

1 **TITLE ____-PREMIUM FINANCING**
2 **[Subtitle A—Commission]**

3 [To be supplied?]

4 **Subtitle B—Employer and Individ-**
5 **ual Premium Requirements and**
6 **Assistance**

7 SEC. ____01. APPLICATION OF SUBTITLE.

8 [To be supplied]

9 SEC. ____02. DEFINITIONS.

10 As used in this title:

11 (1) FULL-TIME EQUIVALENT EMPLOYEES;
12 PART-TIME EMPLOYEES.—

13 (A) IN GENERAL.—For purposes of this
14 Act, a qualifying employee who is employed by
15 an employer—

16 (i) for at least 120 hours in a month,
17 is counted as 1 full-time equivalent em-
18 ployee for the month and shall be deemed
19 to be employed on a full-time basis, or

20 (ii) for at least 40 hours, but less
21 than 120 hours, in a month, is counted as
22 a fraction of a full-time equivalent em-
23 ployee in the month equal to the full-time
24 employment ratio (as defined in subpara-
25 graph (B)) for the employee and shall be

1 deemed to be employed on a part-time
2 basis.

3 (B) FULL-TIME EMPLOYMENT RATIO DE-
4 FINED.—For purposes of this Act, the term
5 “full-time employment ratio” means, with re-
6 spect to a qualifying employee of an employer
7 in a month, the lesser of 1 or the ratio of—

8 (i) the number of hours of employ-
9 ment such employee is employed by such
10 employer for the month (as determined
11 under paragraph (3)), to

12 (ii) 120 hours.

13 (C) FULL-TIME EMPLOYEE.—For purposes
14 of this Act, the term “full-time employee”
15 means, with respect to an employer, an em-
16 ployee who is employed on a full-time basis (as
17 specified in subparagraph (A)) by the employer.

18 (D) PART-TIME EMPLOYEE.—For purposes
19 of this Act, the term “part-time employee”
20 means, with respect to an employer, an em-
21 ployee who is employed on a part-time basis (as
22 specified in subparagraph (A)) by the employer.

23 (E) CONSIDERATION OF INDUSTRY PRAC-
24 TICE.—As provided under rules established by
25 the Board, an employee who is not described in

1 subparagraph (C) or (D) shall be considered to
2 be employed on a full-time or part-time basis by
3 an employer (and to be a full-time or part-time
4 employee of an employer) for a month (or for
5 all months in a 12-month period) if the em-
6 ployee is employed by that employer on a con-
7 tinuing basis that, taking into account the
8 structure or nature of employment in the indus-
9 try, represents full or part-time employment in
10 that industry.

11 (2) FAMILY ADJUSTED INCOME.—

12 (A) IN GENERAL.—Except as otherwise
13 provided, the term “family adjusted income”
14 means, with respect to a family, the sum of the
15 adjusted incomes (as defined in subparagraph
16 (B)) for all members of the family.

17 (B) ADJUSTED INCOME.—In subparagraph
18 (A), the term “adjusted income” means, with
19 respect to an individual, adjusted gross income
20 (as defined in section 62(a) of the Internal Rev-
21 enue Code of 1986)—

22 (i) determined without regard to sec-
23 tions 135, 162(l), 911, 931, and 933 of
24 such Code, and

1 (ii) increased by the amount of inter-
2 est received or accrued by the individual
3 which is exempt from tax.

4 (C) PRESENCE OF ADDITIONAL DEPEND-
5 ENTS.—At the option of an individual, a family
6 may include (and not be required to separate
7 out) the income of other individuals who are
8 claimed as dependents of the family for income
9 tax purposes, but such individuals shall not be
10 counted as part of the family for purposes of
11 determining the size of the family.

12 (3) GENERAL HEALTH CARE INFLATION FAC-
13 TOR.—

14 (A) 1996 THROUGH 2000.—The term “gen-
15 eral health care inflation factor”, for a year,
16 means the percentage increase in the CPI (as
17 specified under subsection (b)) for the year plus
18 the following:

- 19 (i) For 1996, 1.5 percentage points.
20 (ii) For 1997, 1.0 percentage points.
21 (iii) For 1998, 0.5 percentage points.
22 (iv) For 1999 and for 2000, 0 per-
23 centage points.

24 (B) YEARS AFTER 2000.—

1 (i) RECOMMENDATION TO CON-
2 GRESS.—In 1999, the Board shall submit
3 to Congress recommendations, after con-
4 sultation with the Federal Reserve Board,
5 on what the general health care inflation
6 factor should be for years beginning with
7 2001.

8 (ii) FAILURE OF CONGRESS TO ACT.—
9 If the Congress fails to enact a law specify-
10 ing the general health care inflation factor
11 for a year after 2000, the Board, in Janu-
12 ary of the year before the year involved,
13 shall compute such factor for the year in-
14 volved. Such factor shall be the product of
15 the factors described in subparagraph (C)
16 for that fiscal year, minus 1.

17 (iii) STUDY BY FEDERAL RESERVE
18 BOARD.—Not later than January 1, 1999,
19 the Federal Reserve Board shall conduct a
20 study, and report to the National Health
21 Board, concerning what the general health
22 care inflation factor should be for years be-
23 ginning with 2001. Such study shall con-
24 sider whether continued indexing with re-
25 spect to such factor is advisable and

1 whether the consumer price index should
2 be used (in whole or in part, modified or
3 unmodified) with respect to premium caps
4 for future years. The recommendations of
5 the Federal Reserve Board under such
6 study shall be considered in the rec-
7 ommendations submitted under clause (i).

