12 OLDER CHILDREN.—In the case of any indi-
13 vidual who is a qualifying family member de-
14 scribed in subsection (e)(3) with respect to an-
15 other taxpayer for any month, in determining
16 the amount of any credit allowable to such indi-
17 vidual under this section for any taxable year of
18 such individual which includes such month, the
19 monthly limitation amount with respect to such
20 individual for such month shall be zero and no
21 amount paid for eligible health insurance with
22 respect to such individual for such month shall
23 be taken into account.

24 “(3) COORDINATION WITH MEDICAL EXPENSE
25 DEDUCTION.—Amounts described in subsection

1 (b)(1)(B) with respect to any month shall not be
2 taken into account in determining the deduction al-
3 lowed under section 213 except to the extent that
4 such amounts exceed the amount described in sub-
5 section (b)(1)(A) with respect to such month.

6 “(4) INSURANCE WHICH COVERS OTHER INDI-
7 VIDUALS.—For purposes of this section, rules simi-
8 lar to the rules of section 213(d)(6) shall apply with
9 respect to any contract for eligible health insurance
10 under which amounts are payable for coverage of an
11 individual other than the taxpayer and the tax-
12 payer’s qualifying family members.

13 “(5) COORDINATION WITH ADVANCE PAYMENTS
14 OF CREDIT.—With respect to any taxable year—

15 “(A) the amount which would (but for this
16 subsection) be allowed as a credit to the tax-
17 payer under subsection (a) shall be reduced
18 (but not below zero) by the aggregate amount
19 paid on behalf of such taxpayer under section
20 7529 for months beginning in such taxable
21 year, and

22 “(B) the tax imposed by section 1 for such
23 taxable year shall be increased by the excess (if
24 any) of—

1 “(i) the aggregate amount paid on be-
2 half of such taxpayer under section 7529
3 for months beginning in such taxable year,
4 over

5 “(ii) the amount which would (but for
6 this subsection) be allowed as a credit to
7 the taxpayer under subsection (a).

8 “(6) SPECIAL RULES FOR QUALIFIED SMALL
9 EMPLOYER HEALTH REIMBURSEMENT ARRANGE-
10 MENTS.—

11 “(A) IN GENERAL.—If the taxpayer or any
12 qualifying family member of the taxpayer is
13 provided a qualified small employer health reim-
14 bursement arrangement for any eligible cov-
15 erage month, the sum determined under sub-
16 section (b)(1)(A) with respect to the taxpayer
17 for such month shall be reduced (but not below
18 zero) by $\frac{1}{12}$ of the permitted benefit (as de-
19 fined in section 9831(d)(3)(C)) under such ar-
20 rangement.

21 “(B) QUALIFIED SMALL EMPLOYER
22 HEALTH REIMBURSEMENT ARRANGEMENT.—
23 For purposes of this paragraph, the term
24 ‘qualified small employer health reimbursement

1 arrangement' has the meaning given such term
2 by section 9831(d)(2).

3 “(C) COVERAGE FOR LESS THAN ENTIRE
4 YEAR.—In the case of an employee who is pro-
5 vided a qualified small employer health reim-
6 bursement arrangement for less than an entire
7 year, subparagraph (A) shall be applied by sub-
8 stituting ‘the number of months during the year
9 for which such arrangement was provided’ for
10 ‘12’.

11 “(7) CERTAIN RULES RELATED TO ABOR-
12 TION.—

13 “(A) OPTION TO PURCHASE SEPARATE
14 COVERAGE OR PLAN.—Nothing in subsection
15 (f)(1)(D) shall be construed as prohibiting any
16 individual from purchasing separate coverage
17 for abortions described in such subparagraph,
18 or a health plan that includes such abortions, so
19 long as no credit is allowed under this section
20 with respect to the premiums for such coverage
21 or plan.

22 “(B) OPTION TO OFFER COVERAGE OR
23 PLAN.—Nothing in subsection (f)(1)(D) shall
24 restrict any health insurance issuer offering a
25 health plan from offering separate coverage for

1 abortions described in such clause, or a plan
2 that includes such abortions, so long as pre-
3 miums for such separate coverage or plan are
4 not paid for with any amount attributable to
5 the credit allowed under this section.

