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1 (A) by striking "a governmental unit or a  
2 501(c)(3) organization" each place it appears  
3 and inserting "an exempt person";

4 (B) by striking "qualified 501(c)(3)  
5 bonds," and

6 (C) by striking the comma after "private  
7 activity bonds" the first place it appears.

8 (18) Subparagraph (A) of section 148(f)(7) is  
9 amended by striking "(other than a qualified  
10 501(c)(3) bond)".

11 (19) Paragraph (2) of section 149(d) is  
12 amended—

13 (A) by striking "(other than a qualified  
14 501(c)(3) bond)", and

15 (B) by striking "CERTAIN PRIVATE" in the  
16 heading thereof and inserting "PRIVATE".

17 (20) Section 149(e)(2) is amended—

18 (A) by striking "which is not a private ac-  
19 tivity bond" in the second sentence and insert-  
20 ing "which is a bond issued for an exempt per-  
21 son described in section 150(a)(2)(A)(i)", and

22 (B) by adding at the end the following new  
23 sentence: "Subparagraph (D) shall not apply to  
24 any bond which is not a private activity bond  
25 but which would be such a bond if the

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1 501(c)(3) organization using the proceeds  
2 thereof were not an exempt person.”

3 (21) The heading of subsection (b) of section  
4 150 is amended by striking “TAX-EXEMPT PRIVATE  
5 ACTIVITY BONDS” and inserting “CERTAIN TAX-EX-  
6 EMPT BONDS”.

7 (22) Paragraph (3) of section 150(b) is  
8 amended—

9 (A) by inserting “owned by a 501(c)(3) or-  
10 ganization” after “any facility” in subpara-  
11 graph (A),

12 (B) by striking “any private activity bond  
13 which, when issued, purported to be a tax-ex-  
14 empt qualified 501(c)(3) bond” in subpara-  
15 graph (A) and inserting “any bond which, when  
16 issued, purported to be a tax-exempt bond, and  
17 which would be a private activity bond if the  
18 501(c)(3) organization using the proceeds  
19 thereof were not an exempt person”, and

20 (C) by striking the heading thereof and in-  
21 serting “BONDS FOR EXEMPT PERSONS OTHER  
22 THAN GOVERNMENTAL UNITS.—”.

23 (23) Paragraph (5) of section 150(b) is  
24 amended—

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1 (A) by striking "private activity" in sub-  
2 paragraph (A),

3 (B) by inserting "and which would be a  
4 private activity bond if the 501(c)(3) organiza-  
5 tion using the proceeds thereof were not an ex-  
6 empt person" after "tax-exempt bond" in sub-  
7 paragraph (A),

8 (C) by striking subparagraph (B) and in-  
9 serting the following new subparagraph:

10 "(B) such facility is required to be owned  
11 by an exempt person, and", and

12 (D) by striking "GOVERNMENTAL UNITS  
13 OR 501(c)(3) ORGANIZATIONS" in the heading  
14 thereof and inserting "EXEMPT PERSONS".

15 (24) Section 150 is amended by adding at the  
16 end the following new subsection:

17 "(f) CERTAIN RULES TO APPLY TO BONDS FOR EX-  
18 EMPT PERSONS OTHER THAN GOVERNMENTAL UNITS.—

19 "(1) IN GENERAL.—Nothing in section 103(a)  
20 or any other provision of law shall be construed to  
21 provide an exemption from Federal income tax for  
22 interest on any bond which would be a private activ-  
23 ity bond if the 501(c)(3) organization using the pro-  
24 ceeds thereof were not an exempt person unless such

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1 bond satisfies the requirements of subsections (b)  
2 and (f) of section 147.

3 “(2) SPECIAL RULE FOR POOLED FINANCING  
4 OF 501(c)(3) ORGANIZATION.—

5 “(A) IN GENERAL.—At the election of the  
6 issuer, a bond described in paragraph (1) shall  
7 be treated as meeting the requirements of sec-  
8 tion 147(b) if such bond meets the require-  
9 ments of subparagraph (B).

10 “(B) REQUIREMENTS.—A bond meets the  
11 requirements of this subparagraph if—

12 “(i) 95 percent or more of the net  
13 proceeds of the issue of which such bond is  
14 a part are to be used to make or finance  
15 loans to 2 or more 501(c)(3) organizations  
16 or governmental units for acquisition of  
17 property to be used by such organizations,

18 “(ii) each loan described in clause (i)  
19 satisfies the requirements of section 147(b)  
20 (determined by treating each loan as a sep-  
21 arate issue),

22 “(iii) before such bond is issued, a de-  
23 mand survey was conducted which shows a  
24 demand for financing greater than an

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1 amount equal to 120 percent of the  
2 lendable proceeds of such issue, and

3 “(iv) 95 percent or more of the net  
4 proceeds of such issue are to be loaned to  
5 501(c)(3) organizations or governmental  
6 units within 1 year of issuance and, to the  
7 extent there are any unspent proceeds  
8 after such 1-year period, bonds issued as  
9 part of such issue are to be redeemed as  
10 soon as possible thereafter (and in no  
11 event later than 18 months after issuance).

12 A bond shall not meet the requirements of this  
13 subparagraph if the maturity date of any bond  
14 issued as part of such issue is more than 30  
15 years after the date on which the bond was is-  
16 sued (or, in the case of a refunding or series of  
17 refundings, the date on which the original bond  
18 was issued).”

19 (25) Section 1302 of the Tax Reform Act of  
20 1986 is repealed.

21 (26) Subparagraph (C) of section 57(a)(5) is  
22 amended by striking clause (ii) and redesignating  
23 clauses (iii) and (iv) as clauses (ii) and (iii), respec-  
24 tively.

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1 (27) Paragraph (3) of section 103(b) is amend-  
2 ed by inserting "and section 150(f)" after "section  
3 149".

4 (28) Paragraph (3) of section 265(b) is  
5 amended—

6 (A) by striking clause (ii) of subparagraph

7 (B) and inserting the following:

8 " (ii) CERTAIN BONDS NOT TREATED  
9 AS PRIVATE ACTIVITY BONDS.—For pur-  
10 poses of clause (i)(II), there shall not be  
11 treated as a private activity bond any obli-  
12 gation issued to refund (or which is part of  
13 a series of obligations issued to refund) an  
14 obligation issued before August 8, 1986,  
15 which was not an industrial development  
16 bond (as defined in section 103(b)(2) as in  
17 effect on the day before the date of the en-  
18 actment of the Tax Reform Act of 1986)  
19 or a private loan bond (as defined in sec-  
20 tion 103(o)(2)(A), as so in effect, but with-  
21 out regard to any exemption from such  
22 definition other than section  
23 103(o)(2)(A))."; and

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1 (B) by striking "(other than a qualified  
2 501(c)(3) bond, as defined in section 145)" in  
3 subparagraph (C)(ii)(I).

4 (d) EFFECTIVE DATE.—The amendments made by  
5 this section shall apply to bonds (including refunding  
6 bonds) issued after December 31, 1994.

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1 **Subtitle D—Tax Treatment of**  
2 **Long-Term Care Insurance and**  
3 **Services**

4 **PART 1—GENERAL PROVISIONS**

5 **SEC. 6401. QUALIFIED LONG-TERM CARE SERVICES TREAT-**  
6 **ED AS MEDICAL CARE.**

7 (a) **GENERAL RULE.**—Paragraph (1) of section  
8 213(d) (defining medical care) is amended by striking  
9 “or” at the end of subparagraph (B), by redesignating  
10 subparagraph (C) as subparagraph (D), and by inserting  
11 after subparagraph (B) the following new subparagraph:

12 “(C) for qualified long-term care services  
13 (as defined in subsection (g)), or”.

14 (b) **QUALIFIED LONG-TERM CARE SERVICES DE-**  
15 **FINED.**—Section 213 (relating to the deduction for medi-  
16 cal, dental, etc., expenses) is amended by adding at the  
17 end the following new subsection:

18 “(g) **QUALIFIED LONG-TERM CARE SERVICES.**—For  
19 purposes of this section—

20 “(1) **IN GENERAL.**—The term ‘qualified long-  
21 term care services’ means necessary diagnostic, cur-  
22 ing, mitigating, treating, preventive, therapeutic, and  
23 rehabilitative services, and maintenance and per-  
24 sonal care services (whether performed in a residen-  
25 tial or nonresidential setting) which—



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1           “(A) are required by an individual during  
2           any period the individual is an incapacitated in-  
3           dividual (as defined in paragraph (2)),

4           “(B) have as their primary purpose—

5           “(i) the provision of needed assistance  
6           with 1 or more activities of daily living (as  
7           defined in paragraph (3)), or

8           “(ii) protection from threats to health  
9           and safety due to severe cognitive impair-  
10          ment, and

11          “(C) are provided pursuant to a continuing  
12          plan of care prescribed by a licensed profes-  
13          sional (as defined in paragraph (4)).

14          “(2) INCAPACITATED INDIVIDUAL.—The term  
15          ‘incapacitated individual’ means any individual  
16          who—

17               “(A) is unable to perform, without sub-  
18               stantial assistance from another individual (in-  
19               cluding assistance involving cueing or substan-  
20               tial supervision), at least 2 activities of daily  
21               living as defined in paragraph (3), or

22               “(B) has severe cognitive impairment as  
23               defined by the Secretary in consultation with  
24               the Secretary of Health and Human Services.

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1 Such term shall not include any individual otherwise  
2 meeting the requirements of the preceding sentence  
3 unless a licensed professional within the preceding  
4 12-month period has certified that such individual  
5 meets such requirements.

6 “(3) ACTIVITIES OF DAILY LIVING.—Each of  
7 the following is an activity of daily living:

8 “(A) Eating.

9 “(B) Toileting.

10 “(C) Transferring.

11 “(D) Bathing.

12 “(E) Dressing.

13 “(4) LICENSED PROFESSIONAL.—The term ‘li-  
14 censed professional’ means—

15 “(A) a physician or registered professional  
16 nurse, or

17 “(B) any other individual who meets such  
18 requirements as may be prescribed by the Sec-  
19 retary after consultation with the Secretary of  
20 Health and Human Services.