8 (C) FACTORS.—The factors described in
9 this subparagraph for a year are the following:

10 (i) CPI.—1 plus the percentage
11 change in the CPI for the year, determined
12 based upon the percentage change in the
13 average of the CPI for the 12-month pe-
14 riod ending with August 31 of the previous
15 fiscal year over such average for the pre-
16 ceding 12-month period.

17 (ii) REAL GDP PER CAPITA.—1 plus
18 the average annual percentage change in
19 the real, per capita gross domestic product
20 of the United States during the 3-year pe-
21 riod ending in the preceding calendar year,
22 determined by the Board based on data
23 supplied by the Department of Commerce.

24 (4) NONENROLLING EMPLOYEE.—As used in
25 this subtitle, the term “nonenrolling employee”

1 means an employee of an employer who does not en-
2 roll in a health plan offered by the employer.

3 (5) REFERENCE PREMIUM.—The term “ref-
4 erence premium” has the meaning given such term
5 in section 6002(b)(1)(B).

6 (6) SECRETARY.—The term “Secretary” means
7 the Secretary of Labor.

8 (7) SELF-EMPLOYED INDIVIDUAL.—The term
9 “self-employed individual” means, for a year, an in-
10 dividual who has net earnings (as defined in section
11 1402(a) of the Internal Revenue Code of 1986) from
12 self-employment for the year.

13 (8) WEIGHTED AVERAGE PREMIUM.—The term
14 “weighted average premium” has the same meaning
15 given such term in section 6002(b)(1)(C).

16 **PART 1—EMPLOYER PREMIUM PAYMENTS**

17 **SEC. ___11. OBLIGATION.**

18 (a) IN GENERAL.—Except as otherwise provided in
19 this subtitle, a contributing employer (as defined in sub-
20 section (b)) shall make health care coverage premium pay-
21 ments on behalf of the qualifying employees of the em-
22 ployer in accordance with this subtitle.

23 (b) CONTRIBUTING EMPLOYER.—As used in sub-
24 section (a), the term “contributing employer” means an
25 employer that—

1 (1) employs, on average, 25 or more employees;

2 or

3 (2) employs less than 25 employees that elects
4 under subsection (c) to be a contributing employee.

5 (c) ELECTION.—

6 (1) IN GENERAL.—An exempt employer (as de-
7 fined in section ____12) may elect to be treated as
8 a community-rated employer under the procedures to
9 be developed by the Secretary.

10 (2) COMMUNITY RATED EMPLOYER.—An ex-
11 empt employer shall be treated as a community
12 rated employer as of the first date of the first year
13 following an election made under paragraph (1).

14 **SEC. ____12. EXEMPT EMPLOYERS.**

15 (a) IN GENERAL.—The requirements of this subtitle
16 shall not apply to an employer (hereafter referred to in
17 this subtitle as an “exempt employer”)—

18 (1) that does not employ, on average, more
19 than 24 full-time equivalent employees;

20 (2) with average annual wages per full-time
21 equivalent employee of less than \$24,000; and

22 (3) that does not make an election under sec-
23 tion ____11(c).

24 The average number of full-time equivalent employees
25 shall be determined by averaging the number of full-time

1 equivalent employees employed by the employer in each
2 countable month during the year.

3 (b) DETERMINATIONS.—The number of full-time
4 equivalent employees shall be determined using the rules
5 under section 1012(b)(2).

6 (c) EXEMPT EMPLOYER.—The term “exempt em-
7 ployer” shall include self-employed individuals who do not
8 make an election under section ____11(c).

9 **SEC. ____13. COMMUNITY-RATED EMPLOYERS.**

10 (a) REQUIREMENT.—

11 (1) IN GENERAL.—Each community-rated con-
12 tributing employer for a month shall pay at least an
13 amount equal to the sum across all qualifying em-
14 ployees of the amount specified in subsection (b) for
15 each such qualifying employee of the employer. Such
16 payments shall be made in accordance with stand-
17 ards established by the Secretary.

18 (2) TREATMENT OF CERTAIN EMPLOYMENT BY
19 EXPERIENCE-RATED EMPLOYERS.—An experience-
20 rated employer shall be deemed, for purposes of this
21 subtitle, to be a community-rated employer with re-
22 spect to qualifying employees who are not experience
23 rate eligible individuals.

24 (b) PREMIUM PAYMENT AMOUNT.—

1 (1) GENERAL RULE.—The amount of the em-
2 ployer premium payment under subsection (a) for a
3 month for each qualifying employee of the employer
4 who is residing in a community rating area, shall be
5 equal to 50 percent of the weighted average pre-
6 mium of the purchasing cooperative through which
7 the employer offered health plan coverage with re-
8 spect to each such employee in such area.

9 (2) PART-TIME EMPLOYEES.—With respect to a
10 part-time employee, the payment required under
11 paragraph (1) shall be based on a pro-rated share
12 (to be established by the Secretary) of the weighted
13 average premium of the purchasing cooperative in-
14 volved.

15 **SEC. ____14. EXPERIENCE RATED EMPLOYERS.**

16 (a) REQUIREMENT.—Each experience-rated employer
17 that in a month employs a qualifying employee who is—

18 (1) enrolled in an experienced-rated health plan,
19 shall provide for a payment toward the premium for
20 the plan for such employee in an amount specified
21 under subsection (b); or

22 (2) is not so enrolled, shall make employer pre-
23 mium payments with respect to such employment in
24 the same manner as if the employer were a commu-
25 nity-rated employer.