6 “(C) OTHER TREATMENTS.—The treat-
7 ment of any infection, injury, disease, or dis-
8 order that has been caused by or exacerbated
9 by the performance of an abortion shall not be
10 treated as an abortion for purposes of sub-
11 section (f)(1)(D).

12 “(8) INFLATION ADJUSTMENT.—

13 “(A) IN GENERAL.—In the case of any
14 taxable year beginning in a calendar year after
15 2020, each dollar amount in subsection (c)(1),
16 the \$75,000 amount in subsection (c)(2)(A)(ii),
17 and the dollar amount in subsection (c)(3)(A),
18 shall be increased by an amount equal to—

19 “(i) such dollar amount, multiplied by

20 “(ii) the cost-of-living adjustment de-
21 termined under section 1(f)(3) for the cal-
22 endar year in which the taxable year be-
23 gins, determined—

1 “(I) by substituting ‘calendar
2 year 2019’ for ‘calendar year 1992’ in
3 subparagraph (B) thereof, and

4 “(II) by substituting for the CPI
5 referred to section 1(f)(3)(A) the
6 amount that such CPI would have
7 been if the annual percentage increase
8 in CPI with respect to each year after
9 2019 had been one percentage point
10 greater.

11 “(B) TERMS RELATED TO CPI.—

12 “(i) ANNUAL PERCENTAGE IN-
13 CREASE.—For purposes of subparagraph
14 (A)(ii)(II), the term ‘annual percentage in-
15 crease’ means the percentage (if any) by
16 which CPI for any year exceeds CPI for
17 the prior year.

18 “(ii) OTHER TERMS.—Terms used in
19 this paragraph which are also used in sec-
20 tion 1(f)(3) shall have the same meanings
21 as when used in such section.

22 “(C) ROUNDING.—Any increase deter-
23 mined under subparagraph (A) shall be rounded
24 to the nearest multiple of \$50.

1 “(9) REGULATIONS.—The Secretary may pre-
2 scribe such regulations and other guidance as may
3 be necessary or appropriate to carry out this section,
4 section 6050X, and section 7529.”.

5 (b) ADVANCE PAYMENT OF CREDIT; EXCESS
6 HEALTH INSURANCE COVERAGE CREDIT PAYABLE TO
7 HEALTH SAVINGS ACCOUNT.—Chapter 77 of such Code
8 is amended by adding at the end the following:

9 **“SEC. 7529. ADVANCE PAYMENT OF HEALTH INSURANCE**
10 **COVERAGE CREDIT.**

11 “(a) GENERAL RULE.—Not later than January 1,
12 2020, the Secretary, in consultation with the Secretary of
13 Health and Human Services, the Secretary of Homeland
14 Security, and the Commissioner of Social Security, shall
15 establish a program (hereafter in this section referred to
16 as the ‘advance payment program’) for making payments
17 to providers of eligible health insurance on behalf of tax-
18 payers eligible for the credit under section 36C.

19 “(b) LIMITATION.—The aggregate payments made
20 under this section with respect to any taxpayer, deter-
21 mined as of any time during any calendar year, shall not
22 exceed the monthly credit amounts determined with re-
23 spect to such taxpayer under section 36C for months dur-
24 ing such calendar year which have ended as of such time.

25 “(c) ADMINISTRATION.—

1 “(1) IN GENERAL.—The advance payment pro-
2 gram shall, to the greatest extent practicable, use
3 the methods and procedures used to administer the
4 programs created under sections 1411 and 1412 of
5 the Patient Protection and Affordable Care Act (de-
6 termined without regard to section 1412(f) of such
7 Act) and each entity that is authorized to take any
8 actions under the programs created under such sec-
9 tions (as so determined) shall, at the request of the
10 Secretary, take such actions to the extent necessary
11 to carry out this section.