21 “(5) CERTAIN SERVICES NOT INCLUDED.—The  
22 term ‘qualified long-term care services’ shall not in-  
23 clude any services provided to an individual—

24 “(A) by a relative (directly or through a  
25 partnership, corporation, or other entity) unless

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1 the relative is a licensed professional with re-  
2 spect to such services, or

3 "(B) by a corporation or partnership which  
4 is related (within the meaning of section 267(b)  
5 or 707(b)) to the individual.

6 For purposes of this paragraph, the term 'relative'  
7 means an individual bearing a relationship to the in-  
8 dividual which is described in paragraphs (1)  
9 through (8) of section 152(a)."

10 (c) TECHNICAL AMENDMENTS.—

11 (1) Subparagraph (D) of section 213(d)(1) (as  
12 redesignated by subsection (a)) is amended to read  
13 as follows:

14 "(D) for insurance (including amounts  
15 paid as premiums under part B of title XVIII  
16 of the Social Security Act, relating to supple-  
17 mentary medical insurance for the aged) cover-  
18 ing medical care referred to in—

19 "(i) subparagraphs (A) and (B), or  
20 "(ii) subparagraph (C), but only if  
21 such insurance is provided under a quali-  
22 fied long-term care insurance policy (as de-  
23 fined in section 7702B(b)) and the amount  
24 paid for such insurance is not disallowed  
25 under section 7702B(d)(4)."

## VID-5

1 (2) Paragraph (6) of section 213(d) is  
2 amended—

3 (A) by striking “subparagraphs (A) and  
4 (B)” and inserting “subparagraph (A), (B),  
5 and (C)”, and

6 (B) by striking “paragraph (1)(C)” in sub-  
7 paragraph (A) and inserting “paragraph  
8 (1)(D)”.

9 (d) EFFECTIVE DATE.—The amendments made by  
10 this section shall apply to taxable years beginning after  
11 December 31, 1995.

12 **SEC. 6402. TREATMENT OF LONG-TERM CARE INSURANCE.**

13 (a) GENERAL RULE.—Chapter 79 (relating to defini-  
14 tions) is amended by inserting after section 7702A the fol-  
15 lowing new section:

16 **“SEC. 7702B. TREATMENT OF LONG-TERM CARE INSUR-**  
17 **ANCE.**

18 “(a) IN GENERAL.—For purposes of this title—

19 “(1) a qualified long-term care insurance policy  
20 (as defined in subsection (b)) shall be treated as an  
21 accident or health insurance contract,

22 “(2) amounts (other than policyholder dividends  
23 (as defined in section 808) or premium refunds) re-  
24 ceived under a qualified long-term care insurance  
25 policy shall be treated as amounts received for per-

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1       sonal injuries and sickness and shall be treated as  
2       reimbursement for expenses actually incurred for  
3       medical care (as defined in section 213(d)),

4               “(3) any plan of an employer providing cov-  
5       erage under a qualified long-term care insurance pol-  
6       icy shall be treated as an accident or health plan  
7       with respect to such coverage,

8               “(4) except as provided in subsection (d)(4),  
9       amounts paid for a qualified long-term care insur-  
10      ance policy providing the benefits described in sub-  
11      section (b)(6)(B) shall be treated as payments made  
12      for insurance for purposes of section 213(d)(1)(D),  
13      and

14              “(5) a qualified long-term care insurance policy  
15      shall be treated as a guaranteed renewable contract  
16      subject to the rules of section 816(e).

17      “(b) QUALIFIED LONG-TERM CARE INSURANCE POL-  
18      ICY.—For purposes of this title—

19              “(1) IN GENERAL.—The term ‘qualified long-  
20      term care insurance policy’ means any long-term  
21      care policy that—

22                      “(A) limits benefits under such policy to  
23      individuals who are certified by a licensed pro-  
24      fessional (as defined in section 213(g)(4)) with-  
25      in the preceding 12-month period—

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1           “(i) as being unable to perform, with-  
2           out substantial assistance from another in-  
3           dividual (including assistance involving  
4           cueing or substantial supervision), 2 or  
5           more activities of daily living (as defined in  
6           section 213(g)(3)), or

7           “(ii) having a severe cognitive impair-  
8           ment (as defined in section 213(g)(2)(B)),  
9           and

10           “(B) satisfies the requirements of para-  
11           graphs (2), (3), (4), (5), and (6).

12           “(2) PREMIUM REQUIREMENTS.—The require-  
13           ments of this paragraph are met with respect to a  
14           policy if such policy provides that premium pay-  
15           ments may not be made earlier than the date such  
16           payments would have been made if the contract pro-  
17           vided for level annual payments over the life expect-  
18           ancy of the insured or 20 years, whichever is short-  
19           er. A policy shall not be treated as failing to meet  
20           the requirements of the preceding sentence solely by  
21           reason of a provision in the policy providing for a  
22           waiver of premiums if the insured becomes an indi-  
23           vidual certified in accordance with paragraph (1)(A).

24           “(3) PROHIBITION OF CASH VALUE.—The re-  
25           quirements of this paragraph are met if the policy

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1 does not provide for a cash value or other money  
2 that can be paid, assigned, pledged as collateral for  
3 a loan, or borrowed, other than as provided in para-  
4 graph (4).

5 “(4) REFUNDS OF PREMIUMS AND DIVI-  
6 DENDS.—The requirements of this paragraph are  
7 met with respect to a policy if such policy provides  
8 that—

9 “(A) policyholder dividends are required to  
10 be applied as a reduction in future premiums  
11 or, to the extent permitted under paragraph  
12 (6), to increase benefits described in subsection  
13 (a)(2),

14 “(B) refunds of premiums upon a partial  
15 surrender or a partial cancellation are required  
16 to be applied as a reduction in future pre-  
17 miums, and

18 “(C) any refund on the death of the in-  
19 sured, or on a complete surrender or cancella-  
20 tion of the policy, cannot exceed the aggregate  
21 premiums paid under the contract.

22 Any refund on a complete surrender or cancellation  
23 of the policy shall be includible in gross income to  
24 the extent that any deduction or exclusion was allow-  
25 able with respect to the premiums.

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1           “(5) COORDINATION WITH OTHER ENTITLED-  
2           MENTS.—The requirements of this paragraph are  
3           met with respect to a policy if such policy does not  
4           pay, or provide reimbursement for, expenses in-  
5           curred to the extent that such expenses are also paid  
6           or reimbursed under title XVIII of the Social Secu-  
7           rity Act or are paid or reimbursed under a certified  
8           standard health plan (as defined in section  
9           3(b)(2)(A)) of the Health Reform Act).

10           “(6) MAXIMUM BENEFIT.—

11           “(A) IN GENERAL.—The requirements of  
12           this paragraph are met if the benefits payable  
13           under the policy for any period (whether on a  
14           periodic basis or otherwise) may not exceed the  
15           dollar amount in effect for such period.

16           “(B) NONREIMBURSEMENT PAYMENTS  
17           PERMITTED.—Benefits shall include all pay-  
18           ments described in subsection (a)(2) to or on  
19           behalf of an insured individual without regard  
20           to the expenses incurred during the period to  
21           which the payments relate. For purposes of sec-  
22           tion 213(a), such payments shall be treated as  
23           compensation for expenses paid for medical  
24           care.



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1           “(C) DOLLAR AMOUNT.—The dollar  
 2 amount in effect under this paragraph shall be  
 3 \$150 per day (or the equivalent amount within  
 4 the calendar year in the case of payments on  
 5 other than a per diem basis).

6           “(D) ADJUSTMENTS FOR INCREASED  
 7 COSTS.—

8           “(i) IN GENERAL.—In the case of any  
 9 calendar year after 1996, the dollar  
 10 amount in effect under subparagraph (C)  
 11 for any period or portion thereof occurring  
 12 during such calendar year shall be equal to  
 13 the sum of—

14           “(I) the amount in effect under  
 15 subparagraph (C) for the preceding  
 16 calendar year (after application of this  
 17 subparagraph), plus

18           “(II) the product of the amount  
 19 referred to in subclause (I) multiplied  
 20 by the cost-of-living adjustment for  
 21 the calendar year.

22           “(ii) COST-OF-LIVING ADJUSTMENT.—  
 23 For purposes of clause (i), the cost-of-liv-  
 24 ing adjustment for any calendar year is the  
 25 percentage (if any) by which the cost index

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1 under clause (iii) for the preceding cal-  
2 endar year exceeds such index for the sec-  
3 ond preceding calendar year.

4 “(iii) COST INDEX.—The Secretary, in  
5 consultation with the Secretary of Health  
6 and Human Services, shall before January  
7 1, 1997, establish a cost index to measure  
8 increases in costs of nursing home and  
9 similar facilities. The Secretary may from  
10 time to time revise such index to the extent  
11 necessary to accurately measure increases  
12 or decreases in such costs.

13 “(iv) SPECIAL RULE FOR CALENDAR  
14 YEAR 1997.—Notwithstanding clause (ii),  
15 for purposes of clause (i), the cost-of-living  
16 adjustment for calendar year 1997 is the  
17 sum of 1.5 percent plus the percentage by  
18 which the CPI for calendar year 1996 (as  
19 defined in section 1(f)(4)) exceeds the CPI  
20 for calendar year 1995 (as so defined).

21 “(E) PERIOD.—For purposes of this para-  
22 graph, a period begins on the date that an indi-  
23 vidual has a condition which would qualify for  
24 certification under subsection (b)(1)(A) and  
25 ends on the earlier of the date upon which—

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1           “(i) such individual has not been so  
2 certified within the preceding 12-months,  
3 or

4           “(ii) the individual's condition ceases  
5 to be such as to qualify for certification  
6 under subsection (b)(1)(A).

7           “(F) AGGREGATION RULE.—For purposes  
8 of this paragraph, all policies issued with re-  
9 spect to the same insured shall be treated as  
10 one policy. For purposes of applying this title to  
11 the issuer of any policy, the preceding sentence  
12 shall only apply to policies issued by such issuer  
13 and any related person.

