

THEIR DEPENDENTS.—Section 501(c)(9) of such Code is amended by adding at the end the following new sentence: “For purposes of providing for the payment of sick and accident benefits to members of such an association and their dependents, the term ‘dependent’ shall include any individual who is a child (as defined in section 152(f)(1)) of a member who as of the end of the calendar year has not attained age 27.”

(5) MEDICAL AND OTHER BENEFITS FOR RETIRED EMPLOYEES.—Section 401(h) of such Code is amended by adding at the end the following: “For purposes of this subsection, the term ‘dependent’ shall include any individual who is a child (as defined in section 152(f)(1)) of a retired employee who as of the end of the calendar year has not attained age 27.”

(e) FIVE PERCENT INCOME DISREGARD FOR CERTAIN INDIVIDUALS.—Section 1902(e)(14) of the Social Security Act (42 U.S.C. 1396a(e)(14)), as amended by subsection (b)(1), is further amended—

(1) in subparagraph (B), by striking “No type” and inserting “Subject to subparagraph (I), no type”; and

(2) by adding at the end the following new subparagraph:

“(I) TREATMENT OF PORTION OF MODIFIED ADJUSTED GROSS INCOME.—For purposes of determining the income eligibility of an individual for medical assistance whose eligibility is determined based on the application of modified adjusted gross income under subparagraph (A), the State shall—

“(i) determine the dollar equivalent of the difference between the upper income limit on eligibility for such an individual (expressed as a percentage of the poverty line) and such upper income limit increased by 5 percentage points; and

“(ii) notwithstanding the requirement in subparagraph (A) with respect to use of modified adjusted gross income, utilize as the applicable income of such individual, in determining such income eligibility, an amount equal to the modified adjusted gross income applicable to such individual reduced by such dollar equivalent amount.”

SEC. 1005. IMPLEMENTATION FUNDING.

(a) IN GENERAL.—There is hereby established a Health Insurance Reform Implementation Fund (referred to in this section as the “Fund”) within the Department of Health and Human Services to carry out the Patient Protection and Affordable Care Act and this Act (and the amendments made by such Acts).

(b) FUNDING.—There is appropriated to the Fund, out of any funds in the Treasury not otherwise appropriated, \$1,000,000,000 for Federal administrative expenses to carry out such Act (and the amendments made by such Acts).

Subtitle B—Medicare

SEC. 1101. CLOSING THE MEDICARE PRESCRIPTION DRUG “DONUT HOLE”.

(a) COVERAGE GAP REBATE FOR 2010.—

(1) IN GENERAL.—Section 1860D–42 of the Social Security Act (42 U.S.C. 1395w–152) is amended by adding at the end the following new subsection:

“(c) COVERAGE GAP REBATE FOR 2010.—

“(1) IN GENERAL.—In the case of an individual described in subparagraphs (A) through (D) of section 1860D–14A(g)(1) who as of the last day of a calendar quarter in 2010 has incurred costs for covered part D drugs so that the individual has exceeded the initial coverage limit under section 1860D–2(b)(3) for 2010, the Secretary shall provide for payment from the Medicare Prescription Drug Account of \$250 to the individual by not later than the 15th day of the third month following the end of such quarter.

“(2) LIMITATION.—The Secretary shall provide only 1 payment under this subsection with respect to any individual.”.

(2) REPEAL OF PROVISION.—Section 3315 of the Patient Protection and Affordable Care Act (including the amendments made by such section) is repealed, and any provision of law amended or repealed by such sections is hereby restored or revived as if such section had not been enacted into law.

(b) CLOSING THE DONUT HOLE.—Part D of title XVIII of the Social Security Act (42 U.S.C. 1395w–101 et seq.), as amended by section 3301 of the Patient Protection and Affordable Care Act, is further amended—

(1) in section 1860D–43—

(A) in subsection (b), by striking “July 1, 2010” and inserting “January 1, 2011”; and

(B) in subsection (c)(2), by striking “July 1, 2010, and ending on December 31, 2010,” and inserting “January 1, 2011, and December 31, 2011,”;

(2) in section 1860D–14A—

(A) in subsection (a)—

(i) by striking “July 1, 2010” and inserting “January 1, 2011”; and

(ii) by striking “April 1, 2010” and inserting “180 days after the date of the enactment of this section”;