12 “(2) APPLICATION TO OFF-EXCHANGE COV-
13 ERAGE.—Except as otherwise provided by the Sec-
14 retary, for purposes of applying this subsection in
15 the case of eligible health insurance which is not en-
16 rolled in through an Exchange established under
17 title I of the Patient Protection and Affordable Care
18 Act, the sections referred to in paragraph (1) shall
19 be applied by treating references in such sections to
20 an Exchange as references to the provider of such
21 eligible health insurance (or, as the Secretary deter-
22 mines appropriate, to the licensed agent or broker
23 with respect to such insurance), except that the Sec-
24 retary of Health and Human Services shall carry out
25 the responsibilities of the Exchange under section

1 1411(e)(4) of the Patient Protection and Affordable
2 Care Act (determined without regard to section
3 1412(f) of such Act) in the case of such insurance.

4 “(3) DOCUMENTATION REGARDING OTHER
5 SPECIFIED COVERAGE.—

6 “(A) IN GENERAL.—The advance payment
7 program shall provide that any individual ap-
8 plying to have payments made on their behalf
9 under such program shall, if such individual (or
10 any qualifying family member of such individual
11 taken into account in determining the amount
12 of the credit allowable under section 36C) is
13 employed, submit a written statement from
14 each employer of such individual or such quali-
15 fying family member stating whether such indi-
16 vidual or qualifying family member (as the case
17 may be) is eligible for other specified coverage
18 in connection with such employment.

19 “(B) ISSUANCE OF STATEMENTS.—An em-
20 ployer shall, at the request of any employee,
21 provide the statement under subparagraph (A)
22 at such time, and in such form and manner, as
23 the Secretary may provide.

24 “(d) DEFINITIONS.—For purposes of this section,
25 terms used in this section which are also used in section

1 36C shall have the same meaning as when used in section
2 36C.

3 **“SEC. 7530. EXCESS HEALTH INSURANCE COVERAGE CRED-
4 IT PAYABLE TO HEALTH SAVINGS ACCOUNT.**

5 “(a) IN GENERAL.—At the request of an eligible tax-
6 payer, the Secretary shall make a payment to the trustee
7 of the designated health savings account with respect to
8 such taxpayer in an amount equal to the sum of the ex-
9 cesses (if any) described in subsection (c)(2) with respect
10 to months in the taxable year.

11 “(b) DESIGNATED HEALTH SAVINGS ACCOUNT.—
12 The term ‘designated health savings account’ means a
13 health savings account of an individual described in sub-
14 section (c)(3) which is identified by the eligible taxpayer
15 for purposes of this section.

16 “(c) ELIGIBLE TAXPAYER.—The term ‘eligible tax-
17 payer’ means, with respect to any taxable year, any tax-
18 payer if—

19 “(1) such taxpayer is allowed a credit under
20 section 36C for such taxable year,

21 “(2) the amount described in subparagraph (A)
22 of section 36C(b)(1) exceeds the amount described
23 in subparagraph (B) of such section with respect to
24 such taxpayer applied with respect to any month
25 during such taxable year, and

1 “(3) the taxpayer or one or more of the tax-
2 payer’s qualifying family members (as defined in
3 section 36C(e)) were eligible individuals (as defined
4 in section 223(c)(1)) for one or more months during
5 such taxable year.

6 “(d) CONTRIBUTIONS TREATED AS ROLLOVERS,
7 ETC.—

8 “(1) IN GENERAL.—Any amount paid the Sec-
9 retary to a health savings account under this section
10 shall be treated for purposes of this title in the same
11 manner as a rollover contribution described in sec-
12 tion 223(f)(5).

13 “(2) COORDINATION WITH LIMITATION ON
14 ROLLOVERS.—Any amount described in paragraph
15 (1) shall not be taken into account in applying sec-
16 tion 223(f)(5)(B) with respect to any other amount
17 and the limitation of section 223(f)(5)(B) shall not
18 apply with respect to the application of paragraph
19 (1).

20 “(e) FORM AND MANNER OF REQUEST.—The re-
21 quest referred to in subsection (a) shall be made at such
22 time and in such form and manner as the Secretary may
23 provide. To the extent that the Secretary determines fea-
24 sible, such request may identify more than one designated
25 health savings account (and the amount to be paid to each

1 such account) provided that the aggregate of such pay-
2 ments with respect to any taxpayer for any taxable year
3 do not exceed the excess described in subsection (c)(2).