1 (b) PREMIUM PAYMENT AMOUNT.—

2 (1) GENERAL RULE.—The amount of the expe-
3 rience rated employer premium payment under sub-
4 section (a) for a month for each qualifying employee
5 of the employer, shall be equal to—

6 (A) 50 percent of the weighted average
7 premium of the plans offered by the employer;
8 multiplied by

9 (B) the numbers of full-time qualifying
10 employees of the employer for the period in-
11 volved.

12 (2) PART-TIME EMPLOYEES.—With respect to a
13 part-time employee, the payment required under
14 paragraph (1) shall be based on a pro-rated share
15 (to be established by the Secretary) of the weighted
16 average premium of the health plans involved.

17 (3) PREMIUM AREAS.—An experience-rated
18 plan sponsor employer may, based on regulations
19 promulgated by the Secretary, establish premium
20 areas. Experience rated employers may base their
21 payments under this section on the weighted average
22 premium of the health plans offered in such pre-
23 mium areas.

1 **SEC. ____15. LIMITATION.**

2 (a) **IN GENERAL.**—The amount of the employer pre-
3 mium payment required under section ____13 or ____14
4 for any year for a qualifying employee shall not exceed
5 the limiting percentage (as defined in subsection (b)) of
6 such qualifying employee's wages for that year.

7 (b) **LIMITING PERCENTAGE DEFINED.**—As used in
8 subsection (a), the limiting percentage equals 8 percent.

9 **SEC. ____16. NONENROLLING EMPLOYEES.**

10 (a) **GENERAL RULE.**—There shall be a nonenrolling
11 employee credit, in an amount determined under sub-
12 section (b), paid to—

13 (1) any employer that pays the employee share
14 of the premium for the health plan coverage of the
15 employee; or

16 (2) any nonemployed individual who pays the
17 employer share of health plan coverage for such indi-
18 vidual during the time such individual is not em-
19 ployed.

20 (b) **AMOUNT OF CREDIT.**—

21 (1) **CREDIT FOR COUPLE-ONLY CLASS OF EN-**
22 **ROLLMENT.**—

23 (A) **APPLICATION.**—This paragraph shall
24 apply in the case of payments for nonenrolling
25 employees or individuals for coverage under the
26 couple-only class of family enrollment.

1 (B) DETERMINATION.—With respect to an
2 employer or nonemployed individual described
3 in subsection (a), the amount of the employee
4 credit shall equal—

5 (i)(I) the amount of the payments
6 made by the employer or individual (with-
7 out regard to subsidies received) for the
8 nonenrolling employees or the individual;
9 less

10 (II) any credit earned by a
11 nonenrolling employee or individual for
12 more than 1 years worth of work in a year;
13 divided by

14 (ii)(I) the number of families enrolled
15 in the couple-only class of enrollment in
16 the community rating area of the employee
17 or individual; and

18 (II) the number of additional workers
19 within the couple-only class of enrollment
20 in such community rating area.

21 (2) CREDIT FOR SINGLE-PARENT AND DUAL
22 PARENT CLASSES OF ENROLLMENT.—

23 (A) APPLICATION.—This paragraph shall
24 apply in the case of payments for nonenrolling
25 employees or individuals for coverage under the

1 single-parent or dual parent classes of family
2 enrollment.

3 (B) DETERMINATION.—With respect to an
4 employer or nonemployed individual described
5 in subsection (a), the amount of the employee
6 credit shall equal—

7 (i)(I) the amount of the payments
8 made by the employer or individual (with-
9 out regard to subsidies received) for the
10 nonenrolling employees or the individual;
11 less

12 (II) any credit earned by a
13 nonenrolling employee or individual for
14 more than 1 years worth of work in a year;
15 divided by

16 (ii)(I) the number of families enrolled
17 in the single-parent or dual parent classes
18 of family enrollment in the community rat-
19 ing area of the employee or individual; and

20 (II) the number of additional workers
21 within the single-parent or dual parent
22 classes of family enrollment in such com-
23 munity rating area.

24 (c) PERIOD FOR DETERMINATIONS.—

1 (1) IN GENERAL.—Determinations with respect
2 to credits under this section shall be made on an an-
3 nual basis based on estimations by employers and
4 shall be paid during such year as an offset to pre-
5 mium payments by employers and nonemployed indi-
6 viduals. Such payments shall be adjusted in the sub-
7 sequent year to reflect corrections in inaccurate esti-
8 mates.

9 (2) REGULATIONS.—Determinations under this
10 section shall be based on regulations promulgated by
11 the Secretary.

12 PART 2—EMPLOYER SUBSIDIES

13 SEC. ___ 21. EMPLOYER SUBSIDY.

14 (a) IN GENERAL.—A contributing employer (as de-
15 fined in section ___11(b)) that makes a premium pay-
16 ment under part 1 for a year shall receive a subsidy under
17 this section with respect to such payments for such year.

18 (b) AMOUNT OF SUBSIDY.—With respect to each em-
19 ployee of an employer, the amount of a subsidy under sub-
20 section (a) shall equal—

21 (1) the lesser of—

22 (A) the amount of the premium payment
23 for which the employer is obligated under sec-
24 tion ___13 or ___14 for the employee (less
25 the nonenrolling employee credit received by the

1 employer under section ____16 for the em-
2 ployee if any); or

3 (B) 50 percent of the reference premium
4 (less the applicable nonenrolling employee cred-
5 it) of the class of family enrollment for the
6 community rating area involved for the em-
7 ployee; less

8 (2) an amount equal to 8 percent of the wages
9 of the employee;
10 but in no case less than zero.