14           “(c) TREATMENT OF LONG-TERM CARE INSURANCE  
15 POLICIES.—For purposes of this title, any amount re-  
16 ceived or coverage provided under a long-term care insur-  
17 ance policy that is not a qualified long-term care insurance  
18 policy shall not be treated as an amount received for per-  
19 sonal injuries or sickness or provided under an accident  
20 or health plan and shall not be treated as excludible from  
21 gross income under any provision of this title.

22           “(d) TREATMENT OF COVERAGE PROVIDED AS PART  
23 OF A LIFE INSURANCE CONTRACT.—Except as otherwise  
24 provided in regulations prescribed by the Secretary, in the  
25 case of any long-term care insurance coverage (whether

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1 or not qualified) provided by rider on a life insurance  
2 contract—

3 “(1) IN GENERAL.—This section shall apply as  
4 if the portion of the contract providing such cov-  
5 erage is a separate contract or policy.

6 “(2) PREMIUMS AND CHARGES FOR LONG-TERM  
7 CARE COVERAGE.—Premium payments for coverage  
8 under a long-term care insurance policy and charges  
9 against the life insurance contract's cash surrender  
10 value (within the meaning of section 7702(f)(2)(A))  
11 for such coverage shall be treated as premiums for  
12 purposes of subsection (b)(2).

13 “(3) APPLICATION OF SECTION 7702.—Section  
14 7702(c)(2) (relating to the guideline premium limi-  
15 tation) shall be applied by increasing the guideline  
16 premium limitation with respect to a life insurance  
17 contract, as of any date—

18 “(A) by the sum of any charges (but not  
19 premium payments) described in paragraph (2)  
20 made to that date under the contract, less

21 “(B) any such charges the imposition of  
22 which reduces the premiums paid for the con-  
23 tract (within the meaning of section  
24 7702(f)(1)).

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1           “(4) APPLICATION OF SECTION 213.—No deduc-  
2           tion shall be allowed under section 213(a) for  
3           charges against the life insurance contract's cash  
4           surrender value described in paragraph (2), unless  
5           such charges are includible in income as a result of  
6           the application of section 72(e)(10) and the coverage  
7           provided by the rider is a qualified long-term care  
8           insurance policy under subsection (b).

9           “(5) AMOUNT OF DISTRIBUTION UNDER  
10          RIDER.—This subsection shall not apply to any rider  
11          on a life insurance contract unless the percentage re-  
12          duction in the cash surrender value of the contract  
13          by reason of any payment under the rider does not  
14          exceed the percentage reduction in the death benefit  
15          payable under the contract by reason of the pay-  
16          ment.

17          For purposes of this subsection, the term ‘portion’ means  
18          only the terms and benefits under a life insurance contract  
19          that are in addition to the terms and benefits under the  
20          contract without regard to the coverage under a long-term  
21          care insurance policy, except that the coverage under a  
22          rider described in this subsection shall not fail to be treat-  
23          ed as such an addition by reason of a reduction in the  
24          contract's death benefit or cash surrender value resulting  
25          from any payment under the rider.

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1       “(e) REGULATIONS.—The Secretary shall prescribe  
2 such regulations as may be necessary to carry out the re-  
3 quirements of this section, including regulations to prevent  
4 the avoidance of this section by providing long-term care  
5 insurance coverage under a life insurance contract and to  
6 provide for the proper allocation of amounts between the  
7 long-term care and life insurance portions of a contract.”

8       (b) CAFETERIA PLANS.—Section 125(f) is amended  
9 by adding at the end the following new sentence: “Such  
10 term does not include any coverage or benefits under a  
11 qualified long-term care policy (as defined in section  
12 7702B).”

13       (c) RESERVES.—Clause (iii) of section 807(d)(3)(A)  
14 is amended by inserting “(other than a qualified long-term  
15 care insurance policy within the meaning of section  
16 7702B)” after “contract”.

17       (d) CLERICAL AMENDMENT.—The table of sections  
18 for chapter 79 is amended by inserting after the item re-  
19 lating to section 7702A the following new item:

“Sec. 7702B. Treatment of long-term care insurance.”

20       (e) EFFECTIVE DATE.—

21       (1) IN GENERAL.—The amendments made by  
22 this section shall apply to policies issued after De-  
23 cember 31, 1995, except that a policy issued before  
24 January 1, 1996, which, on January 1, 1996, satis-  
25 fies the requirements of a qualified long-term care

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1 insurance policy as set forth in section 7702B(b) of  
2 the Internal Revenue Code of 1986 shall be treated  
3 as having been issued on January 1, 1996.

4 (2) TRANSITION RULE.—If, after the date of  
5 enactment of this Act and before January 1, 1996,  
6 a policy providing for long-term care insurance cov-  
7 erage is exchanged solely for a qualified long-term  
8 care insurance policy (as defined in section  
9 7702B(b) of such Code), no gain or loss shall be rec-  
10 ognized on the exchange, except that gain (if any)  
11 shall be recognized to the extent of the sum of the  
12 money and the fair market value of the other prop-  
13 erty received. For purposes of this paragraph, the  
14 cancellation of a policy providing for long-term care  
15 insurance coverage and reinvestment of the cancella-  
16 tion proceeds in a qualified long-term care insurance  
17 policy within 60 days thereafter shall be treated as  
18 an exchange.

19 (3) ISSUANCE OF RIDER NOT TREATED AS MA-  
20 TERIAL CHANGE.—For purposes of applying section  
21 101(f), 7702, or 7702A of such Code to any con-  
22 tract, the issuance of a rider on a life insurance con-  
23 tract providing long-term care insurance coverage  
24 shall not be treated as a modification or material  
25 change of such contract.

VID-17

1 **PART 2—CONSUMER PROTECTION PROVISIONS**2 **SEC. 6411. POLICY REQUIREMENTS.**

3 (a) **IN GENERAL.**—Section 7702B (as added by sec-  
4 tion 6402) is amended by redesignating subsection (e) as  
5 subsection (f) and by inserting after subsection (d) the fol-  
6 lowing new subsection:

7 “(e) **CONSUMER PROTECTION PROVISIONS.**—

8 “(1) **IN GENERAL.**—The requirements of this  
9 subsection are met with respect to any long-term  
10 care insurance policy if such policy meets—

11 “(A) the requirements of the model regula-  
12 tion and model Act described in paragraph (2),

13 “(B) the disclosure requirement of para-  
14 graph (3),

15 “(C) the requirements relating to  
16 nonforfeitability under paragraph (4), and

17 “(D) the requirements relating to rate sta-  
18 bilization under paragraph (5).

19 “(2) **REQUIREMENTS OF MODEL REGULATION**  
20 **AND ACT.**—

21 “(A) **IN GENERAL.**—The requirements of  
22 this paragraph are met with respect to any pol-  
23 icy if such policy meets—

24 “(i) **MODEL REGULATION.**—The fol-  
25 lowing requirements of the model regula-  
26 tion:



## VID-18

1           “(I) Section 7A (relating to guar-  
2           anteed renewal or noncancellability),  
3           and the requirements of section 6B of  
4           the model Act relating to such section  
5           7A.

6           “(II) Section 7B (relating to pro-  
7           hibitions on limitations and exclu-  
8           sions).

9           “(III) Section 7C (relating to ex-  
10          tension of benefits).

11          “(IV) Section 7D (relating to  
12          continuation or conversion of cov-  
13          erage).

14          “(V) Section 7E (relating to dis-  
15          continuance and replacement of poli-  
16          cies).

17          “(VI) Section 8 (relating to unin-  
18          tentional lapse).

19          “(VII) Section 9 (relating to dis-  
20          closure), other than section 9F there-  
21          of.

22          “(VIII) Section 10 (relating to  
23          prohibitions against post-claims un-  
24          derwriting).

## VID-19

1           “(IX) Section 11 (relating to  
2           minimum standards).

3           “(X) Section 12 (relating to re-  
4           quirement to offer inflation protec-  
5           tion), except that any requirement for  
6           a signature on a rejection of inflation  
7           protection shall permit the signature  
8           to be on an application or on a sepa-  
9           rate form.

10           “(XI) Section 23 (relating to pro-  
11           hibition against preexisting conditions  
12           and probationary periods in replace-  
13           ment policies or certificates).

14           “(ii) MODEL ACT.—The following re-  
15           quirements of the model Act:

16           “(I) Section 6C (relating to pre-  
17           existing conditions).

18           “(II) Section 6D (relating to  
19           prior hospitalization).

20           “(B) DEFINITIONS.—For purposes of this  
21           paragraph—

22           “(i) MODEL PROVISIONS.—The terms  
23           ‘model regulation’ and ‘model Act’ mean  
24           the long-term care insurance model regula-  
25           tion, and the long-term care insurance

## VID-20

1 model Act, respectively, promulgated by  
2 the National Association of Insurance  
3 Commissioners (as adopted in January of  
4 1993).

5 “(ii) COORDINATION.—Any provision  
6 of the model regulation or model Act listed  
7 under clause (i) or (ii) of subparagraph  
8 (A) shall be treated as including any other  
9 provision of such regulation or Act nec-  
10 essary to implement the provision.

11 “(3) TAX DISCLOSURE REQUIREMENT.—The re-  
12 quirement of this paragraph is met with respect to  
13 any policy if such policy meets the requirements of  
14 section 4980C(d)(1).

15 “(4) NONFORFEITURE REQUIREMENTS.—

16 “(A) IN GENERAL.—The requirements of  
17 this paragraph are met with respect to any level  
18 premium long-term care insurance policy, if the  
19 issuer of such policy offers to the policyholder,  
20 including any group policyholder, a  
21 nonforfeiture provision meeting the require-  
22 ments of subparagraph (B).

23 “(B) REQUIREMENTS OF PROVISION.—The  
24 nonforfeiture provision required under subpara-

## VID-21

1 graph (A) shall meet the following require-  
2 ments:

3 “(i) The nonforfeiture provision shall  
4 be appropriately captioned.