4 “(f) TAXPAYERS WITH SERIOUSLY DELINQUENT
5 TAX DEBT.—In the case of an individual who has a seri-
6 ously delinquent tax debt (as defined in section 7345(b))
7 which has not been fully satisfied—

8 “(1) if such individual is the eligible taxpayer
9 (or, in the case of a joint return, either spouse), the
10 Secretary shall not make any payment under this
11 section with respect to such taxpayer, and

12 “(2) if such individual is the account bene-
13 ficiary (as defined in section 223(d)(3)) of any
14 health savings account, the Secretary shall not make
15 any payment under this section to such health sav-
16 ings account.

17 “(g) ADVANCE PAYMENT.—To the extent that the
18 Secretary determines feasible, payment under this section
19 may be made in advance on a monthly basis under rules
20 similar to the rules of sections 7529 and 36C(i)(5)(B).”.

21 (c) INFORMATION REPORTING.—

22 (1) REPORTING BY HEALTH INSURANCE PRO-
23 VIDERS.—Subpart B of part III of subchapter A of
24 chapter 61 of such Code is amended by adding at
25 the end the following new section:

1 **“SEC. 6050X. RETURNS BY HEALTH INSURANCE PROVIDERS**
2 **RELATING TO HEALTH INSURANCE COV-**
3 **ERAGE CREDIT.**

4 “(a) REQUIREMENT OF REPORTING.—Every person
5 who provides eligible health insurance for any month of
6 any calendar year with respect to any individual shall, at
7 such time as the Secretary may prescribe, make the return
8 described in subsection (b) with respect to each such indi-
9 vidual. With respect to any individual with respect to
10 whom payments under section 7529 are made by the Sec-
11 retary, the reporting under subsection (b) shall be made
12 on a monthly basis.

13 “(b) FORM AND MANNER OF RETURNS.—A return
14 is described in this subsection if such return—

15 “(1) is in such form as the Secretary may pre-
16 scribe, and

17 “(2) contains, with respect to each policy of eli-
18 gible health insurance—

19 “(A) the name, address, and TIN of each
20 individual covered under such policy,

21 “(B) the premiums paid with respect to
22 such policy,

23 “(C) the amount of advance payments
24 made on behalf of the individual under section
25 7529,

1 “(D) the months during which such health
2 insurance is provided to the individual,

3 “(E) whether such policy constitutes a
4 high deductible health plan (as defined in sec-
5 tion 223(c)(2)), and

6 “(F) such other information as the Sec-
7 retary may prescribe.

8 “(c) STATEMENTS TO BE FURNISHED TO INDIVID-
9 UALS WITH RESPECT TO WHOM INFORMATION IS RE-
10 QUIRED.—Every person required to make a return under
11 subsection (a) shall furnish to each individual whose name
12 is required to be set forth in such return a written state-
13 ment showing—

14 “(1) the name and address of the person re-
15 quired to make such return and the phone number
16 of the information contact for such person, and

17 “(2) the information required to be shown on
18 the return with respect to such individual.

19 The written statement required under the preceding sen-
20 tence shall be furnished on or before January 31 of the
21 year following the calendar year to which such statement
22 relates.

23 “(d) DEFINITIONS.—For purposes of this section,
24 terms used in this section which are also used in section

1 36C shall have the same meaning as when used in section
2 36C.”.

3 (2) REPORTING BY EMPLOYERS.—Section
4 6051(a) of such Code is amended by striking “and”
5 at the end of paragraph (14), by striking the period
6 at the end of paragraph (15) and inserting “, and”,
7 and by inserting after paragraph (15) the following
8 new paragraph:

9 “(16) each month with respect to which the em-
10 ployee is eligible for other specified coverage (as de-
11 fined in section 36C(g)) in connection with employ-
12 ment with the employer.”.

13 (3) ASSESSABLE PENALTIES.—

14 (A) Section 6724(d)(1)(B) of such Code is
15 amended by striking “or” at the end of clause
16 (xxiv), by inserting “or” at the end of clause
17 (xxv), and by inserting after clause (xxv) the
18 following new clause:

19 “(xxvi) section 6050X (relating to re-
20 turns relating to health insurance coverage
21 credit),”.