11 (c) SELF-EMPLOYED INDIVIDUALS.—A self-employed
12 individual, with at least one full-time employee, who elects
13 to be a contributing employer under section ____11(c)
14 shall be eligible to receive a subsidy under this section.

15 (d) STATE AND LOCAL GOVERNMENTS.—Employers
16 that are units of State or local governments shall not be
17 eligible for a subsidy under this section.

18 **PART 3—FAMILY PAYMENT RESPONSIBILITIES**

19 **Subpart A—Family Share**

20 **SEC. ____31. ENROLLMENT AND PREMIUM PAYMENTS.**

21 (a) REQUIREMENT.—Each family enrolled in a com-
22 munity-rated health plan or in a experienced-rated health
23 plan in a class of family enrollment is responsible for pay-
24 ment of the family share of premium payable respecting

1 such enrollment. Such premium may be paid by an em-
2 ployer or other person on behalf of such a family.

3 (b) FAMILY SHARE OF PREMIUM DEFINED.—In this
4 part, the term “family share of premium” means, with re-
5 spect to enrollment of a family—

6 (1) in a community-rated health plan, the
7 amount specified in section ____32 for the class; or

8 (2) in an experienced-rated health plan, the
9 amount specified in section ____33 for the class.

10 **SEC. ____32. FAMILY SHARE OF PREMIUMS.**

11 (a) COMMUNITY-RATED HEALTH PLANS.—

12 (1) IN GENERAL.—The family share of pre-
13 miums for a family enrolled in a community-rated
14 health plan based on a class of family enrollment
15 shall equal the sum of the base amounts described
16 in paragraph (2) reduced (but not below zero) by the
17 sum of the amounts described in paragraph (3).

18 (2) BASE.—The base amounts described in this
19 paragraph (for a plan for a class of enrollment)
20 are—

21 (A) the applicable premium specified in
22 section ____33(a) with respect to such class of
23 enrollment;

1 (B) 20 percent of the family collection
2 shortfall add-on (computed under section
3 ____34 for such class); and

4 (C) any applicable marketing fee as de-
5 scribed in section 1112(f).

6 (3) CREDITS AND DISCOUNTS.—The amounts
7 described in this paragraph (for a plan for a class
8 of enrollment) are—

9 (A) the amount of the family credit under
10 section ____35(a);

11 (B) the amount of any premium discount
12 provided under section ____36(a)(1); and

13 (C) the amount of any excess premium
14 credit provided under section ____37.

15 (b) EXPERIENCE-RATED HEALTH PLANS.—

16 (1) IN GENERAL.—The family share of pre-
17 miums for a family enrolled in an experience-rated
18 health plan based on a class of family enrollment
19 shall equal the premium described in paragraph (2)
20 reduced (but not below zero) by the sum of the
21 amounts described in paragraph (3).

22 (2) PREMIUM.—The premium described in this
23 paragraph (for a plan for a class of enrollment) is
24 the applicable plan premium specified in section

1 ___33(b) with respect to the plan and class of en-
2 rollment involved.

3 (3) CREDITS AND DISCOUNTS.—The amounts
4 described in this paragraph (for a plan for a class
5 of enrollment) are—

6 (A) the amount of the family credit under
7 section ___35(b); and

8 (B) the amount of any premium discount
9 provided under section ___36(a)(2).

10 **SEC. ___33. AMOUNT OF PREMIUM.**

11 (a) COMMUNITY-RATED PLANS.—The amount of the
12 applicable premium charged by a community-rated health
13 plan for all families in a class of family enrollment under
14 a community-rated health plan offered in the health care
15 coverage area is equal to the product of—

16 (1) the final community rate for the plan; and

17 (2) the premium class factor established by the
18 Board for that class under subpart D of part 1 of
19 subtitle E of title I;

20 increased for any applicable marketing fees (described in
21 section 1112(f)).

22 (b) REFERENCE TO OTHER PREMIUMS.—The
23 amount of the premium charged by an experience-rated
24 employer for all families in a class of family enrollment

1 under an experience-rated health plan is specified under
2 section ____14.

3 **SEC. ____34. FAMILY COLLECTION SHORTFALL ADD-ON.**

4 (a) IN GENERAL.—The family collection shortfall
5 add-on, for a community rating area for a class of enroll-
6 ment for a year, is the amount that would be the weighted
7 average premium for such area, class, and year, if the per
8 capita collection shortfall amount (determined under sub-
9 section (b)) for the area for the year were substituted for
10 the weighted average discount rate for the community rat-
11 ing area for the year.

12 (b) COMPUTATION OF PER CAPITA ADJUSTMENT
13 FOR COLLECTION SHORTFALLS.—

14 (1) PER CAPITA COLLECTION SHORTFALL
15 AMOUNT.—The per capita collection shortfall
16 amount, for a community rating area for a year,
17 under this subsection is equal to—

18 (A) the amount estimated under paragraph

19 (2)(A) for the year, divided by

20 (B) the estimated average number of com-
21 munity rate eligible individuals in the commu-
22 nity rating area during the year (reduced by the
23 average number of such individuals whose fam-
24 ily share of premiums, determined without re-
25 gard to this section, is zero).

1 (2) AGGREGATE COLLECTION SHORTFALL.—

2 (A) IN GENERAL.—Each State shall esti-
3 mate, for each year (beginning with the first
4 year) the total amount of payments which the
5 State can reasonably identify as owed to com-
6 munity-rated health plans under this Act for
7 the year and not likely to be collected during a
8 period specified by the Secretary beginning on
9 the first day of the year.

