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(Original Signature of Member)

112TH CONGRESS
2D SESSION

H. R.

To amend title XVIII of the Social Security Act to save and strengthen the Medicare program.

IN THE HOUSE OF REPRESENTATIVES

Mr. HERGER introduced the following bill; which was referred to the Committee on _____

A BILL

To amend title XVIII of the Social Security Act to save and strengthen the Medicare program.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Save and Strengthen Medicare Act of 2012”.

6 (b) TABLE OF CONTENTS.—The table of contents of
7 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—IMPROVED AND UNIFIED MEDICARE PROGRAM
THROUGH CHOICE AND COMPETITION

Sec. 101. New unified eligibility and enrollment rules.

“PART E—UNIFIED MEDICARE WITH CHOICE AND COMPETITION

“SUBPART 1—ELIGIBILITY; ENROLLMENT

“Sec. 1860E–11. Unified eligibility and enrollment under parts A and B.

“Sec. 1860E–12. Coordination with part D.

“Sec. 1944. Maintenance of effort options for full-benefit dual eligible individuals.

Sec. 102. Incentivized Medicare eligibility at increased age.

Sec. 103. New benefit structure under unified Medicare.

“SUBPART 2—BENEFITS

“Sec. 1860E–21. Unified part A and B deductible.

“Sec. 1860E–22. Uniform coinsurance.

“Sec. 1860E–23. Out-of-pocket limit.

“Sec. 1860E–24. Offering of tiered cost-sharing coverage levels instead of medigap.

“Sec. 1860E–25. Contributions into health individual retirement accounts.

“Sec. 1860E–26. Requiring MA plans to offer prescription drug coverage.

Sec. 104. Late enrollment penalty not to apply for months of any health coverage.

Sec. 105. Competitive bidding and premiums under unified Medicare.

“SUBPART 3—COMPETITIVE BIDDING AND PREMIUMS

“Sec. 1860E–31. Application of competitive bidding and changes in premiums.

“Sec. 1860E–32. Application of competitive bidding to Medicare fee-for-service.

“Sec. 1860E–33. Ensuring a level playing field.

Sec. 106. Separate Medicare FFS accounts and other financing under unified Medicare.

“SUBPART 4—SUBSIDIES

“Sec. 1860E–41. Changes in subsidies.

Sec. 107. Medicare Choices Commission; general provisions; effective date.

“SUBPART 5—MEDICARE CHOICES COMMISSION

“Sec. 1860E–51. Medicare Choices Commission.

“Sec. 1860E–52. Duties of the Commission.

“Sec. 1860E–53. Powers of Commission.

“Sec. 1860E–54. Commission personnel matters.

“Sec. 1860E–55. Reports; communications with Congress.

“Sec. 1860E–56. Funding of the Commission.

“SUBPART 6—GENERAL PROVISIONS

“Sec. 1860E–61. Applicability; definitions.

“Sec. 1860E–62. General effective date.

TITLE II—HEALTH INDIVIDUAL RETIREMENT ACCOUNTS

Subtitle A—Establishment of Accounts

- Sec. 201. Definitions.
- Sec. 202. Health Individual Retirement Account Fund.
- Sec. 203. Establishment of health individual retirement accounts.
- Sec. 204. Transfer of HIRA contributions to HIRA Fund.
- Sec. 205. Operation of HIRA Fund.
- Sec. 206. Health individual retirement account distributions.

Subtitle B—Tax Treatment

- Sec. 211. Tax treatment of accounts.

“PART IX—HEALTH INDIVIDUAL RETIREMENT ACCOUNT PROGRAM

“Sec. 530A. Health Individual Retirement Account Program.

- Sec. 212. HIRA contributions.
- Sec. 213. Contributions eligible for saver’s credit.
- Sec. 214. Exclusion of certain HIRA transfers.
- “Sec. 139F. Government HIRA subsidies.

Subtitle C—Other Tax Provisions

- Sec. 221. Health Savings Accounts available to individuals eligible for Medicare.
- Sec. 222. Reduction in Medicare portion of payroll tax to incentivize late retirement.
- Sec. 223. 15-percent excise tax on employer-sponsored Medicare supplemental coverage.
- “Sec. 4980J. Employer-sponsored Medicare supplemental coverage.

TITLE III—OTHER HEALTH PROVISIONS

Subtitle A—Transparency, Outreach, and Education

- Sec. 301. Public outreach and education initiatives.
- Sec. 302. Annual Medicare beneficiary contributions and benefits statements.
- “Sec. 1143A. Annual Medicare beneficiary contributions and benefits statements.

Subtitle B—Miscellaneous

- Sec. 311. Repeal of IPAB.
- Sec. 312. Repeal of Medicare payment productivity adjustments after 2020.
- Sec. 313. Graduate medical education grant program.
- “Sec. 1899B. Graduate medical education grant program.
- “Sec. 9512. Graduate Medical Education Trust Fund.
- Sec. 314. Report on transitioning payments under Medicare for disproportionate share hospitals into a grant program.
- Sec. 315. One-year freeze for physician payment update; Sense of Congress relating to the sustainable growth rate (SGR).
- Sec. 316. Improvements to MSA plans; permitting offering of catastrophic plan with high deductible and contribution to MSA, HSA, or HIRA.
- Sec. 317. Extension for specialized MA plans for special needs individuals.
- Sec. 318. Conscience protections.
- “Sec. 1899C. Conscience protections; Prohibition against discrimination on assisted suicide and abortion services.
- “Sec. 1899D. Prohibition against discrimination on assisted suicide and abortions.

1 **TITLE I—IMPROVED AND UNI-**
2 **FIED MEDICARE PROGRAM**
3 **THROUGH CHOICE AND COM-**
4 **PETITION**

5 **SEC. 101. NEW UNIFIED ELIGIBILITY AND ENROLLMENT**
6 **RULES.**

7 (a) IN GENERAL.—Title XVIII of the Social Security
8 Act is amended—

9 (1) by redesignating part E as part F; and

10 (2) by inserting after part D the following new
11 part:

12 **“PART E—UNIFIED MEDICARE WITH CHOICE AND**
13 **COMPETITION**

14 **“Subpart 1—Eligibility; Enrollment**

15 **“SEC. 1860E-11. UNIFIED ELIGIBILITY AND ENROLLMENT**
16 **UNDER PARTS A AND B.**

17 **“(a) REQUIRING COVERAGE UNDER BOTH PARTS A**
18 **AND B.—**

19 **“(1) IN GENERAL.—**Effective as of the general
20 effective date (as specified in section 1860E-62), ex-
21 cept as provided under paragraph (3), no benefits
22 shall be covered under part A or part B for an indi-
23 vidual unless the individual is both—

24 **“(A) entitled (or enrolled) for benefits**
25 **under part A; and**

1 “(B) enrolled under part B.

2 “(2) CLARIFICATION OF PART A ENROLLMENT
3 REQUIRED TO OBTAIN PART B BENEFITS.—Effective
4 as of the general effective date, except as provided
5 under paragraph (3), an individual who is enrolled
6 under part B and is not entitled to hospital insur-
7 ance benefits under part A shall be entitled to bene-
8 fits under part B only if the individual enrolls under
9 part A pursuant to section 1818 or 1818A.

10 “(3) EXCEPTIONS.—

11 “(A) CONTINUATION OF TREATMENT OF
12 WORKING BENEFICIARIES.—Paragraphs (1) and
13 (2) shall not apply to an individual with respect
14 to whom the provisions of section 1862(b) apply
15 because of enrollment in a primary plan (as de-
16 fined for purposes of such section).

17 “(B) GRANDFATHERED FOR CURRENT
18 PART B ONLY ENROLLEES.—

19 “(i) IN GENERAL.—Paragraphs (1)
20 and (2) shall not apply to an individual
21 who as of the general effective date is en-
22 rolled under part B but is not entitled to
23 benefits (or otherwise enrolled) under part
24 A, so long as the individual does not termi-

1 nate enrollment under part B or enroll
2 under part A.

3 “(ii) NEW COST-SHARING APPLIES.—

4 “ (I) IN GENERAL.—Nothing in
5 clause (i) shall be construed to exempt
6 an individual described in such clause
7 from the application of the provisions
8 of subpart 2 (relating to cost-sharing),
9 except that the total amount of ex-
10 penses incurred by the individual dur-
11 ing a year which would constitute in-
12 curred expenses for which benefits
13 payable under section 1833(a) are de-
14 terminable shall be reduced by the de-
15 ductible described in subclause (II)
16 for such year instead of the deductible
17 described in section 1860E–21.

18 “(II) APPLICABLE DEDUCT-
19 IBLE.—The deductible described in
20 this subclause for 2016, is the deduct-
21 ible that would be applied under sec-
22 tion 1833(b) (but for the application
23 of this section and subpart 2) for such
24 year, adjusted by the Secretary to
25 take into account any change in the

1 monthly actuarial rate under section
2 1839(a)(1) because of the application
3 of the out-of-pocket limit under sec-
4 tion 1860E–23, and for a subsequent
5 year the amount of such deductible
6 for the previous year increased by the
7 annual percentage increase in the
8 monthly actuarial rate under section
9 1839(a)(1) (taking into account the
10 application of the out-of-pocket limit
11 under section 1860E–23) ending with
12 such subsequent year (rounded to the
13 nearest \$1).

14 “(iii) PREMIUM.—In the case of an
15 individual described in clause (i), for 2016
16 or a subsequent year, instead of the com-
17 bined monthly premium under section
18 1860E–32(c), there shall be applied to
19 such individual the monthly premium that
20 would be determined under section 1839
21 for such year.

22 “(b) PERMITTING INDIVIDUALS TO OPT OUT OF
23 PART A COVERAGE WITHOUT LOSING SOCIAL SECURITY
24 BENEFITS.—

1 “(1) IN GENERAL.—The Medicare Choices
2 Commission shall establish—

3 “(A) a process by which an individual oth-
4 erwise entitled to benefits under part A may
5 elect (at a time and in a manner specified
6 under the process) to waive such entitlement;
7 and

8 “(B) a process by which an individual who
9 elects to waive such entitlement may revoke (at
10 a time and in a manner specified under the
11 process) such waiver.

12 The process under subparagraph (B) shall be coordi-
13 nated with the enrollment process under section
14 1837 for part B.

15 “(2) APPLICATION OF LATE ENROLLMENT PEN-
16 ALTY.—An individual who revokes a waiver under
17 paragraph (1)(B) shall be subject to a late enroll-
18 ment penalty as applied under section 1860E-
19 32(c)(2)(C).

20 “(3) NO IMPACT ON TITLE II BENEFITS.—Not-
21 withstanding any other provision of law, an election
22 of an individual to waive entitlement to benefits
23 under part A under paragraph (1)(A) shall not re-
24 sult in any loss of benefits under title II.

25 “(4) DEEMED OPT OUT.—

1 “(A) An election of an individual to waive
2 entitlement to benefits under part A under
3 paragraph (1)(A) is also deemed the filing of a
4 notice of termination of benefits under part B
5 pursuant to section 1838(b)(1).

6 “(B) The termination of benefits under
7 part B pursuant to section 1838(b) is also
8 deemed to be a waiver of any entitlement to
9 benefits under part A.

10 “(c) SPECIAL OPEN ENROLLMENT PERIOD WITHOUT
11 LATE ENROLLMENT PENALTY FOR CURRENT PART A
12 ONLY OR PART B ONLY ENROLLEES.—Notwithstanding
13 any other provision of law, in the case of an individual
14 who as of the general effective date, is entitled to benefits
15 under part A but not enrolled under part B, or who is
16 enrolled under part B but not entitled to benefits (or en-
17 rolled) under part A, beginning as of such date, such indi-
18 vidual shall be deemed to be enrolled under part B or part
19 A, respectively, unless such individual elects to be enrolled
20 (or entitled to benefits) under neither of such parts during
21 a special open enrollment period specified by the Medicare
22 Choices Commission. No increase in the monthly premium
23 of an individual pursuant to section 1839(b) or section
24 1818(c) shall be effected in the case of any such individual
25 who is deemed enrolled under part B or part A pursuant

1 to the previous sentence with respect to any period prior
2 to the date of such enrollment.

3 “(d) AUTO ENROLLMENT OF DUAL ELIGIBLE INDI-
4 VIDUALS UNDER MEDICARE ADVANTAGE PLANS.—

5 “(1) IN GENERAL.—Except in the case of a
6 State that has elected the maintenance of effort op-
7 tion described in section 1944(b)(2), in the case of
8 an individual described in subparagraph (A)(ii) of
9 section 1935(c)(6) (taking into account the applica-
10 tion of subparagraph (B) of such section), the Medi-
11 care Choices Commission shall establish a process
12 for the enrollment in an MA–PD plan that is a man-
13 aged care plan under part C that has a monthly
14 beneficiary premium that does not exceed the pre-
15 mium assistance available under section 1860E–
16 41(b)(1)(A). If there is more than one such plan
17 available, the Medicare Choices Commission shall en-
18 roll such an individual on a random basis among all
19 such plans in the PDP region.

20 “(2) RIGHT TO DISENROLL.—Nothing in para-
21 graph (1) shall prevent such an individual from de-
22 clining enrollment in any such plan (and thereby ob-
23 taining coverage under Medicare fee-for-service) or
24 from changing enrollment in such a plan to another
25 MA–PD plan.

1 **“SEC. 1860E-12. COORDINATION WITH PART D.**

2 “(a) DEEMED ENROLLMENT UNDER PART D.—

3 “(1) IN GENERAL.—The Medicare Choices
4 Commission shall establish a process that, beginning
5 as of the general effective date, provides for the en-
6 rollment in a prescription drug plan that has a
7 monthly base beneficiary premium that does not ex-
8 ceed the weighted average of premiums for such
9 plans that provide standard prescription drug cov-
10 erage (as defined in section 1860D-2(b)) with re-
11 spect to the area involved (on a random basis among
12 all such plans in the applicable PDP region) of each
13 Medicare enrollee (as defined in section 1860E-51)
14 who—

15 “(A) failed to enroll in such a prescription
16 drug plan during the applicable enrollment or
17 coverage election period under section 1860D-
18 1(b); and

19 “(B) failed to elect not to enroll in such a
20 prescription drug plan during an applicable opt
21 out period described in paragraph (2).

22 Nothing in the previous sentence shall prevent such
23 an individual from declining or changing such enroll-
24 ment. Such process shall be carried out in the same
25 manner as the process described in section 1860D-
26 1(b)(1)(C).

1 “(2) OPT OUT PERIODS.—The process under
2 paragraph (1) shall provide for the opportunity to
3 make an election described in subparagraph (B) of
4 such paragraph during an opt out period that is co-
5 ordinated with the relevant enrollment or coverage
6 election period under section 1860D–1.

7 “(3) LATE ENROLLMENT PENALTIES.—In the
8 case of an individual who makes an election de-
9 scribed in paragraph (1)(B) and then enrolls in a
10 prescription drug plan, the late enrollment penalty
11 under section 1860D–13(b) shall apply to the
12 monthly beneficiary premium of such individual, ex-
13 cept that in applying such section, any reference to
14 the initial enrollment period of such individual shall
15 be deemed to be a reference to the opt out period
16 under paragraph (2) during which the individual
17 elected not to enroll in a prescription drug plan.

18 “(4) NO LATE ENROLLMENT PENALTY FOR
19 CURRENT FEE-FOR-SERVICE BENEFICIARIES WITH-
20 OUT DRUG COVERAGE.—In the case of an individual
21 who is a Medicare enrollee before the date of enact-
22 ment of this section and who was not enrolled under
23 a prescription drug plan before being enrolled under
24 such a plan pursuant to paragraph (1), there shall
25 be no increase in the base beneficiary premium of an

1 individual under section 1860D–13 by a late enroll-
2 ment penalty under subsection (b) of such section
3 with respect to any period prior to the date of such
4 enrollment.

5 “(b) REFERENCE TO REQUIRED PRESCRIPTION
6 DRUG COVERAGE UNDER PART C.—For provision requir-
7 ing coverage under MA plans to include prescription drug
8 coverage, see section 1860E–26.”.

9 (b) LIMITATION ON MEDICAID BENEFITS FOR FULL-
10 BENEFIT DUAL ELIGIBLE INDIVIDUALS.—Section 1902
11 of the Social Security Act (42 U.S.C. 1396a) is amended
12 by adding at the end the following new subsection:

13 “(1) LIMITATION ON BENEFITS FOR FULL-BENEFIT
14 DUAL ELIGIBLE INDIVIDUALS.—Effective as of the gen-
15 eral effective date (as specified in section 1860E–62), ex-
16 cept in the case of a State which has elected the option
17 described in section 1944(b)(2), in the case of an indi-
18 vidual described in subparagraph (A)(ii) of section
19 1935(c)(6) (taking into account the application of sub-
20 paragraph (B) of such section), notwithstanding any other
21 provision of law, medical assistance shall not be available
22 under this title for any items and services for which pay-
23 ment may be made under title XVIII.”.