22 (B) Section 6724(d)(2) of such Code is
23 amended by striking “or” at the end of sub-
24 paragraph (HH), by striking the period at the
25 end of subparagraph (II) and inserting a

1 comma, and by adding after subparagraph (II)
2 the following new subparagraphs:

3 “(JJ) section 6050X (relating to returns
4 relating to health insurance coverage credit), or

5 “(KK) section 7529(c)(3) (relating to doc-
6 umentation regarding other specified cov-
7 erage).”.

8 (d) DISCLOSURES.—Paragraph (21) of section
9 6103(l) of the Internal Revenue Code of 1986 is amend-
10 ed—

11 (1) in subparagraph (A)—

12 (A) by striking “any premium tax credit
13 under section 36B or any cost-sharing reduc-
14 tion under section 1402 of the Patient Protec-
15 tion and Affordable Care Act or” and inserting
16 “any credit under section 36C”,

17 (B) by striking “, a State’s children’s
18 health insurance program under title XXI of
19 the Social Security Act, or a basic health pro-
20 gram under section 1331 of Patient Protection
21 and Affordable Care Act” and inserting “or a
22 State’s children’s health insurance program
23 under title XXI of the Social Security Act”,

1 (C) by striking “(as defined in section
2 36B)” in clause (iv) and inserting “(as defined
3 in section 36C(c)(2)(B))”, and

4 (D) by striking “or reduction” in clause
5 (v),
6 (2) in subparagraph (B)—

7 (A) by striking “may disclose to an Ex-
8 change” and inserting “may disclose—

9 “(i) to an Exchange”, and

10 (B) by striking the period at the end and
11 inserting “, and”, and

12 (C) by adding at the end the following new
13 clause:

14 “(ii) in the case of any credit under
15 section 36C with respect to any health in-
16 surance, the amount of such credit (or the
17 amount of any advance payment of such
18 credit) to the provider of such insurance
19 (or, as the Secretary determines appro-
20 priate, the licensed agent or broker with
21 respect to such insurance).”, and

22 (3) in subparagraph (C)(i), by striking “amount
23 of, any credit or reduction” and inserting “amount
24 of any credit”.

1 (e) INCREASED PENALTY ON ERRONEOUS CLAIMS OF
2 CREDIT.—Section 6676(a) of such Code is amended by
3 inserting “(25 percent in the case of a claim for refund
4 or credit relating to the health insurance coverage credit
5 under section 36C)” after “20 percent”.

6 (f) CONFORMING AMENDMENTS.—

7 (1) Section 35(g) of such Code is amended by
8 adding at the end the following new paragraph:

9 “(14) COORDINATION WITH HEALTH INSUR-
10 ANCE COVERAGE CREDIT.—

11 “(A) IN GENERAL.—An eligible coverage
12 month to which the election under paragraph
13 (11) applies shall not be treated as an eligible
14 coverage month (as defined in section 36C(d))
15 for purposes of section 36C with respect to the
16 taxpayer or any of the taxpayer’s qualifying
17 family members (as defined in section 36C(e)).

18 “(B) COORDINATION WITH ADVANCE PAY-
19 MENTS OF HEALTH INSURANCE COVERAGE
20 CREDIT.—In the case of a taxpayer who makes
21 the election under paragraph (11) with respect
22 to any eligible coverage month in a taxable year
23 or on behalf of whom any advance payment is
24 made under section 7527 with respect to any
25 month in such taxable year—

1 “(i) the tax imposed by this chapter
2 for the taxable year shall be increased by
3 the excess, if any, of—

4 “(I) the sum of any advance pay-
5 ments made on behalf of the taxpayer
6 under sections 7527 and 7529 for
7 months during such taxable year, over

8 “(II) the sum of the credits al-
9 lowed under this section (determined
10 without regard to paragraph (1)) and
11 section 36C (determined without re-
12 gard to subsection (i)(5)(A) thereof)
13 for such taxable year, and

14 “(ii) section 36C(i)(5)(B) shall not
15 apply with respect to such taxpayer for
16 such taxable year.”.