5 “(ii) The nonforfeiture provision shall  
6 provide for a benefit available in the event  
7 of a default in the payment of any pre-  
8 miums and the amount of the benefit may  
9 be adjusted subsequent to being initially  
10 granted only as necessary to reflect  
11 changes in claims, persistency, and interest  
12 as reflected in changes in rates for pre-  
13 mium paying policies approved by the Sec-  
14 retary for the same policy form.

15 “(iii) The nonforfeiture provision shall  
16 provide at least one of the following:

17 “(I) Reduced paid-up insurance.

18 “(II) Extended term insurance.

19 “(III) Shortened benefit period.

20 “(IV) Other similar offerings ap-  
21 proved by the Secretary.

22 “(5) RATE STABILIZATION.—

23 “(A) IN GENERAL.—The requirements of  
24 this paragraph are met with respect to any

## VID-22

1 long-term care insurance policy, including any  
2 group master policy, if—

3 “(i) such policy contains the minimum  
4 rate guarantees specified in subparagraph  
5 (B), and

6 “(ii) the issuer of such policy meets  
7 the requirements specified in subparagraph  
8 (C).

9 “(B) MINIMUM RATE GUARANTEES.—The  
10 minimum rate guarantees specified in this sub-  
11 paragraph are as follows:

12 “(i) Rates under the policy shall be  
13 guaranteed for a period of at least 3 years  
14 from the date of issue of the policy.

15 “(ii) After the expiration of the 3-year  
16 period required under clause (i), any rate  
17 increase shall be guaranteed for a period of  
18 at least 2 years from the effective date of  
19 such rate increase.

20 “(iii) In the case of any individual age  
21 75 or older who has maintained coverage  
22 under a long-term care insurance policy for  
23 10 years, rate increases under such policy  
24 shall not exceed 10 percent in any 12-  
25 month period.

## VID-23

1           “(C) INCREASES IN PREMIUMS.—The re-  
2           quirements specified in this subparagraph are  
3           as follows:

4           “(i) IN GENERAL.—If an issuer of any  
5           long-term care insurance policy, including  
6           any group master policy, plans to increase  
7           the premium rates for a policy, such issuer  
8           shall, at least 90 days before the effective  
9           date of the rate increase, offer to each in-  
10          dividual policyholder under such policy the  
11          option to remain insured under the policy  
12          at a reduced level of benefits which main-  
13          tains the premium rate at the rate in effect  
14          on the day before the effective date of the  
15          rate increase.

16          “(ii) INCREASES OF MORE THAN 50  
17          PERCENT.—

18          “(I) IN GENERAL.—If an issuer  
19          of any long-term care insurance pol-  
20          icy, including any group master pol-  
21          icy, increases premium rates for a pol-  
22          icy by more than 50 percent in any 3-  
23          year period—

24                  “(aa) in the case of a group  
25                  master long-term care insurance

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1 policy, the issuer shall dis-  
2 continue issuing all group master  
3 long-term care insurance policies  
4 in any State in which the issuer  
5 issues such policy for a period of  
6 2 years from the effective date of  
7 such premium increase; and

8 “(bb) in the case of an indi-  
9 vidual long-term care insurance  
10 policy, the issuer shall dis-  
11 continue issuing all individual  
12 long-term care policies in any  
13 State in which the issuer issues  
14 such policy for a period of 2  
15 years from the effective date of  
16 such premium increase.

17 “(II) APPLICABILITY.—Subclause  
18 (I) shall apply to any issuer of long-  
19 term care insurance policies or any  
20 other person that purchases or other-  
21 wise acquires any long-term care in-  
22 surance policies from another issuer  
23 or person.

24 “(D) MODIFICATIONS OR WAIVERS OF RE-  
25 QUIREMENTS.—The Secretary may modify or

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1 waive any of the requirements under this para-  
2 graph if—

3 “(i) such requirements will adversely  
4 affect an issuer’s solvency;

5 “(ii) such modification or waiver is re-  
6 quired for the issuer to meet other State or  
7 Federal requirements;

8 “(iii) medical developments, new dis-  
9 abling diseases, changes in long-term care  
10 delivery, or a new method of financing  
11 long-term care will result in changes to  
12 mortality and morbidity patterns or as-  
13 sumptions;

14 “(iv) judicial interpretation of a pol-  
15 icy’s benefit features results in unintended  
16 claim liabilities; or

17 “(v) in the case of a purchase or other  
18 acquisition of long-term care insurance  
19 policies of an issuer or other person, the  
20 continued sale of other long-term care in-  
21 surance policies by the purchasing issuer  
22 or person is in the best interests of individ-  
23 ual consumers.

24 “(6) LONG-TERM CARE INSURANCE POLICY DE-  
25 FINED.—For purposes of this subsection, the term



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1 'long-term care insurance policy' has the meaning  
2 given such term by section 4980C(e)."

3 (b) CONFORMING AMENDMENT.—Section  
4 7702B(b)(1)(B) (as added by section 7702) is amended  
5 by inserting "and of subsection (e)" after "and (6)".

6 **SEC. 6412. ADDITIONAL REQUIREMENTS FOR ISSUERS OF**  
7 **LONG-TERM CARE INSURANCE POLICIES.**

8 (a) IN GENERAL.—Chapter 43 is amended by adding  
9 at the end the following new section:

10 **"SEC. 4980C. FAILURE TO MEET REQUIREMENTS FOR LONG-**  
11 **TERM CARE INSURANCE POLICIES.**

12 "(a) GENERAL RULE.—There is hereby imposed on  
13 any person failing to meet the requirements of subsection  
14 (c) or (d) a tax in the amount determined under sub-  
15 section (b).

16 "(b) AMOUNT OF TAX.—

17 "(1) IN GENERAL.—The amount of the tax im-  
18 posed by subsection (a) shall be \$100 per policy for  
19 each day any requirements of subsection (c), (d), or  
20 (e) are not met with respect to each long-term care  
21 insurance policy.

22 "(2) WAIVER.—In the case of a failure which is  
23 due to reasonable cause and not to willful neglect,  
24 the Secretary may waive part or all of the tax im-  
25 posed by subsection (a) to the extent that payment

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1 of the tax would be excessive relative to the failure  
2 involved.

3 “(c) ADDITIONAL RESPONSIBILITIES.—The require-  
4 ments of this subsection are as follows:

5 “(1) REQUIREMENTS OF MODEL PROVISIONS.—

6 “(A) MODEL REGULATION.—The following  
7 requirements of the model regulation must be  
8 met:

9 “(i) Section 13 (relating to application  
10 forms and replacement coverage).

11 “(ii) Section 14 (relating to reporting  
12 requirements), except that the issuer shall  
13 also report at least annually the number of  
14 claims denied during the reporting period  
15 for each class of business (expressed as a  
16 percentage of claims denied), other than  
17 claims denied for failure to meet the wait-  
18 ing period or because of any applicable  
19 pre-existing condition.

20 “(iii) Section 20 (relating to filing re-  
21 quirements for marketing).

22 “(iv) Section 21 (relating to standards  
23 for marketing), including inaccurate com-  
24 pletion of medical histories, other than sec-

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1 tions 21C(1) and 21C(6) thereof, except  
2 that—

3 “(I) in addition to such require-  
4 ments, no person shall, in selling or  
5 offering to sell a long-term care insur-  
6 ance policy, misrepresent a material  
7 fact; and

8 “(II) no such requirements shall  
9 include a requirement to inquire or  
10 identify whether a prospective appli-  
11 cant or enrollee for long-term care in-  
12 surance has accident and sickness in-  
13 surance.

14 “(v) Section 22 (relating to appro-  
15 priateness of recommended purchase).

16 “(vi) Section 24 (relating to standard  
17 format outline of coverage).

18 “(vii) Section 25 (relating to require-  
19 ment to deliver shopper’s guide).

20 “(B) MODEL ACT.—The following require-  
21 ments of the model Act must be met:

22 “(i) Section 6F (relating to right to  
23 return), except that such section shall also  
24 apply to denials of applications and any re-

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1 fund shall be made within 30 days of the  
2 return or denial.

3 “(ii) Section 6G (relating to outline of  
4 coverage).

5 “(iii) Section 6H (relating to require-  
6 ments for certificates under group plans).

7 “(iv) Section 6I (relating to policy  
8 summary).

9 “(v) Section 6J (relating to monthly  
10 reports on accelerated death benefits).

11 “(vi) Section 7 (relating to incontest-  
12 ability period).

13 “(C) DEFINITIONS.—For purposes of this  
14 paragraph, the terms ‘model regulation’ and  
15 ‘model Act’ have the meanings given such terms  
16 by section 7702B(h)(2)(B).

17 “(2) DELIVERY OF POLICY.—If an application  
18 for a long-term care insurance policy (or for a cer-  
19 tificate under a group long-term care insurance pol-  
20 icy) is approved, the issuer shall deliver to the appli-  
21 cant (or policyholder or certificate-holder) the policy  
22 (or certificate) of insurance not later than 30 days  
23 after the date of the approval.

24 “(3) INFORMATION ON DENIALS OF CLAIMS.—  
25 If a claim under a long-term care insurance policy

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1 is denied, the issuer shall, within 60 days of the date  
2 of a written request by the policyholder or certifi-  
3 cate-holder (or representative)—

4 “(A) provide a written explanation of the  
5 reasons for the denial, and

6 “(B) make available all information di-  
7 rectly relating to such denial.

8 “(d) DISCLOSURE.—The requirements of this sub-  
9 section are met if either of the following statements,  
10 whichever is applicable, is prominently displayed on the  
11 front page of any long-term care insurance policy and in  
12 the outline of coverage required under subsection  
13 (c)(1)(B)(ii):

14 “(1) A statement that: ‘This policy is intended  
15 to be a qualified long-term care insurance contract  
16 under section 7702B(b) of the Internal Revenue  
17 Code of 1986.’

18 “(2) A statement that: ‘This policy is not in-  
19 tended to be a qualified long-term care insurance  
20 contract under section 7702B(b) of the Internal  
21 Revenue Code of 1986.’

22 “(e) LONG-TERM CARE INSURANCE POLICY DE-  
23 FINED.—For purposes of this section, the term ‘long-term  
24 care insurance policy’ means any product which is adver-  
25 tised, marketed, or offered as long-term care insurance.”