10 (B) EXCLUSION OF GOVERNMENT
11 DEBTS.—The amount under subparagraph (A)
12 shall not include any payments owed to a com-
13 munity-rated health plan by the Federal, State,
14 or local governments.

15 (C) ADJUSTMENT FOR PREVIOUS SHORT-
16 FALL ESTIMATION DISCREPANCY.—The amount
17 estimated under this paragraph for a year shall
18 be adjusted to reflect over (or under) esti-
19 mations in the amounts so computed under this
20 paragraph for previous years (based on actual
21 collections), taking into account interest payable
22 based upon borrowings (or savings) attributable
23 to such over or under estimations.

24 (c) APPORTIONMENT OF ADJUSTMENT.—The Board
25 shall implement a method for the distribution of the aggre-

1 gate collection shortfall amount for each community rating
2 area (as described in subsection (b)(2)) across premiums
3 in the area. Such method shall reflect a blend of each
4 plan's share of the area's aggregate shortfall and the
5 unadjusted per-capita collection shortfall amount.

6 **SEC. ___ 35. FAMILY CREDIT.**

7 (a) IN GENERAL.—The credit provided under this
8 section for a family enrolled through an employer in a
9 community-rated or experience-rated plan for a class of
10 family enrollment is equal to the amount of the minimum
11 employer premium payment required under part 1 with
12 respect to the family.

13 (b) FAMILY NOT ENROLLED THROUGH EM-
14 PLOYER.—The credit provided under this section for a
15 family that is not enrolled in a community-rated or experi-
16 ence-rated plan through an employer for a class of family
17 enrollment is equal to 50 percent of the estimated weight-
18 ed average of the minimum employer premium payment
19 required under part 1 (without regard to subsidies) with
20 respect to employees enrolled in community-rated plans.

21 **SEC. ___ 36. PREMIUM SUBSIDY.**

22 (a) IN GENERAL.—Except as otherwise provided in
23 this section, each family enrolled with a community-rated
24 or experience-rated plan is entitled to a premium discount

1 under this section, in the amount specified in subsection
2 (b)(1).

3 (b) AMOUNT OF PREMIUM DISCOUNT.—

4 (1) IN GENERAL.—Subject to the succeeding
5 paragraphs of this subsection, the amount of the
6 premium discount under this subsection for a family
7 under a class of family enrollment is equal to—

8 (A) 50 percent of the lesser of—

9 (i) the weighted average premium for
10 community-rated plans offered in the com-
11 munity-rating area involved, increased by
12 any amount provided under paragraph (2);

13 (ii) the reference premium in the com-
14 munity-rating area for the applicable class
15 of family enrollment; or

16 (iii) the weighted average premium for
17 the purchasing cooperative through which
18 the family obtains coverage; less

19 (B) the sum of—

20 (i) the family obligation amount de-
21 scribed in subsection (c); and

22 (ii) the amount of any voluntary em-
23 ployer payment (not required under part
24 1) towards the family share of premiums
25 for covered members of the family.

1 (2) INCREASE FOR COMMUNITY-RATED FAMI-
2 LIES TO ASSURE ENROLLMENT IN AT-OR-BELOW-AV-
3 ERAGE-COST PLAN.—In the case of a family enrolled
4 in a community-rated plan, if a State determines
5 that a family eligible for a discount under this sec-
6 tion is unable to enroll in an at-or-below-average-
7 cost plan (as defined in paragraph (3)) that serves
8 the area in which the family resides, the amount of
9 the premium discount under this subsection is in-
10 creased to the extent that such amount will permit
11 the family to enroll in a community-rated plan with-
12 out the need to pay a family share of premium
13 under this part in excess of the sum described in
14 paragraph (1)(B).

15 (3) AT-OR-BELOW-AVERAGE-COST PLAN DE-
16 FINED.—In this section, the term “at-or-below-aver-
17 age-cost plan” means a community-rated plan the
18 premium for which does not exceed, for the class of
19 family enrollment involved, the weighted average
20 premium for the community-rating area.

21 (c) FAMILY OBLIGATION AMOUNT.—

22 (1) DETERMINATION.—Subject to paragraphs
23 (2) and (3), the family obligation amount under this
24 subsection is determined as follows:

1 (A) NO OBLIGATION IF INCOME BELOW IN-
2 COME THRESHOLD AMOUNT.—If the family ad-
3 justed income of the family is less than the in-
4 come threshold amount (specified in paragraph
5 (4)), the family obligation amount is zero.

6 (B) INCOME ABOVE INCOME THRESHOLD
7 AMOUNT.—If such income is at least such in-
8 come threshold amount, the family obligation
9 amount is the sum of the following:

10 (i) FOR INCOME (ABOVE INCOME
11 THRESHOLD AMOUNT) UP TO THE POV-
12 ERTY LEVEL.—The product of the initial
13 marginal rate for the applicable class of
14 family enrollment (specified in paragraph
15 (2)) and the amount by which—

16 (I) the family adjusted income
17 (not including any portion that ex-
18 ceeds the applicable poverty level for
19 the class of family involved), exceeds;

20 (II) such income threshold
21 amount.

22 (ii) GRADUATED PHASE OUT OF DIS-
23 COUNT UP TO 150 PERCENT OF POVERTY
24 LEVEL.—The product of the final marginal
25 rate for the applicable class of family en-

1 rollment (specified in paragraph (2)) and
 2 the amount by which the family adjusted
 3 income exceeds 100 percent (but is less
 4 than 200 percent) of the applicable poverty
 5 level.