(B) in subsection (b)(1)(C)—

(i) in the heading, by striking “2010 AND”;

(ii) by striking “July 1, 2010” and inserting “January 1, 2011”; and

(iii) by striking “May 1, 2010” and inserting “not later than 30 days after the date of the establishment of a model agreement under subsection (a)”;

(C) in subsection (c)—

(i) in paragraph (1)(A)(iii), by striking “July 1, 2010, and ending on December 31, 2011” and inserting “January 1, 2011, and ending on December 31, 2011”; and

(ii) in paragraph (2), by striking “2010” and inserting “2011”;

(D) in subsection (d)(2)(B), by striking “July 1, 2010, and ending on December 31, 2010” and inserting “January 1, 2011, and ending on December 31, 2011”; and

(E) in subsection (g)(1)—

(i) in the matter before subparagraph (A), by striking “an applicable drug” and inserting “a covered part D drug”;

- (ii) by adding “and” at the end of subparagraph (C);
 - (iii) by striking subparagraph (D); and
 - (iv) by redesignating subparagraph (E) as subparagraph (D); and
- (3) in section 1860D–2(b)—

(A) in paragraph (2)(A), by striking “The coverage” and inserting “Subject to subparagraphs (C) and (D), the coverage”;

(B) in paragraph (2)(B), by striking “subparagraph (A)(ii)” and inserting “subparagraphs (A)(ii), (C), and (D)”;

(C) by adding at the end of paragraph (2) the following new subparagraphs:

“(C) COVERAGE FOR GENERIC DRUGS IN COVERAGE GAP.—

“(i) IN GENERAL.—Except as provided in paragraph (4), the coverage for an applicable beneficiary (as defined in section 1860D–14A(g)(1)) has coinsurance (for costs above the initial coverage limit under paragraph (3) and below the out-of-pocket threshold) for covered part D drugs that are not applicable drugs under section 1860D–14A(g)(2) that is—

“(I) equal to the generic-gap coinsurance percentage (specified in clause (ii)) for the year; or

“(II) actuarially equivalent (using processes and methods established under section 1860D–11(c)) to an average expected payment of such percentage of such costs for covered part D drugs that are not applicable drugs under section 1860D–14A(g)(2).

“(ii) GENERIC-GAP COINSURANCE PERCENTAGE.—The generic-gap coinsurance percentage specified in this clause for—

“(I) 2011 is 93 percent;

“(II) 2012 and each succeeding year before 2020 is the generic-gap coinsurance percentage under this clause for the previous year decreased by 7 percentage points; and

“(III) 2020 and each subsequent year is 25 percent.

“(D) COVERAGE FOR APPLICABLE DRUGS IN COVERAGE GAP.—

“(i) IN GENERAL.—Except as provided in paragraph (4), the coverage for an applicable beneficiary (as defined in section 1860D–14A(g)(1)) has coinsurance (for costs above the initial coverage limit under paragraph (3) and below the out-of-pocket threshold) for the negotiated price (as defined in section 1860D–14A(g)(6)) of covered part D drugs that are applicable drugs under section 1860D–14A(g)(2) that is—

“(I) equal to the difference between the applicable gap percentage (specified in clause (ii) for the year) and the discount percentage specified in section 1860D–14A(g)(4)(A) for such applicable drugs; or

“(II) actuarially equivalent (using processes and methods established under section 1860D–11(c)) to an average expected payment of such percentage of such costs, for covered part D drugs that are applicable drugs under section 1860D–14A(g)(2).

“(ii) APPLICABLE GAP PERCENTAGE.—The applicable gap percentage specified in this clause for—

“(I) 2013 and 2014 is 97.5 percent;

“(II) 2015 and 2016 is 95 percent;

“(III) 2017 is 90 percent;

“(IV) 2018 is 85 percent;

“(V) 2019 is 80 percent; and

“(VI) 2020 and each subsequent year is 75 percent.”;

(D) in paragraph (3)(A), as restored under subsection (a)(2), by striking “paragraph (4)” and inserting “paragraphs (2)(C), (2)(D), and (4)”;

(E) in paragraph (4)(E), by inserting before the period at the end the following: “, except that incurred costs shall not include the portion of the negotiated price that represents the reduction in coinsurance resulting from the application of paragraph (2)(D)”;

(4) in section 1860D–22(a)(2)(A), by inserting before the period at the end the following: “, not taking into account the value of any discount or coverage provided during the gap in prescription drug coverage that occurs between the initial coverage limit under section 1860D–2(b)(3) during the year and the out-of-pocket threshold specified in section 1860D–2(b)(4)(B)”.