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1 (b) CONFORMING AMENDMENT.—The table of sec-  
2 tions for chapter 43 is amended by adding at the end the  
3 following new item:

“Sec. 4980C. Failure to meet requirements for long-term care in-  
surance policies.”

4 **SEC. 6413. UNIFORM LANGUAGE AND DEFINITIONS.**

5 (a) IN GENERAL.—The National Association of In-  
6 surance Commissioners shall not later than January 1,  
7 1996, promulgate standards for the use of uniform lan-  
8 guage and definitions in long-term care insurance policies  
9 (as defined in section 4980C(e) of the Internal Revenue  
10 Code 1986).

11 (b) VARIATIONS.—Standards under subsection (a)  
12 may permit the use of nonuniform language to the extent  
13 required to take into account differences among States in  
14 the licensing of nursing facilities and other providers of  
15 long-term care.

16 **SEC. 6414. EFFECTIVE DATES.**

17 (a) IN GENERAL.—The provisions of, and amend-  
18 ments made by, this part shall apply to contracts issued  
19 after December 31, 1994. The provisions of section  
20 6402(e)(2) of this Act shall apply to such contracts.

21 (b) ISSUERS.—The amendments made by section  
22 6412 shall apply to actions taken after December 31,  
23 1994.

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1       **PART 3—ACCELERATED DEATH BENEFITS**2       **SEC. 6421. TAX TREATMENT OF ACCELERATED DEATH BEN-**  
3       **EFFITS UNDER LIFE INSURANCE CONTRACTS.**4       (a) **GENERAL RULE.**—Section 101 (relating to cer-  
5       tain death benefits) is amended by adding at the end the  
6       following new subsection:7       “(g) **TREATMENT OF CERTAIN ACCELERATED**  
8       **DEATH BENEFITS.**—9       “(1) **IN GENERAL.**—For purposes of this sec-  
10       tion, any amount received under a life insurance  
11       contract on the life of an insured who is a terminally  
12       ill individual shall be treated as an amount paid by  
13       reason of the death of such insured.14       “(2) **NECESSARY CONDITIONS.**—15       “(A) **IN GENERAL.**—Paragraph (1) shall  
16       not apply to any amount received unless—17       “(i) the total amount received is not  
18       less than the present value (determined  
19       under subparagraph (B)) of the reduction  
20       in the death benefit otherwise payable in  
21       the event of the death of the insured, and22       “(ii) the percentage reduction in the  
23       cash surrender value of the contract by  
24       reason of the distribution does not exceed  
25       the percentage reduction in the death ben-

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1           efit payable under the contract by reason  
2           of such distribution.

3           “(B) PRESENT VALUE.—The present value  
4           of the reduction in the death benefit shall be  
5           determined by—

6                   “(i) using a discount rate which is  
7                   based on an interest rate which does not  
8                   exceed the highest interest rate set forth in  
9                   subparagraph (C), and

10                   “(ii) assuming that the death benefit  
11                   (or the portion thereof) would have been  
12                   paid on the date which is 12 months after  
13                   the date of the certification referred to in  
14                   paragraph (3).

15           “(C) RATES.—The interest rates set forth  
16           in this subparagraph are the following:

17                   “(i) the 90-day Treasury bill yield,

18                   “(ii) the rate described as Moody's  
19                   Corporate Bond Yield Average-Monthly  
20                   Average Corporates as published by  
21                   Moody's Investors Service, Inc., or any  
22                   successor thereto, for the calendar month  
23                   ending 2 months before the date on which  
24                   the rate is determined, and



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1           “(iii) the rate used to compute the  
2           cash surrender values under the contract  
3           during the applicable period plus 1 percent  
4           per annum.

5           “(D) SPECIAL RULES RELATING TO  
6           LIENS.—If a lien is imposed against a life in-  
7           surance contract with respect to any amount re-  
8           ferred to in paragraph (1)—

9           “(i) for purposes of subparagraph (A),  
10           the amount of such lien shall be treated as  
11           a reduction (at the time of receipt) in the  
12           death benefit or cash surrender value to  
13           the extent that such benefit or value, as  
14           the case may be, is (or may become) sub-  
15           ject to the lien, and

16           “(ii) paragraph (1) shall not apply to  
17           the amount received unless any rate of in-  
18           terest with respect to any amount in con-  
19           nection with which such lien is imposed  
20           does not exceed the highest rate set forth  
21           in subparagraph (C).

22           “(3) TERMINALLY ILL INDIVIDUAL.—For pur-  
23           poses of this subsection, the term ‘terminally ill indi-  
24           vidual’ means an individual who the insurer has de-  
25           termined, after receipt of an acceptable certification

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1 by a licensed physician, has an illness or physical  
2 condition which can reasonably be expected to result  
3 in death within 12 months after the date of certifi-  
4 cation.

5 “(4) EXCEPTION FOR BUSINESS-RELATED POLI-  
6 CIES.—This subsection shall not apply in the case of  
7 any amount paid to any taxpayer other than the in-  
8 sured if such taxpayer has an insurable interest with  
9 respect to the life of the insured by reason of the in-  
10 sured being a director, officer, or employee of the  
11 taxpayer or by reason of the insured having a finan-  
12 cial interest in any trade or business carried on by  
13 the taxpayer.”

14 (b) EFFECTIVE DATES.—

15 (1) IN GENERAL.—Except as provided in para-  
16 graph (2), the amendment made by this section shall  
17 apply to amounts received after the date of the en-  
18 actment of this Act.

19 (2) DELAY IN APPLICATION OF DISCOUNT  
20 RULES.—Clause (i) of section 101(g)(2)(A) of the  
21 Internal Revenue Code of 1986 shall not apply to  
22 any amount received before January 1, 1995.

23 (3) ISSUANCE OF RIDER NOT TREATED AS MA-  
24 TERIAL CHANGE.—For purposes of applying section  
25 101(f), 7702, or 7702A of the Internal Revenue

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1 Code of 1986 to any contract, the issuance of a  
2 qualified accelerated death benefit rider (as defined  
3 in section 818(g) of such Code (as added by this  
4 Act)) shall not be treated as a modification or mate-  
5 rial change of such contract.

6 **SEC. 6422. TAX TREATMENT OF COMPANIES ISSUING**  
7 **QUALIFIED ACCELERATED DEATH BENEFIT**  
8 **RIDERS.**

9 (a) **QUALIFIED ACCELERATED DEATH BENEFIT RID-**  
10 **ERS TREATED AS LIFE INSURANCE.**—Section 818 (relat-  
11 ing to other definitions and special rules) is amended by  
12 adding at the end the following new subsection:

13 “(g) **QUALIFIED ACCELERATED DEATH BENEFIT**  
14 **RIDERS TREATED AS LIFE INSURANCE.**—For purposes of  
15 this part—

16 “(1) **IN GENERAL.**—Any reference to a life in-  
17 surance contract shall be treated as including a ref-  
18 erence to a qualified accelerated death benefit rider  
19 on such contract.

20 “(2) **QUALIFIED ACCELERATED DEATH BENE-**  
21 **FIT RIDERS.**—For purposes of this subsection, the  
22 term ‘qualified accelerated death benefit rider’  
23 means any rider on a life insurance contract which  
24 provides for a distribution to an individual upon the

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- 1 insured becoming a terminally ill individual (as de-
- 2 fined in section 101(g)(3)).”
- 3 (b) EFFECTIVE DATE.—The amendments made by
- 4 this section shall take effect on January 1, 1995.

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1           **Subtitle E—Other Revenue**  
2                           **Provisions**

3           **PART 1—TAX INCENTIVES FOR HEALTH**  
4                           **SERVICES PROVIDERS**

5   **SEC. 6501. NONREFUNDABLE CREDIT FOR CERTAIN PRI-**  
6                           **MARY HEALTH SERVICES PROVIDERS.**

7       (a) **IN GENERAL.**—Subpart A of part IV of sub-  
8 chapter A of chapter I (relating to nonrefundable personal  
9 credits) is amended by inserting after section 22 the fol-  
10 lowing new section:

11   **“SEC. 23. PRIMARY HEALTH SERVICES PROVIDERS.**

12       “(a) **ALLOWANCE OF CREDIT.**—There shall be al-  
13 lowed as a credit against the tax imposed by this chapter  
14 for the taxable year an amount equal to the product of—

15           “(1) the number of months during such taxable  
16       year—

17                   “(A) during which the taxpayer is a quali-  
18                   fied primary health services provider, and

19                   “(B) which are within the taxpayer’s eligi-  
20                   ble service period, and

21           “(2) \$1,000 (\$500 in the case of a qualified  
22       practitioner who is not a physician).

23       “(b) **QUALIFIED PRIMARY HEALTH SERVICES PRO-**  
24       **VIDER.**—For purposes of this section—

## VIE-2

1           “(1) IN GENERAL.—The term ‘qualified pri-  
2           mary health services provider’ means, with respect to  
3           any month, any qualified practitioner who—

4           “(A) has in effect a certification by the  
5           Bureau as a provider of primary health services  
6           and such certification is, when issued, for a  
7           health professional shortage area in which the  
8           qualified practitioner is providing primary  
9           health services,

10           “(B) is providing primary health services  
11           full time in the health professional shortage  
12           area identified in such certification, and

13           “(C) has not received a scholarship under  
14           the National Health Service Corps Scholarship  
15           Program or any loan repayments under the  
16           National Health Service Corps Loan Repay-  
17           ment Program.

18           “(2) SPECIAL RULES RELATING TO SHORTAGE  
19           AREAS.—

20           “(A) AREAS CEASING TO BE SHORTAGE  
21           AREAS.—For purposes of paragraph (1)(B) and  
22           subsection (e)(2), a provider shall be treated as  
23           providing services in a health professional  
24           shortage area when such area ceases to be such

## VIE-3

1 an area if it was such an area on the first day  
2 of the provider's eligible service period.

3 "(B) AREAS WITHIN METROPOLITAN  
4 AREAS.—A qualified practitioner who is provid-  
5 ing services within a metropolitan statistical  
6 area (as defined in section 143(k)(2)) shall not  
7 be treated as meeting the requirements of para-  
8 graph (1)(B) unless such services are provided  
9 for, or on behalf of, a governmental or non-  
10 profit entity.