17 (2) Section 162(l) of such Code is amended by
18 adding at the end the following new paragraph:

19 “(6) COORDINATION WITH HEALTH INSURANCE
20 COVERAGES CREDIT.—The deduction otherwise allow-
21 able to a taxpayer under paragraph (1) for any tax-
22 able year shall be reduced (but not below zero) by
23 the sum of—

24 “(A) the amount of the credit allowable to
25 such taxpayer under section 36C (determined

1 without regard to subsection (i)(5)(A) thereof
2 for such taxable year, plus

3 “(B) the aggregate payments made with
4 respect to the taxpayer under section 7530 for
5 months during such taxable year.”.

6 (3) Section 1324(b)(2) of title 31, United
7 States Code is amended—

8 (A) by inserting “36C,” after “36B,” and

9 (B) by striking “or 6431” and inserting
10 “6431, or 7530”.

11 (4) The table of sections for subpart C of part
12 IV of subchapter A of chapter 1 of the Internal Rev-
13 enue Code of 1986 is amended by inserting after the
14 item relating to section 36B the following new item:

“Sec. 36C. Health insurance coverage.”.

15 (5) The table of sections for subpart B of part
16 III of subchapter A of chapter 61 of such Code is
17 amended by adding at the end the following new
18 item:

“Sec. 6050X. Returns by health insurance providers relating to health insur-
ance coverage credit.”.

19 (6) The table of sections for chapter 77 of such
20 Code is amended by adding at the end the following
21 new items:

“Sec. 7529. Advance payment of health insurance coverage credit.

“Sec. 7530. Excess health insurance coverage credit payable to health savings
account.”.

1 (g) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to months beginning after Decem-
3 ber 31, 2019, in taxable years ending after such date.

4 **SEC. 216. MAXIMUM CONTRIBUTION LIMIT TO HEALTH SAV-**
5 **INGS ACCOUNT INCREASED TO AMOUNT OF**
6 **DEDUCTIBLE AND OUT-OF-POCKET LIMITA-**
7 **TION.**

8 (a) SELF-ONLY COVERAGE.—Section 223(b)(2)(A)
9 of the Internal Revenue Code of 1986 is amended by strik-
10 ing “\$2,250” and inserting “the amount in effect under
11 subsection (c)(2)(A)(ii)(I)”.

12 (b) FAMILY COVERAGE.—Section 223(b)(2)(B) of
13 such Code is amended by striking “\$4,500” and inserting
14 “the amount in effect under subsection (c)(2)(A)(ii)(II)”.

15 (c) CONFORMING AMENDMENTS.—Section 223(g)(1)
16 of such Code is amended—

17 (1) by striking “subsections (b)(2) and” both
18 places it appears and inserting “subsection”, and

19 (2) in subparagraph (B), by striking “deter-
20 mined by” and all that follows through “‘calendar
21 year 2003’.” and inserting “determined by sub-
22 stituting ‘calendar year 2003’ for ‘calendar year
23 1992’ in subparagraph (B) thereof .”.

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2017.

4 **SEC. 217. ALLOW BOTH SPOUSES TO MAKE CATCH-UP CON-**
5 **TRIBUTIONS TO THE SAME HEALTH SAVINGS**
6 **ACCOUNT.**

7 (a) IN GENERAL.—Section 223(b)(5) of the Internal
8 Revenue Code of 1986 is amended to read as follows:

9 “(5) SPECIAL RULE FOR MARRIED INDIVIDUALS
10 WITH FAMILY COVERAGE.—

11 “(A) IN GENERAL.—In the case of individ-
12 uals who are married to each other, if both
13 spouses are eligible individuals and either
14 spouse has family coverage under a high de-
15 ductible health plan as of the first day of any
16 month—

17 “(i) the limitation under paragraph
18 (1) shall be applied by not taking into ac-
19 count any other high deductible health
20 plan coverage of either spouse (and if such
21 spouses both have family coverage under
22 separate high deductible health plans, only
23 one such coverage shall be taken into ac-
24 count),

1 “(ii) such limitation (after application
2 of clause (i)) shall be reduced by the ag-
3 gregate amount paid to Archer MSAs of
4 such spouses for the taxable year, and

5 “(iii) such limitation (after application
6 of clauses (i) and (ii)) shall be divided
7 equally between such spouses unless they
8 agree on a different division.