(c) CONFORMING AMENDMENT TO AMP UNDER MEDICAID.—Section 1927(k)(1)(B)(i) of the Social Security Act (42 U.S.C. 1396r–8(k)(1)(B)(i)), as amended by section 2503(a)(2)(B) of the Patient Protection and Affordable Care Act, is amended—

(1) by striking “and” at the end of subclause (III);

(2) by striking the period at the end of subclause (IV);

and

(3) by adding at the end the following new subclause:

“(V) discounts provided by manufacturers under section 1860D–14A.”.

(d) REDUCING GROWTH RATE OF OUT-OF-POCKET COST THRESHOLD.—Section 1860D–2(b) of the Social Security Act (42 U.S.C. 1395w–102(b)) is amended—

(1) in paragraph (4)(B)(i)—

(A) in subclause (I), by striking “or” at the end;

(B) by redesignating subclause (II) as subclause (VI);

and

(C) by inserting after subclause (I) the following new subclauses:

“(II) for each of years 2007 through 2013, is equal to the amount specified in this subparagraph for the previous year, increased by the annual percentage increase described in paragraph (6) for the year involved;

“(III) for 2014 and 2015, is equal to the amount specified in this subparagraph for the previous year, increased by the annual percentage increase

described in paragraph (6) for the year involved, minus 0.25 percentage point;

“(IV) for each of years 2016 through 2019, is equal to the amount specified in this subparagraph for the previous year, increased by the lesser of—

“(aa) the annual percentage increase described in paragraph (7) for the year involved, plus 2 percentage points; or

“(bb) the annual percentage increase described in paragraph (6) for the year;

“(V) for 2020, is equal to the amount that would have been applied under this subparagraph for 2020 if the amendments made by section 1101(d)(1) of the Health Care and Education Reconciliation Act of 2010 had not been enacted; or”;

and

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

“(7) ADDITIONAL ANNUAL PERCENTAGE INCREASE.—The annual percentage increase specified in this paragraph for a year is equal to the annual percentage increase in the consumer price index for all urban consumers (United States city average) for the 12-month period ending in July of the previous year.”.

SEC. 1102. MEDICARE ADVANTAGE PAYMENTS.

(a) REPEAL.—Effective as if included in the enactment of the Patient Protection and Affordable Care Act, sections 3201 and 3203 of such Act (and the amendments made by such sections) are repealed.

(b) PHASE-IN OF MODIFIED BENCHMARKS.—Section 1853 of the Social Security Act (42 U.S.C. 1395w–23) is amended—

(1) in subsection (j)(1)(A), by striking “(or, beginning with 2007, $\frac{1}{12}$ of the applicable amount determined under subsection (k)(1) for the area for the year” and inserting “for the area for the year (or, for 2007, 2008, 2009, and 2010, $\frac{1}{12}$ of the applicable amount determined under subsection (k)(1) for the area for the year; for 2011, $\frac{1}{12}$ of the applicable amount determined under subsection (k)(1) for the area for 2010; and, beginning with 2012, $\frac{1}{12}$ of the blended benchmark amount determined under subsection (n)(1) for the area for the year”); and

(2) by adding at the end the following new subsection:

“(n) DETERMINATION OF BLENDED BENCHMARK AMOUNT.—

“(1) IN GENERAL.—For purposes of subsection (j), subject to paragraphs (3), (4), and (5), the term ‘blended benchmark amount’ means for an area—

“(A) for 2012 the sum of—

“(i) $\frac{1}{2}$ of the applicable amount for the area and year; and

“(ii) $\frac{1}{2}$ of the amount specified in paragraph (2)(A) for the area and year; and

“(B) for a subsequent year the amount specified in paragraph (2)(A) for the area and year.

“(2) SPECIFIED AMOUNT.—

“(A) IN GENERAL.—The amount specified in this subparagraph for an area and year is the product of—

“(i) the base payment amount specified in subparagraph (E) for the area and year adjusted to take into