6 (2) MARGINAL RATES.—In paragraph (1), for a
 7 year:

8 (A) INITIAL MARGINAL RATE.—The initial
 9 marginal rate is the ratio of—

10 (i) 4 percent of the applicable poverty
 11 level for the class of enrollment involved
 12 for the year; to

13 (ii) the amount by which such poverty
 14 level exceeds such income threshold
 15 amount.

16 (B) FINAL MARGINAL RATE.—The final
 17 marginal rate is 12 percent.

18 (3) LIMITATION TO 8 PERCENT FOR ALL FAMI-
 19 LIES.—

20 (A) IN GENERAL.—In no case shall the
 21 family obligation amount under this subsection
 22 for the year exceed 8 percent of the adjusted in-
 23 come of the family.

24 (B) FAMILIES ABOVE 200 PERCENT OF
 25 POVERTY.—With respect a family with a family

1 adjusted income that exceeds 200 percent of the
2 applicable poverty level, the family obligation
3 amount shall be equal to 8 percent of such fam-
4 ily adjusted income.

5 (C) INDEXING OF PERCENTAGE.—

6 (i) IN GENERAL.—The percentage
7 specified in subparagraph (A) shall be ad-
8 justed for any year after 1994 so that the
9 percentage for the year bears the same
10 ratio to the percentage so specified as the
11 ratio of—

12 (I) 1 plus the general health care
13 inflation factor for the year, bears to

14 (II) 1 plus the percentage speci-
15 fied in paragraph (5) (relating to in-
16 dexing of dollar amounts related to
17 cost sharing) for the year.

18 (ii) ROUNDING.—Any adjustment
19 under clause (i) for a year shall be round-
20 ed to the nearest multiple of 1/10 of 1 per-
21 centage point.

22 (4) INCOME THRESHOLD AMOUNT.—

23 (A) IN GENERAL.—For purposes of this
24 subtitle, the income threshold amount specified

1 in this paragraph is \$1,000 (adjusted under
2 subparagraph (B)).

3 (B) INDEXING.—For the 1-year period be-
4 ginning on January 1, 1995, the income thresh-
5 old amount specified in subparagraph (A) shall
6 be increased or decreased by the same percent-
7 age as the percentage increase or decrease by
8 which the average CPI (described in section
9 1013(*)) for the 12-month-period ending with
10 August 31 of the preceding year exceeds such
11 average for the 12-month period ending with
12 August 31, 1993.

13 (C) ROUNDING.—Any increase or decrease
14 under subparagraph (B) for a year shall be
15 rounded to the nearest multiple of \$10.

16 (5) INDEXING.—

17 (A) IN GENERAL.—The percentage speci-
18 fied in this paragraph is the product of the fac-
19 tors described in subparagraph (B) for the year
20 and for each previous year after 1994, minus 1.
21 Any increase (or decrease) under this subpara-
22 graph shall be rounded.

23 (B) FACTORS.—

24 (i) IN GENERAL.—The factors de-
25 scribed in this subparagraph for a year are

1 1 plus the general health care inflation fac-
2 tor for the year.

3 (ii) DETERMINATION.—In computing
4 such factor for a year, the percentage in-
5 crease in the CPI for a year shall be deter-
6 mined based upon the percentage increase
7 in the average of the CPI for the 12-month
8 period ending with August 31 of the pre-
9 vious year over such average for the pre-
10 ceding 12-month period.

11 **SEC. ____37. NO LOSS OF COVERAGE.**

12 In no case shall the failure to pay amounts owed
13 under this Act result in an individual's or family's loss
14 of coverage.

15 **Subpart B—Repayment of Family Credit by Certain**
16 **Families**

17 **SEC. ____41. REPAYMENT OF FAMILY CREDIT BY CERTAIN**
18 **FAMILIES.**

19 Subject to the succeeding provisions of this subpart,
20 each family which is provided a family credit under section
21 ____35(a) for a class of enrollment is liable for repayment
22 of an amount equal to the credit amount under such sec-
23 tion.

1 SEC. ____42. NO LIABILITY FOR FAMILIES EMPLOYED FULL-
2 TIME.

3 (a) IN GENERAL.—The amount of any liability under
4 section ____41 shall be reduced, in accordance with rules
5 established by the Secretary consistent with this section,
6 based on employer premiums payable under part 1 with
7 respect to the employment of a family member who is a
8 qualifying employee or with respect to a family member.
9 In no case shall the reduction under this section result
10 in any payment owing to a family.

11 (b) CREDIT FOR FULL-TIME AND PART-TIME EM-
12 PLOYMENT.—

13 (1) IN GENERAL.—Under rules of the Sec-
14 retary, in the case of a family enrolled under a class
15 of family enrollment, if a family member is a quali-
16 fying employee for a month and (except in the case
17 described in section ____45(a)) the employer is lia-
18 ble for payment under part 1 based on such employ-
19 ment as follows:

20 (A) FULL-TIME EMPLOYMENT CREDIT.—If
21 the employment is on a full-time basis, the li-
22 ability under section ____41 shall be reduced
23 by the credit amount described in subparagraph
24 (C).

25 (B) PART-TIME EMPLOYMENT CREDIT.—If
26 the employment is on a part-time basis, the li-

1 ability under section ____41 shall be reduced
2 by the employment ratio (as defined in subpara-
3 graph (D)) of the credit amount described in
4 subparagraph (C).

5 (C) FULL-TIME MONTHLY CREDIT.—The
6 amount of the credit under this subparagraph,
7 with respect to employment by an employer in
8 a month, is $\frac{1}{12}$ (or, if applicable, the fraction
9 described in paragraph (2)) of the amount owed
10 under section ____41, based on the class of en-
11 rollment, for the year.

12 (D) EMPLOYMENT RATIO DEFINED.—For
13 purposes of this part, the term “employment
14 ratio” means, with respect to a qualifying em-
15 ployee of an employer in a month, the lesser of
16 1 or the ratio of—

17 (i) the number of hours of employ-
18 ment such employee is employed by such
19 employer for the month (as determined
20 under paragraph (3)), to

21 (ii) 120 hours.

22 (2) COVERAGE DURING ONLY PART OF A
23 YEAR.—In the case of a family that is not enrolled
24 in a community-rated health plan for all the months
25 in a year, the fraction described in this paragraph

1 is 1 divided by the number of months in the year in
2 which the family was enrolled in such a plan.

3 (3) AGGREGATION OF CREDITS.—For purposes
4 of paragraph (1):

5 (A) INDIVIDUALS.—In the case of an indi-
6 vidual who is a qualifying employee of more
7 than one employer in a month, the credit for
8 the month shall equal the sum of the credits
9 earned with respect to employment by each em-
10 ployer. Such sum may exceed the credit amount
11 described in paragraph (1)(C).

12 (B) COUPLES.—In the case of a couple,
13 each spouse of which is a qualifying employee
14 in a month, the credit for the month shall equal
15 the sum of the credits earned with respect to
16 employment by each spouse. Such sum may ex-
17 ceed the credit amount described in paragraph
18 (1)(C).

19 (c) TREATMENT OF CHANGE OF ENROLLMENT STA-
20 TUS.—In the case of a family for which the class of family
21 enrollment changes during a year, the Secretary shall es-
22 tablish rules for appropriate conversion and allocation of
23 the credit amounts under the previous provisions of this
24 section in a manner that reflects the relative values of the

1 base employment monthly premiums among the different
2 classes of family enrollment.

3 **SEC. ___43. LIMITATION OF LIABILITY BASED ON INCOME.**

4 (a) **IN GENERAL.**—In the case of an eligible family
5 described in subsection (b), the repayment amount re-
6 quired under section ___41 (after taking into account
7 any work credit earned under section ___42) with respect
8 to a year shall not exceed the amount of liability described
9 in subsection (c) for the year.

10 (b) **ELIGIBLE FAMILY DESCRIBED.**—An eligible fam-
11 ily described in this subsection is a family which is deter-
12 mined by the State for the community rating area in which
13 the family resides, to have wage-adjusted income (as de-
14 fined in subsection (d)) below 200 percent of the applica-
15 ble poverty level.

16 (c) **AMOUNT OF LIABILITY.**—

17 (1) **DETERMINATION.**—Subject to subsection
18 (f), in the case of a family enrolled in a class of en-
19 rollment with wage-adjusted income (as defined in
20 subsection (d)), the amount of liability under this
21 subsection is determined as follows:

22 (A) **NO OBLIGATION IF INCOME BELOW IN-**
23 **COME THRESHOLD AMOUNT.**—If such income is
24 less than the income threshold amount (speci-

1 fied in section ____36(c)(4)), the amount of li-
2 ability is zero.

3 (B) INCOME ABOVE INCOME THRESHOLD
4 AMOUNT.—If such income is at least such in-
5 come threshold amount, the amount of liability
6 is the sum of the following:

7 (i) INITIAL MARGINAL RATE.—The
8 initial marginal rate (specified in para-
9 graph (2)(A)) of the amount by which—

10 (I) the wage-adjusted income
11 (not including any portion that ex-
12 ceeds the applicable poverty level for
13 the class of family involved), exceeds

14 (II) such income threshold
15 amount.

16 (ii) FINAL MARGINAL RATE.—WHERE
17 WAGE-ADJUSTED INCOME EXCEEDS 200
18 PERCENT OF THE APPLICABLE POVERTY
19 LEVEL, THE FINAL MARGINAL RATE (SPEC-
20 IFIED IN PARAGRAPH (2)(B)) OF THE
21 AMOUNT BY WHICH THE WAGE-ADJUSTED
22 INCOME EXCEEDS 100 PERCENT OF THE
23 APPLICABLE POVERTY LEVEL.

24 (2) MARGINAL RATES.—In paragraph (1)—

1 (A) INITIAL MARGINAL RATE.—The initial
2 marginal rate, for a year for a class of enroll-
3 ment, is the ratio of—

4 (i) 4 percent of the applicable poverty
5 level for the class of enrollment for the
6 year, to

7 (ii) the amount by which such poverty
8 level exceeds such income threshold
9 amount.

10 (B) FINAL MARGINAL RATE.—The final
11 marginal rate, for a year for a class of enroll-
12 ment, is the ratio of—

13 (i) the amount by which (I) the
14 amount of the reference-adjusted repay-
15 ment amount described in paragraph 3 ex-
16 ceeds (II) 4 percent of applicable poverty
17 level (for the class and year); to

18 (ii) 100 percent of such poverty level.

19 (3) REFERENCE-ADJUSTED REPAYMENT
20 AMOUNT.—As used in paragraph 2(B)(i), the term
21 “reference-adjusted repayment amount” means the
22 repayment amount described in section ____41 mul-
23 tiplied by the ratio of—

1 (A) the reference premium for a year for
2 a class of family enrollment in the community
3 rating area; to

4 (B) the estimated weighted average pre-
5 mium of a community-rated employer (without
6 regard to subsidies or credits under part 1 for
7 a year for a class of family enrollment in the
8 community rating area.