9 “(B) TREATMENT OF ADDITIONAL CON-
10 TRIBUTION AMOUNTS.—If both spouses referred
11 to in subparagraph (A) have attained age 55
12 before the close of the taxable year, the limita-
13 tion referred to in subparagraph (A)(iii) which
14 is subject to division between the spouses shall
15 include the additional contribution amounts de-
16 termined under paragraph (3) for both spouses.
17 In any other case, any additional contribution
18 amount determined under paragraph (3) shall
19 not be taken into account under subparagraph
20 (A)(iii) and shall not be subject to division be-
21 tween the spouses.”.

22 (b) EFFECTIVE DATE.—The amendment made by
23 this section shall apply to taxable years beginning after
24 December 31, 2017.

1 **SEC. 218. SPECIAL RULE FOR CERTAIN MEDICAL EXPENSES**
2 **INCURRED BEFORE ESTABLISHMENT OF**
3 **HEALTH SAVINGS ACCOUNT.**

4 (a) **IN GENERAL.**—Section 223(d)(2) of the Internal
5 Revenue Code of 1986 is amended by adding at the end
6 the following new subparagraph:

7 “(D) **TREATMENT OF CERTAIN MEDICAL**
8 **EXPENSES INCURRED BEFORE ESTABLISHMENT**
9 **OF ACCOUNT.**—If a health savings account is
10 established during the 60-day period beginning
11 on the date that coverage of the account bene-
12 ficiary under a high deductible health plan be-
13 gins, then, solely for purposes of determining
14 whether an amount paid is used for a qualified
15 medical expense, such account shall be treated
16 as having been established on the date that
17 such coverage begins.”.

18 (b) **EFFECTIVE DATE.**—The amendment made by
19 this section shall apply with respect to coverage beginning
20 after December 31, 2017.

1 **Subtitle B—Repeal of Certain**
2 **Consumer Taxes**

3 **SEC. 221. REPEAL OF TAX ON PRESCRIPTION MEDICA-**
4 **TIONS.**

5 Section 9008 of the Patient Protection and Afford-
6 able Care Act is amended by adding at the end the fol-
7 lowing new subsection:

8 “(l) **TERMINATION.**—No fee shall be imposed under
9 subsection (a)(1) with respect to any calendar year begin-
10 ning after December 31, 2017.”.

11 **SEC. 222. REPEAL OF HEALTH INSURANCE TAX.**

12 Section 9010 of the Patient Protection and Afford-
13 able Care Act is amended by adding at the end the fol-
14 lowing new subsection:

15 “(k) **TERMINATION.**—No fee shall be imposed under
16 subsection (a)(1) with respect to any calendar year begin-
17 ning after December 31, 2017.”.

18 **Subtitle C—Repeal of Tanning Tax**

19 **SEC. 231. REPEAL OF TANNING TAX.**

20 (a) **IN GENERAL.**—The Internal Revenue Code of
21 1986 is amended by striking chapter 49.

22 (b) **EFFECTIVE DATE.**—The amendment made by
23 this section shall apply to services performed after Decem-
24 ber 31, 2017.

1 **Subtitle D—Remuneration From**
2 **Certain Insurers**

3 **SEC. 241. REMUNERATION FROM CERTAIN INSURERS.**

4 Paragraph (6) of section 162(m) of the Internal Rev-
5 enue Code of 1986 is amended by adding at the end the
6 following new subparagraph:

7 “(I) TERMINATION.—This paragraph shall
8 not apply to taxable years beginning after De-
9 cember 31, 2017.”.

10 **Subtitle E—Repeal of Net**
11 **Investment Income Tax**

12 **SEC. 251. REPEAL OF NET INVESTMENT INCOME TAX.**

13 (a) IN GENERAL.—Subtitle A of the Internal Rev-
14 enue Code of 1986 is amended by striking chapter 2A.

15 (b) EFFECTIVE DATE.—The amendment made by
16 this section shall apply to taxable years beginning after
17 December 31, 2017.

Union Calendar No. 30

115TH CONGRESS
1ST Session

H. R. 1628

[Report No. 115-52]

A BILL

To provide for reconciliation pursuant to title II of the concurrent resolution on the budget for fiscal year 2017.

MARCH 20, 2017

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed