

**SEC. 1004. INCOME DEFINITIONS.**

(a) **MODIFIED ADJUSTED GROSS INCOME.**—

(1) **IN GENERAL.**—The following provisions of the Internal Revenue Code of 1986 are each amended by striking “modified gross” each place it appears and inserting “modified adjusted gross”:

(A) Clauses (i) and (ii) of section 36B(d)(2)(A), as added by section 1401 of the Patient Protection and Affordable Care Act.

(B) Section 6103(l)(21)(A)(iv), as added by section 1414 of such Act.

(C) Clauses (i) and (ii) of section 5000A(c)(4), as added by section 1501(b) of such Act.

(2) **DEFINITION.**—

(A) Section 36B(d)(2)(B) of such Code, as so added, is amended to read as follows:

“(B) **MODIFIED ADJUSTED GROSS INCOME.**—The term ‘modified adjusted gross income’ means adjusted gross income increased by—

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

“(ii) any amount of interest received or accrued by the taxpayer during the taxable year which is exempt from tax.”.

(B) Section 5000A(c)(4)(C) of such Code, as so added, is amended to read as follows:

“(C) **MODIFIED ADJUSTED GROSS INCOME.**—The term ‘modified adjusted gross income’ means adjusted gross income increased by—

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

“(ii) any amount of interest received or accrued by the taxpayer during the taxable year which is exempt from tax.”.

(b) **MODIFIED ADJUSTED GROSS INCOME DEFINITION.**—

(1) **MEDICAID.**—Section 1902 of the Social Security Act (42 U.S.C. 1396a) is amended by striking “modified gross income” each place it appears in the text and headings of the following provisions and inserting “modified adjusted gross income”:

(A) Paragraph (14) of subsection (e), as added by section 2002(a) of the Patient Protection and Affordable Care Act.

(B) Subsection (gg)(4)(A), as added by section 2001(b) of such Act.

(2) **CHIP.**—

(A) **STATE PLAN REQUIREMENTS.**—Section 2102(b)(1)(B)(v) of the Social Security Act (42 U.S.C. 1397bb(b)(1)(B)(v)), as added by section 2101(d)(1) of the Patient Protection and Affordable Care Act, is amended by striking “modified gross income” and inserting “modified adjusted gross income”.

(B) **PLAN ADMINISTRATION.**—Section 2107(e)(1)(E) of the Social Security Act (42 U.S.C. 1397gg(e)(1)(E)), as added by section 2101(d)(2) of the Patient Protection and Affordable Care Act, is amended by striking “modified gross income” and inserting “modified adjusted gross income”.

(c) NO EXCESS PAYMENTS.—Section 36B(f) of the Internal Revenue Code of 1986, as added by section 1401(a) of the Patient Protection and Affordable Care Act, is amended by adding at the end the following new paragraph:

“(3) INFORMATION REQUIREMENT.—Each Exchange (or any person carrying out 1 or more responsibilities of an Exchange under section 1311(f)(3) or 1321(c) of the Patient Protection and Affordable Care Act) shall provide the following information to the Secretary and to the taxpayer with respect to any health plan provided through the Exchange:

“(A) The level of coverage described in section 1302(d) of the Patient Protection and Affordable Care Act and the period such coverage was in effect.

“(B) The total premium for the coverage without regard to the credit under this section or cost-sharing reductions under section 1402 of such Act.

“(C) The aggregate amount of any advance payment of such credit or reductions under section 1412 of such Act.

“(D) The name, address, and TIN of the primary insured and the name and TIN of each other individual obtaining coverage under the policy.

“(E) Any information provided to the Exchange, including any change of circumstances, necessary to determine eligibility for, and the amount of, such credit.

“(F) Information necessary to determine whether a taxpayer has received excess advance payments.”.

(d) ADULT DEPENDENTS.—

(1) EXCLUSION OF AMOUNTS EXPENDED FOR MEDICAL CARE.—The first sentence of section 105(b) of the Internal Revenue Code of 1986 (relating to amounts expended for medical care) is amended—

(A) by striking “and his dependents” and inserting “his dependents”; and

(B) by inserting before the period the following: “, and any child (as defined in section 152(f)(1)) of the taxpayer who as of the end of the taxable year has not attained age 27”.

(2) SELF-EMPLOYED HEALTH INSURANCE DEDUCTION.—Section 162(l)(1) of such Code is amended to read as follows:

“(1) ALLOWANCE OF DEDUCTION.—In the case of a taxpayer who is an employee within the meaning of section 401(c)(1), there shall be allowed as a deduction under this section an amount equal to the amount paid during the taxable year for insurance which constitutes medical care for—

“(A) the taxpayer,

“(B) the taxpayer’s spouse,

“(C) the taxpayer’s dependents, and

“(D) any child (as defined in section 152(f)(1)) of the taxpayer who as of the end of the taxable year has not attained age 27.”.

(3) COVERAGE UNDER SELF-EMPLOYED DEDUCTION.—Section 162(l)(2)(B) of such Code is amended by inserting “, or any dependent, or individual described in subparagraph (D) of paragraph (1) with respect to,” after “spouse of”.

(4) SICK AND ACCIDENT BENEFITS PROVIDED TO MEMBERS OF A VOLUNTARY EMPLOYEES’ BENEFICIARY ASSOCIATION AND

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.—