9 (d) WAGE-ADJUSTED INCOME DEFINED.—In this
10 subtitle, the term “wage-adjusted income” means, for a
11 family, family adjusted income of the family, reduced by
12 the sum of the following:

13 (1)(A) Subject to subparagraph (B), the
14 amount of any wages included in such family’s in-
15 come that is received for employment which is taken
16 into account in the computation of the amount of
17 employer premiums under part 1.

18 (B) The reduction under subparagraph (A)
19 shall not exceed for a year \$5,000 (adjusted under
20 section ____36(c)(3)(B)) multiplied by the number
21 of months (including portions of months) of employ-
22 ment with respect to which employer premiums were
23 payable under part 1.

1 (2) The amount of unemployment compensation
2 included in income under section 85 of the Internal
3 Revenue Code of 1986.

4 (e) DETERMINATIONS.—A family's wage-adjusted in-
5 come and the amount of liability under subsection (c) shall
6 be determined by the applicable purchasing cooperative
7 upon application by a family.

1 **TITLE VI—INDIVIDUAL AND**
2 **EMPLOYER SUBSIDIES**
3 **Subtitle A—Individual Premium**
4 **Assistance**

5 **SEC. 6001. REQUIREMENT TO OPERATE STATE PROGRAM.**

6 (a) IN GENERAL.—A participating State shall have
7 in effect a program for furnishing premium assistance in
8 accordance with this subtitle for calendar years beginning
9 after 1996.

10 (b) DESIGNATION OF STATE AGENCY.—A State may
11 designate any appropriate State agency to administer the
12 program under this subtitle.

13 **SEC. 6002. ASSISTANCE WITH STANDARD HEALTH PLAN**
14 **PREMIUMS.**

15 (a) ELIGIBILITY.—

16 (1) IN GENERAL.—An eligible individual (as de-
17 fined in section 6007(4)) who has been determined
18 by a State under section 6003 to be a premium sub-
19 sidy eligible individual (as defined in paragraph (2))
20 shall be entitled to premium assistance in the
21 amount determined under subsection (b).

22 (2) PREMIUM SUBSIDY ELIGIBLE INDIVID-
23 UAL.—For purposes of this subtitle, the term “pre-
24 mium subsidy eligible individual” means any of the
25 following individuals:

1 (A) INDIVIDUALS WITH INCOMES BELOW A
2 CERTAIN INCOME THRESHOLD.—An eligible in-
3 dividual who has a family income determined
4 under section 6007(3) which does not exceed
5 200 percent of the poverty line (as defined in
6 section 6007(5)).

7 (B) CHILDREN.—An eligible individual
8 who—

9 (i) is a child (as defined in section
10 6007(2));

11 (ii) has a family income determined
12 under section 6007(3) which does not ex-
13 ceed 240 percent of the poverty line; and

14 (iii) has not been enrolled in a health
15 plan during the 6-month period ending on
16 the date the individual submits an applica-
17 tion to the State for premium assistance
18 under this subtitle.

19 (C) PREGNANT WOMEN.—An eligible indi-
20 vidual who—

21 (i) is a pregnant woman (as defined in
22 section 6007(6));

23 (ii) has a family income determined
24 under section 6007(3) which does not ex-
25 ceed 240 percent of the poverty line; and

1 (iii) is not enrolled in a health plan on
2 the date the individual submits an applica-
3 tion to the State for premium assistance
4 under this subtitle.

5 (b) AMOUNT OF ASSISTANCE.—

6 (1) IN GENERAL.—

7 (A) FORMULA.—The amount of premium
8 assistance for a month for a premium subsidy
9 eligible individual is—

10 (i) the least of —

11 (I) the subsidy percentage speci-
12 fied in paragraph (2) multiplied by
13 $\frac{1}{12}$ th of the annual premium paid for
14 coverage under a standard health plan
15 in which the individual is enrolled,

16 (II) the subsidy percentage speci-
17 fied in paragraph (2) multiplied by
18 $\frac{1}{12}$ th of the weighted average annual
19 premium rate (as defined in subpara-
20 graph (B)) for all community-rated
21 standard health plans offered in the
22 community rating area in which the
23 individual resides; or

24 (III) the subsidy percentage spec-
25 ified in paragraph (2) multiplied by

1 $\frac{1}{12}$ th of the annual reference pre-
2 mium for the community rating area
3 in which the individual resides (as de-
4 fined in subparagraph (C)); minus
5 (ii) the amount of any employer con-
6 tribution made or offered to be made on
7 behalf of the individual for coverage under
8 the standard health plan in which the indi-
9 vidual is enrolled.

10 (B) WEIGHTED AVERAGE ANNUAL PRE-
11 MIUM RATE.—For purposes of this paragraph,
12 the term “weighted average annual premium
13 rate” means the average premium for the com-
14 munity-rated standard health plans offered in
15 the community rating area in which the individ-
16 ual resides, weighted to reflect the total enroll-
17 ment of community-rated eligible individuals
18 among such plans.

19 (C) REFERENCE PREMIUM.—For purposes
20 of this paragraph, the term “reference pre-
21 mium” means the reference premium estab-
22 lished under section 4512 of the Internal Reve-
23 nue Code of 1986.

24 (D) SPECIAL RULES FOR DETERMINING
25 AMOUNT OF EMPLOYER CONTRIBUTIONS.—For