11 "(3) QUALIFIED PRACTITIONER.—The term  
12 'qualified practitioner' means a physician, a physi-  
13 cian assistant, a nurse practitioner, or a certified  
14 nurse-midwife.

15 "(c) ELIGIBLE SERVICE PERIOD.—For purposes of  
16 this section, the term 'eligible service period' means the  
17 period of 36 consecutive calendar months beginning with  
18 the first month the taxpayer is a qualified primary health  
19 services provider (as specified in the certification under  
20 subsection (b)(1)(A)). A taxpayer shall not have more  
21 than 1 eligible service period.

22 "(d) OTHER DEFINITIONS AND SPECIAL RULES.—  
23 For purposes of this section—

24 "(1) BUREAU.—The term 'Bureau' means the  
25 Bureau of Primary Health Care, Health Resources

## VIE-4

1 and Services Administration of the United States  
2 Public Health Service.

3 “(2) PHYSICIAN.—The term ‘physician’ has the  
4 meaning given to such term by section 1861(r) of  
5 the Social Security Act.

6 “(3) PHYSICIAN ASSISTANT; NURSE PRACTI-  
7 TIONER.—The terms ‘physician assistant’ and ‘nurse  
8 practitioner’ have the meanings given to such terms  
9 by section 1861(aa)(5) of the Social Security Act.

10 “(4) CERTIFIED NURSE-MIDWIFE.—The term  
11 ‘certified nurse-midwife’ has the meaning given to  
12 such term by section 1861(gg)(2) of the Social Secu-  
13 rity Act.

14 “(5) PRIMARY HEALTH SERVICES.—The term  
15 ‘primary health services’ has the meaning given such  
16 term by section 330(b)(1) of the Public Health Serv-  
17 ice Act.

18 “(6) HEALTH PROFESSIONAL SHORTAGE  
19 AREA.—The term ‘health professional shortage area’  
20 has the meaning given such term by section  
21 332(a)(1)(A) of the Public Health Service Act.

22 “(7) PRACTITIONER CURRENTLY PRACTICING IN  
23 SHORTAGE AREAS.—In the case of a qualified practi-  
24 tioner who, on December 31, 1994, was providing



## VIE-5

1 primary health services in any health professional  
2 shortage area—

3 “(A) the practitioner’s eligible service pe-  
4 riod shall begin on January 1, 1995, and

5 “(B) if such practitioner is a physician,  
6 subsection (a)(2) shall be applied by substitut-  
7 ing ‘\$500’ for ‘\$1,000’.

8 “(e) RECAPTURE OF CREDIT.—

9 “(1) IN GENERAL.—If there is a recapture  
10 event during any taxable year, then—

11 “(A) no credit shall be allowed under sub-  
12 section (a) for such taxable year and any suc-  
13 ceeding taxable year, and

14 “(B) the tax of the taxpayer under this  
15 chapter for such taxable year shall be increased  
16 by an amount equal to the aggregate credits al-  
17 lowed to such taxpayer under this section for all  
18 prior taxable years.

19 “(2) RECAPTURE EVENT DEFINED.—

20 “(A) IN GENERAL.—For purposes of this  
21 subsection, the term ‘recapture event’ means  
22 the failure of the taxpayer to be a qualified pri-  
23 mary health services provider during any of the  
24 first 24 months during the taxpayer’s eligible  
25 service period.

## VIE-6

1           “(B) SECRETARIAL WAIVER.—The Sec-  
2           retary, in consultation with the Secretary of  
3           Health and Human Services, may waive any re-  
4           capture event caused by extraordinary cir-  
5           cumstances.

6           “(3) NO CREDITS AGAINST TAX; MINIMUM  
7           TAX.—Any increase in tax under this subsection  
8           shall not be treated as a tax imposed by this chapter  
9           for purposes of determining the amount of any cred-  
10          it under subpart A, B, or D of this part or for pur-  
11          poses of section 55.”

12          (b) CLERICAL AMENDMENT.—The table of sections  
13          for subpart A of part IV of subchapter A of chapter 1  
14          is amended by inserting after the item relating to section  
15          22 the following new item:

          “Sec. 23. Primary health services providers.”

16          (c) EFFECTIVE DATE.—The amendments made by  
17          this section shall apply to taxable years beginning after  
18          December 31, 1994.

19          **SEC. 6502. EXPENSING OF MEDICAL EQUIPMENT.**

20          (a) IN GENERAL.—Paragraph (1) of section 179(b)  
21          (relating to dollar limitation on expensing of certain depre-  
22          ciable business assets) is amended to read as follows:

23                  “(1) DOLLAR LIMITATION.—

24                          “(A) GENERAL RULE.—The aggregate cost  
25                          which may be taken into account under sub-

## VIE-7

1 section (a) for any taxable year shall not exceed  
2 \$17,500.

3 “(B) HEALTH CARE PROPERTY.—The ag-  
4 gregate cost which may be taken into account  
5 under subsection (a) shall be increased by the  
6 lesser of—

7 “(i) the cost of section 179 property  
8 which is health care property placed in  
9 service during the taxable year, or

10 “(ii) \$15,000.”

11 (b) DEFINITION.—Section 179(d) (relating to defini-  
12 tions) is amended by adding at the end the following new  
13 paragraph:

14 “(11) HEALTH CARE PROPERTY.—

15 “(A) IN GENERAL.—For purposes of this  
16 section, the term ‘health care property’ means  
17 section 179 property—

18 “(i) which is medical equipment used  
19 in the screening, monitoring, observation,  
20 diagnosis, or treatment of patients in a  
21 laboratory, medical, or hospital environ-  
22 ment,

23 “(ii) which is owned (directly or indi-  
24 rectly) and used by 1 or more physicians  
25 (as defined in section 1861(r) of the Social

## VIE-8

1 Security Act) in the active conduct of the  
2 full-time trade or business of all such phy-  
3 sicians of providing primary health services  
4 (as defined in section 330(b)(1) of the  
5 Public Health Service Act) in a health pro-  
6 fessional shortage area (as defined in sec-  
7 tion 332(a)(1)(A) of the Public Health  
8 Service Act), and

9 “(iii) substantially all the use of which  
10 is in such area.

11 “(B) SPECIAL RULE FOR METROPOLITAN  
12 STATISTICAL AREAS.—A physician who is pro-  
13 viding services within a metropolitan statistical  
14 area (as defined in section 143(k)(2)) shall not  
15 be treated as meeting the requirements of sub-  
16 paragraph (A)(ii) unless such services are pro-  
17 vided for, or on behalf of, a governmental or  
18 nonprofit entity.”

19 (c) RECAPTURE.—Paragraph (10) of section 179(d)  
20 is amended by inserting “and with respect to any health  
21 care property which ceases (other than by an area failing  
22 to be treated as a health professional shortage area) to  
23 be health care property at any time” before the period.

## VIE-9

1 (d) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to property placed in service in  
3 taxable years beginning after December 31, 1994.

4 **PART 2—MISCELLANEOUS PROVISIONS**

5 **SEC. 6511. CREDIT FOR COST OF PERSONAL ASSISTANCE**  
6 **SERVICES REQUIRED BY EMPLOYED INDIVID-**  
7 **UALS.**

8 (a) IN GENERAL.—Subpart A of part IV of sub-  
9 chapter A of chapter 1 (relating to nonrefundable personal  
10 credits), as amended by section 6501, is amended by in-  
11 serting after section 23 the following new section:

12 **“SEC. 24. COST OF PERSONAL ASSISTANCE SERVICES RE-**  
13 **QUIRED BY EMPLOYED INDIVIDUALS.**

14 **“(a) ALLOWANCE OF CREDIT.—**

15 **“(1) IN GENERAL.—**In the case of an eligible  
16 individual, there shall be allowed as a credit against  
17 the tax imposed by this chapter for the taxable year  
18 an amount equal to the applicable percentage of the  
19 personal assistance expenses paid or incurred by the  
20 taxpayer during such taxable year.

21 **“(2) APPLICABLE PERCENTAGE.—**For purposes  
22 of paragraph (1), the term ‘applicable percentage’  
23 means 50 percent reduced (but not below zero) by  
24 10 percentage points for each \$5,000 by which the  
25 modified adjusted gross income (as defined in sec-

## VIE-10

1 tion 59B(d)(2)) of the taxpayer for the taxable year  
2 exceeds \$45,000. In the case of a married individual  
3 filing a separate return, the preceding sentence shall  
4 be applied by substituting '\$2,500' for '\$5,000' and  
5 '\$22,500' for '\$45,000'.

6 "(b) LIMITATION.—The amount of personal assist-  
7 ance expenses for the benefit of an individual which may  
8 be taken into account under subsection (a) for the taxable  
9 year shall not exceed the lesser of—

10 "(1) \$15,000, or

11 "(2) such individual's earned income (as de-  
12 fined in section 32(c)(2)) for the taxable year.

13 In the case of a joint return, the amount under the preced-  
14 ing sentence shall be determined separately for each  
15 spouse.

16 "(c) ELIGIBLE INDIVIDUAL.—For purposes of this  
17 section, the term 'eligible individual' means any individual  
18 (other than a nonresident alien) who, by reason of any  
19 medically determinable physical impairment which can be  
20 expected to result in death or which has lasted or can be  
21 expected to last for a continuous period of not less than  
22 12 months, is unable to engage in any substantial gainful  
23 activity without personal assistance services appropriate to  
24 carry out activities of daily living. An individual shall not  
25 be treated as an eligible individual unless such individual

## VIE-11

1 furnishes such proof thereof (in such form and manner,  
2 and at such times) as the Secretary may require.

