

(1) 2-YEAR LIMITATION.—Section 1128A of such Act (42 U.S.C. 1320a–7a) is amended by adding at the end the following:

“(n)(1) Subparagraph (B) of subsection (i)(6) shall not apply to a practice described in paragraph (2) unless—

“(A) the Secretary, through the Inspector General of the Department of Health and Human Services, promulgates a rule authorizing such a practice as an exception to remuneration; and

“(B) the remuneration is offered or transferred by a person under such rule during the 2-year period beginning on the date the rule is first promulgated.

“(2) A practice described in this paragraph is a practice under which a health care provider or facility pays, in whole or in part, premiums for medicare supplemental policies for individuals entitled to benefits under part A of title XVIII pursuant to section 226A.”.

42 USC 1320a–7a note.

(2) GAO STUDY AND REPORT ON IMPACT OF SAFE HARBOR ON MEDIGAP POLICIES.—If a permissible practice is promulgated under section 1128A(n)(1)(A) of the Social Security Act (as added by paragraph (1)), the Comptroller General of the United States shall conduct a study that compares any disproportionate impact on specific issuers of medicare supplemental policies (including the impact on premiums for non-ESRD medicare beneficiaries enrolled in such policies) due to adverse selection in enrolling medicare ESRD beneficiaries before the enactment of the Health Insurance Portability and Accountability Act of 1996 and 1 year after the date of promulgation of such permissible practice under section 1128A(n)(1)(A) of the Social Security Act. Not later than 18 months after the date of promulgation of such practice, the Comptroller General shall submit a report to Congress on such study and shall include in the report recommendations concerning whether the time limitation imposed under section 1128A(n)(1)(B) of such Act should be extended.

(c) EXTENSION OF ADVISORY OPINION AUTHORITY.—Section 1128D(b)(2)(A) of such Act (42 U.S.C. 1320a–7d(b)(2)(A)) is amended by inserting “or section 1128A(i)(6)” after “1128B(b)”.

42 USC 1320a–7a note.

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

42 USC 1320a–7a note.

(e) INTERIM FINAL RULEMAKING AUTHORITY.—The Secretary of Health and Human Services may promulgate regulations that take effect on an interim basis, after notice and pending opportunity for public comment, in order to implement the amendments made by this section in a timely manner.

**SEC. 5202. EXPANSION OF MEMBERSHIP OF MEDPAC TO 17.**

(a) IN GENERAL.—Section 1805(c)(1) of the Social Security Act (42 U.S.C. 1395b–6(c)(1)), as added by section 4022 of the Balanced Budget Act of 1997, is amended by striking “15” and inserting “17”.

42 USC 1395b–6 note.

(b) INITIAL TERMS OF ADDITIONAL MEMBERS.—

(1) IN GENERAL.—For purposes of staggering the initial terms of members of the Medicare Payment Advisory Commission (under section 1805(c)(3) of such Act (42 U.S.C. 1395b–6(c)(3))), the initial terms of the two additional members of

the Commission provided for by the amendment under subsection (a) are as follows:

(A) One member shall be appointed for one year.

(B) One member shall be appointed for two years.

(2) COMMENCEMENT OF TERMS.—Such terms shall begin on May 1, 1999.

**Subtitle C—Revenue Offsets**

**SEC. 5301. TAX TREATMENT OF CASH OPTION FOR QUALIFIED PRIZES.**

(a) IN GENERAL.—Section 451 (relating to taxable year for which items of gross income included) is amended by adding at the end the following new subsection:

“(h) SPECIAL RULE FOR CASH OPTIONS FOR RECEIPT OF QUALIFIED PRIZES.—

“(1) IN GENERAL.—For purposes of this title, in the case of an individual on the cash receipts and disbursements method of accounting, a qualified prize option shall be disregarded in determining the taxable year for which any portion of the qualified prize is properly includible in gross income of the taxpayer.

“(2) QUALIFIED PRIZE OPTION; QUALIFIED PRIZE.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘qualified prize option’ means an option which—

“(i) entitles an individual to receive a single cash payment in lieu of receiving a qualified prize (or remaining portion thereof), and

“(ii) is exercisable not later than 60 days after such individual becomes entitled to the qualified prize.

“(B) QUALIFIED PRIZE.—The term ‘qualified prize’ means any prize or award which—

“(i) is awarded as a part of a contest, lottery, jackpot, game, or other similar arrangement,

“(ii) does not relate to any past services performed by the recipient and does not require the recipient to perform any substantial future service, and

“(iii) is payable over a period of at least 10 years.

“(3) PARTNERSHIP, ETC.—The Secretary shall provide for the application of this subsection in the case of a partnership or other pass-through entity consisting entirely of individuals described in paragraph (1).”

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by this section shall apply to any prize to which a person first becomes entitled after the date of enactment of this Act.

(2) TRANSITION RULE.—The amendment made by this section shall apply to any prize to which a person first becomes entitled on or before the date of enactment of this Act, except that in determining whether an option is a qualified prize option as defined in section 451(h)(2)(A) of the Internal Revenue Code of 1986 (as added by such amendment)—

(A) clause (ii) of such section 451(h)(2)(A) shall not apply, and

(B) such option shall be treated as a qualified prize option if it is exercisable only during all or part of the 18-month period beginning on July 1, 1999.

Applicability.  
26 USC 451 note.