3 “(d) OTHER DEFINITIONS.—For purposes of this  
4 section—

5 “(1) PERSONAL ASSISTANCE EXPENSES.—The  
6 term ‘personal assistance expenses’ means expenses  
7 for—

8 “(A) personal assistance services appro-  
9 priate to carry out activities of daily living in or  
10 outside the home,

11 “(B) homemaker/chore services incidental  
12 to the provision of such personal assistance  
13 services,

14 “(C) in the case of an individual with a  
15 cognitive impairment, assistance with life skills,

16 “(D) communication services,

17 “(E) work-related support services,

18 “(F) coordination of services described in  
19 this paragraph,

20 “(G) assistive technology and devices, in-  
21 cluding assessment of the need for particular  
22 technology and devices and training of family  
23 members, and

24 “(H) modifications to the principal place of  
25 abode of the individual to the extent the ex-

## VIE-12

1           penses for such modifications would (but for  
2           subsection (e)(2)) be expenses for medical care  
3           (as defined by section 213) of such individual.

4           “(2) ACTIVITIES OF DAILY LIVING.—The term  
5           ‘activities of daily living’ means eating, toileting,  
6           transferring, bathing, and dressing.

7           “(e) SPECIAL RULES.—

8           “(1) PAYMENTS TO RELATED PERSONS.—No  
9           credit shall be allowed under this section for any  
10          amount paid by the taxpayer to any person who is  
11          related (within the meaning of section 267 or  
12          707(b)) to the taxpayer.

13          “(2) COORDINATION WITH MEDICAL EXPENSE  
14          DEDUCTION.—Any amount taken into account in de-  
15          termining the credit under this section shall not be  
16          taken into account in determining the amount of the  
17          deduction under section 213.

18          “(3) BASIS REDUCTION.—For purposes of this  
19          subtitle, if a credit is allowed under this section for  
20          any expense with respect to any property, the in-  
21          crease in the basis of such property which would  
22          (but for this paragraph) result from such expense  
23          shall be reduced by the amount of the credit so al-  
24          lowed.



## VIE-13

1       “(f) COST-OF-LIVING ADJUSTMENT.—In the case of  
2 any taxable year beginning after 1996, the \$45,000 and  
3 \$22,500 amounts in subsection (a)(2) and the \$15,000  
4 amount in subsection (b) shall be increased by an amount  
5 equal to—

6               “(1) such dollar amount, multiplied by

7               “(2) the cost-of-living adjustment determined  
8 under section 1(f)(3) for the calendar year in which  
9 the taxable year begins by substituting ‘calendar  
10 year 1995’ for ‘calendar year 1992’ in subparagraph  
11 (B) thereof.

12 If any increase determined under the preceding sentence  
13 is not a multiple of \$1,000, such increase shall be rounded  
14 to the nearest multiple of \$1,000.”

15       (b) TECHNICAL AMENDMENT.—Subsection (a) of  
16 section 1016 is amended by striking “and” at the end of  
17 paragraph (24), by striking the period at the end of para-  
18 graph (25) and inserting “, and”, and by adding at the  
19 end thereof the following new paragraph:

20               “(26) in the case of any property with respect  
21 to which a credit has been allowed under section 24,  
22 to the extent provided in section 24(e)(3).”

23       (c) CLERICAL AMENDMENT.—The table of sections  
24 for subpart A of part IV of subchapter A of chapter 1

## VIE-14

1 is amended by inserting after the item relating to section  
2 23 the following new item:

“Sec. 24. Cost of personal assistance services required by employed individuals.”

3 (d) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to taxable years beginning after  
5 December 31, 1995.

6 **SEC. 6512. INCREASE IN SERVICES REPORTING PENALTIES.**

7 (a) INCREASE IN PENALTY.—Section 6721(a) (relat-  
8 ing to imposition of penalty) is amended by adding at the  
9 end the following new paragraph:

10 “(3) INCREASED PENALTY FOR RETURNS IN-  
11 VOLVING PAYMENTS FOR SERVICES.—

12 “(A) IN GENERAL.—Subject to the overall  
13 limitation of paragraph (1), the amount of the  
14 penalty under paragraph (1) for any failure  
15 with respect to any applicable return shall be  
16 equal to the greater of \$50 or 5 percent of the  
17 amount required to be reported correctly but  
18 not so reported.

19 “(B) EXCEPTION WHERE SUBSTANTIAL  
20 COMPLIANCE.—Subparagraph (A) shall not  
21 apply to failures with respect to applicable re-  
22 turns required to be filed by a person during  
23 any calendar year if the aggregate amount  
24 which is timely and correctly reported on appli-

## VIE-15

1 cable returns filed by the person for the cal-  
2 endar year is at least 97 percent of the aggre-  
3 gate amount which is required to be reported  
4 on applicable returns by the person for the cal-  
5 endar year.

6 “(C) APPLICABLE RETURN.—For purposes  
7 of this paragraph, the term ‘applicable return’  
8 means any information return required to be  
9 filed under—

10 “(i) section 6041(a) but only if such  
11 return relates to payments to any person  
12 for services performed by such person  
13 (other than as an employee), or

14 “(ii) section 6041A(a).”

15 (b) CONFORMING AMENDMENT.—Section 6721(a)(1)  
16 is amended by striking “In” and inserting “Except as pro-  
17 vided in paragraph (3), in”.

18 (c) EFFECTIVE DATE.—The amendments made by  
19 this section shall apply to returns the due date for which  
20 (without regard to extensions) is more than 30 days after  
21 the date of the enactment of this Act.

VIE-16

1 SEC. 6513. DISCLOSURE OF RETURN INFORMATION FOR AD-  
2 MINISTRATION OF CERTAIN PROGRAMS  
3 UNDER THE HEALTH REFORM ACT.

4 (a) IN GENERAL.—Section 6103(l) (relating to dis-  
5 closure of returns and return information for purposes  
6 other than tax administration) is amended by adding at  
7 the end the following new paragraph:

8 “(15) DISCLOSURE OF RETURN INFORMATION  
9 FOR PURPOSES OF HEALTH REFORM ACT.—

10 “(A) IN GENERAL.—The Secretary shall,  
11 upon written request, disclose current return in-  
12 formation described in subparagraph (B) to any  
13 Federal, State, or local agency administering an  
14 assistance program under the Health Reform  
15 Act.

16 “(B) INFORMATION.—The information de-  
17 scribed in this subparagraph is information  
18 which consists only of adjusted gross income,  
19 the untaxed portion of social security benefits,  
20 tax-exempt interest income, marital status, and  
21 dependents.

22 “(C) RESTRICTION ON DISCLOSURE.—The  
23 Secretary shall disclose return information  
24 under subparagraph (A) only for purposes of,  
25 and to the extent necessary in, determining eli-

VIE-17

1 gibility for, or the correct amount of, assistance  
2 provided under the Health Reform Act.

3 “(D) EXCLUSION FROM MATCHING PRO-  
4 GRAM.—Any matches of information under this  
5 paragraph shall not be treated as a matching  
6 program for purposes of section 552a of title 5,  
7 United States Code.”

8 (b) CONFORMING AMENDMENTS.—

9 (1) Section 6103(9)(2) is amended by inserting  
10 “or (15)” after “subsection (l)(7)(D)”.

11 (2) Section 6103(p)(3)(A) is amended by strik-  
12 ing “or (14)” and inserting “(14), or (15)”.

13 (3) Section 6103(p)(4) is amended—

14 (A) by striking “or (12)” in the matter  
15 preceding subparagraph (A) and inserting  
16 “(12), or (15)”, and

17 (B) by striking “or (14)” in subparagraph  
18 (F)(ii) and inserting “(14), or (15)”.

19 (4) Section 7213(a)(2) is amended by striking  
20 “or (12)” and inserting “(12), or (15)”.

21 **SEC. 6514. DISCLOSURE OF RETURN INFORMATION FOR AD-**  
22 **MINISTRATION OF CERTAIN PROGRAMS**  
23 **UNDER THE HEALTH REFORM ACT.**

24 (a) IN GENERAL.—Section 6103(l) (relating to dis-  
25 closure of returns and return information for purposes

## VIE-18

1 other than tax administration) is amended by adding at  
2 the end the following new paragraph:

3           “(15) DISCLOSURE OF RETURN INFORMATION  
4           FOR PURPOSES OF HEALTH REFORM ACT.—

5           “(A) IN GENERAL.—The Secretary shall,  
6           upon written request, disclose current return in-  
7           formation described in subparagraph (B) to any  
8           Federal, State, or local agency administering an  
9           assistance program under the Health Reform  
10          Act.

11          “(B) INFORMATION.—The information de-  
12          scribed in this subparagraph is information  
13          which consists only of adjusted gross income,  
14          the untaxed portion of social security benefits,  
15          tax-exempt interest income, marital status, and  
16          dependents.

17          “(C) RESTRICTION ON DISCLOSURE.—The  
18          Secretary shall disclose return information  
19          under subparagraph (A) only for purposes of,  
20          and to the extent necessary in, determining eli-  
21          gibility for, or the correct amount of, assistance  
22          provided under the Health Reform Act.

23          “(D) EXCLUSION FROM MATCHING PRO-  
24          GRAM.—Any matches of information under this  
25          paragraph shall not be treated as a matching

## VIE-19

1 program for purposes of section 552a of title 5,  
2 United States Code.”

3 (b) CONFORMING AMENDMENTS.—

4 (1) Section 6103(a)(2) is amended by inserting  
5 “or (15)” after “subsection (l)(7)(D)”.

6 (2) Section 6103(p)(3)(A) is amended by strik-  
7 ing “or (14)” and inserting “(14), or (15)”.

8 (3) Section 6103(p)(4) is amended—

9 (A) by striking “or (12)” in the matter  
10 preceding subparagraph (A) and inserting  
11 “(12), or (15)”, and

12 (B) by striking “or (14)” in subparagraph  
13 (F)(ii) and inserting “(14), or (15)”.

14 (4) Section 7213(a)(2) is amended by striking  
15 “or (12)” and inserting “(12), or (15)”.

VIF-1

1           **Subtitle F—Graduate Medical**  
2           **Education Trust Fund**

3   **SEC. 6601. ESTABLISHMENT OF GRADUATE MEDICAL EDU-**  
4           **CATION TRUST FUND.**

5           (a) IN GENERAL.—Subchapter A of chapter 98 (re-  
6 relating to establishment of trust funds) is amended by add-  
7 ing at the end the following new part:

8           **“PART II—HEALTH CARE TRUST FUNDS**

          “Sec. 9551. Graduate Medical Education Trust Fund

9   **“SEC. 9551. GRADUATE MEDICAL EDUCATION TRUST FUND.**

10          “(a) CREATION OF TRUST FUND.—There is estab-  
11 lished in the Treasury of the United States a trust fund  
12 to be known as the ‘Graduate Medical Education Trust  
13 Fund’, consisting of such amounts as may be appropriated  
14 or credited to the Trust Fund as provided in this section  
15 or section 9602(b).

16          “(b) TRANSFERS TO THE TRUST FUND.—

17               “(1) TAXES.—There are hereby appropriated to  
18 the Trust Fund amounts received in the Treasury  
19 under sections 4501 and 4502 (relating to assess-  
20 ments on insured and self-insured health plans).

21               “(2) TRANSFERS FROM OTHER TRUST  
22 FUNDS.—The Secretary of Health and Human Serv-  
23 ices shall transfer, for each fiscal year beginning on  
24 or after October 1, 1996, to the Trust Fund from



## VIF-2

1 the Federal Hospital Insurance Trust Fund and the  
2 Federal Supplementary Medical Insurance Trust  
3 Fund established under the Social Security Act, the  
4 amount that would have been paid from such trust  
5 funds in such fiscal year under section 1886(h) of  
6 such Act (as in effect on the day before the date of  
7 the enactment of the Health Reform Act).

8 “(c) EXPENDITURES.—Amounts in the Graduate  
9 Medical Education Trust Fund are appropriated for mak-  
10 ing the payments described in section 4111 of the Health  
11 Reform Act and for purposes described in section 4131(b)  
12 of such Act and, and to the extent any such amount is  
13 not expended during any fiscal year, such amount shall  
14 be available for such purpose for subsequent fiscal years.”.

15 (b) CONFORMING AMENDMENT.—Subchapter A of  
16 chapter 98 is amended by inserting after the subchapter  
17 heading the following new items:

“Part I. General trust funds.

“Part II. Health care trust funds.

18 **“PART I—GENERAL TRUST FUNDS”.**

VIG-1

# 1 Subtitle G—Automobile Insurance 2 Coordination

## 3 SEC. 6701. DEFINITIONS.

4 In this subtitle:

5 (1) INJURED INDIVIDUAL.—The term “injured  
6 individual” means an individual who has a bodily in-  
7 jury or illness sustained in an automobile accident  
8 and who is entitled to receive automobile insurance  
9 medical services from a certified health plan.

10 (2) AUTOMOBILE INSURANCE MEDICAL SERV-  
11 ICES.—The term “automobile insurance medical  
12 services” means services and items covered by auto-  
13 mobile insurance that are medically necessary or ap-  
14 propriate for treatment of bodily injuries or illnesses  
15 sustained in automobile accidents and that are with-  
16 in the scope of the benefits to which an injured indi-  
17 vidual who is enrolled in a certified health plan is  
18 entitled under such health plan.

19 (3) AUTOMOBILE INSURANCE CARRIER.—The  
20 term “automobile insurance carrier” means an in-  
21 surance company, employer, or fund that is liable for  
22 payment for automobile insurance medical services  
23 based either on a direct contractual obligation to an  
24 injured individual or an obligation on behalf of a

## VIG-2

1 person responsible for causation of an injured indi-  
2 vidual's bodily injury or illness.

3 (4) CERTIFIED HEALTH PLAN.—The term “cer-  
4 tified health plan” has the meaning given to such  
5 term by section 3(a)(2).

6 **PART 1—REQUIREMENTS RELATING TO**  
7 **AUTOMOBILE INSURANCE MEDICAL SERVICES**

8 **SEC. 6711. PROVISION OF AUTOMOBILE INSURANCE MEDI-**  
9 **CAL SERVICES THROUGH HEALTH PLANS.**

10 (a) IN GENERAL.—

11 (1) HEALTH PLANS.—An individual enrolled in  
12 a certified health plan shall receive automobile insur-  
13 ance medical services under the terms generally ap-  
14 plicable to the provision (or arrangement for the  
15 provision) of such services by such health plan.

16 (2) MEDICARE AND MEDICAID.—Paragraph (1)  
17 shall not prevent a participating State from requir-  
18 ing automobile insurance carriers to make direct  
19 payment to health care providers for automobile in-  
20 surance medical services that are covered both by (i)  
21 medicare under title XVIII of the Social Security  
22 Act or a State medicaid program under title XIX of  
23 such Act, and (ii) an automobile insurance contract  
24 that is required by law and provides for direct pay-  
25 ment of medical services regardless of fault. Pay-

## VIG-3

1       ment for automobile insurance medical services in  
2       such circumstances shall be made to the extent of  
3       the automobile insurance carrier's liability under the  
4       applicable contract.

5       (b) ALTERNATIVE PERMITTED.—Subsection (a) shall  
6       not prevent an individual and an automobile insurance  
7       carrier from agreeing that treatment for bodily injury or  
8       illness sustained in an automobile accident shall be pro-  
9       vided other than by or through the certified health plan  
10      in which the individual is enrolled.

11      **SEC. 6712. PAYMENT FOR AUTOMOBILE INSURANCE MEDI-**  
12                                      **CAL SERVICES.**

13      (a) PAYMENT TO HEALTH PLANS.—Each automobile  
14      insurance carrier that is liable for payment for automobile  
15      insurance medical services provided to an injured individ-  
16      ual by a certified health plan shall make payment to such  
17      health plan for such services to the extent of its obligations  
18      under the applicable automobile insurance contract.

19      (b) REIMBURSEMENT FOR COST-SHARING.—Each  
20      automobile insurance carrier shall be liable for the reim-  
21      bursement or payment of any deductibles, copayments, or  
22      coinsurance paid or owed by an injured individual for  
23      automobile insurance medical services to the extent of the  
24      applicable automobile insurance contract.

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1 (c) LIMITATION OF LIABILITY.—Except as provided  
 2 in subsections (a) and (b), nothing in this subtitle or any  
 3 other provision of law shall require an automobile insur-  
 4 ance carrier or any person insured by such a carrier to  
 5 make any payment to a health plan, health care provider,  
 6 or any other person for (1) automobile insurance medical  
 7 services, or (2) other health care services or items used  
 8 to treat an injury or illness sustained in an automobile  
 9 accident that are not medically necessary or appropriate.

10 (d) USE OF FEE SCHEDULES.—

11 (1) IN GENERAL.—Irrespective of the type of  
 12 health plan providing automobile insurance medical  
 13 services, payment by automobile insurance carriers  
 14 for such services shall be made to the plan exclu-  
 15 sively in accordance with any fee schedule or sched-  
 16 ules established by the plan or the participating  
 17 State for health care services generally.

18 (2) MEDICARE FEE SCHEDULES.—If the in-  
 19 jured individual is a medicare beneficiary under title  
 20 XVIII of the Social Security Act, an automobile in-  
 21 surance carrier may use the appropriate fee schedule  
 22 for health care services established under such title.

23 (3) ALTERNATIVE PAYMENT METHODOLO-  
 24 GIES.—Fee schedules shall not be required in any  
 25 case in which an automobile insurance carrier and a

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1 health plan have agreed on an alternative payment  
2 arrangement.

3 (e) REIMBURSEMENT FOR PAYMENTS MADE.—Noth-  
4 ing in this subtitle or any other provision of law shall im-  
5 pair the right of a certified health plan or automobile in-  
6 surance carrier to seek reimbursement from any individual  
7 liable for a bodily injury or illness sustained in an auto-  
8 mobile accident for payments made for automobile insur-  
9 ance medical services to treat such injury or illness.

10 (f) RIGHTS TO COVERAGE FOR ADDITIONAL TREAT-  
11 MENT.—Subject to the provisions of subsection (c), noth-  
12 ing in this subtitle shall impair any rights with respect  
13 to medically necessary or appropriate services and items  
14 to which an individual injured in an automobile accident  
15 is entitled that are not automobile insurance medical serv-  
16 ices as defined in this subtitle.

17 **PART 2—ADMINISTRATION**

18 **SEC. 6721. PAYMENT FACILITATION.**

19 (a) IN GENERAL.—Each participating State shall es-  
20 tablish a system for payment of automobile insurance  
21 medical services by automobile insurance carriers to cer-  
22 tified health plans, including mechanisms for prompt reso-  
23 lution of any issues or disputes that may arise in connec-  
24 tion with such payment. Such systems shall require that  
25 automobile insurance carriers have an affirmative obliga-

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1 tion to identify to such health plans the automobile insur-  
2 ance carrier or carriers liable for payment for automobile  
3 insurance medical services, through the use of computer  
4 data programs where appropriate and cost effective.

5 (b) SANCTIONS.—Each participating State shall au-  
6 thorize appropriate sanctions for the failure of a health  
7 plan, automobile insurance carrier, or any other person  
8 to comply with the requirements established pursuant to  
9 subsection (a).

## VII-1

1 **TITLE VII—ENSURING HEALTH**  
2 **CARE REFORM FINANCING**

3 **SEC. 7001. ENSURING HEALTH CARE REFORM FINANCING.**

4 (a) **PURPOSE.**—The purpose of this section is to en-  
5 sure that the enactment of this Act does not result in un-  
6 anticipated increases in the Federal deficit.

7 (b) **LEGAL ENTITLEMENTS CONTINGENT.**—Any enti-  
8 tlement provided by this Act, including any entitlement  
9 to premium assistance, shall be subject to the operation  
10 of this section.

11 (c) **DETERMINATION OF UNFINANCED HEALTH**  
12 **SPENDING.**—

13 (1) **INITIAL HEALTH CARE ESTIMATE.**—

14 (A) **IN GENERAL.**—The initial health care  
15 estimate consists of estimates (for each year)  
16 for the following:

17 (i) total net direct spending outlays  
18 resulting from this Act and under the med-  
19 icare and medicaid programs; and

20 (ii) total net revenues resulting from  
21 this Act.

22 (B) **ESTIMATES.**—The initial health care  
23 estimates are as follows:

24 (i) For fiscal year 1995—