24 (c) MEDICAID MAINTENANCE OF EFFORT AND AL-
25 TERNATIVES.—Title XIX of the Social Security Act is

1 amended by inserting after section 1943 the following new
2 section:

3 “MAINTENANCE OF EFFORT OPTIONS FOR FULL-BENEFIT
4 DUAL ELIGIBLE INDIVIDUALS

5 “SEC. 1944. (a) IN GENERAL.—Effective as of the
6 general effective date (as specified in section 1860E–62),
7 a State shall elect, in a form and manner specified by the
8 Secretary, a maintenance of effort option described in sub-
9 section (b). In the case of a State that fails to make such
10 an election, the State shall be deemed to have elected the
11 option described in subsection (b)(3).

12 “(b) MAINTENANCE OF EFFORT OPTIONS DE-
13 SCRIBED.—The following are maintenance of effort op-
14 tions described in this subsection for a State, which shall
15 apply to all individuals described in subparagraph (A)(ii)
16 of section 1935(c)(6) (taking into account the application
17 of subparagraph (B) of such section) for such State:

18 “(1) CONTRIBUTION TOWARDS OUT-OF-POCKET
19 EXPENSES UNDER A TIER 3 MEDICARE PLAN.—The
20 State establishes a program under which the State
21 makes a contribution to a health investment retire-
22 ment account established under section 503(b) of
23 the Save and Strengthen Medicare Act of 2012 for
24 each such individual in an amount which—

25 “(A) is calculated, on an average actuarial
26 basis, to cover at least the remaining expenses

1 under a plan with a tier 3 benefit level under
2 section 1860E–24(b); and

3 “(B) is risk-adjusted based upon the actu-
4 arial characteristics of the individual involved.

5 “(2) ENROLLMENT OF DUAL ELIGIBLES IN
6 COMPREHENSIVE MEDICAID MANAGED CARE PLAN.—

7 “(A) IN GENERAL.—The State enrolls all
8 such individuals in a comprehensive Medicaid
9 managed care plan offered by a managed care
10 entity under section 1932.

11 “(B) PAYMENT OF SUBSIDY AMOUNT TO
12 STATE.—In the case of a State that elects the
13 option under this paragraph with respect to an
14 individual, the Medicare Choices Commission
15 established under section 1860E–51 shall pay
16 to the State the same amount that the indi-
17 vidual would be entitled to have paid as an in-
18 come-related premium subsidy under section
19 1860E–41(b)(1)(A) plus the amount that the
20 Medicare Choices Commission estimates would
21 have been paid with respect to the individual
22 under part D (including the actuarial value of
23 subsidy payments under sections 1860D–13
24 and 1860D–14). Such payment shall be made
25 in appropriate part from the Federal Hospital

1 Insurance Trust Fund under section 1817 and
2 the Federal Supplementary Medical Insurance
3 Trust Fund under section 1841.

4 “(C) RELATION TO PART D RULES.—In
5 the case of a State that has elected the option
6 under this paragraph, notwithstanding any
7 other provision of law—

8 “(i) the coverage provided under this
9 option shall be in lieu of any coverage that
10 may otherwise be provided under part D;
11 and

12 “(ii) the payment to the State under
13 subparagraph (B) shall be in lieu of any
14 payments otherwise made with respect to
15 such individual under such part.

16 “(3) STATE CONTRIBUTION AMOUNT AND FED-
17 ERAL CONTRIBUTIONS TO HIRAS.—

18 “(A) IN GENERAL.—The State provides for
19 payment to the Secretary for each month in an
20 amount determined under subparagraph (B)(i)
21 and the Secretary makes a contribution to a
22 health investment retirement account estab-
23 lished under section 503(b) of the Save and
24 Strengthen Medicare Act of 2012 for each such

1 individual in an amount described in subpara-
2 graph (C).

3 “(B) STATE CONTRIBUTION AMOUNT.—

4 “(i) IN GENERAL.—Subject to clause
5 (iii), the amount determined under this
6 clause for a State for a month in a year
7 is equal to the product described in sub-
8 paragraph (A) of section 1935(c)(1) for
9 the State for the month.

10 “(ii) FORM AND MANNER OF PAY-
11 MENT.—The provisions of subparagraphs
12 (B) through (D) of section 1935(c)(1)
13 shall apply to payment by a State to the
14 Secretary under this paragraph in the
15 same manner as such subparagraphs apply
16 to payment under section 1935(c)(1)(A).

17 “(iii) APPLICATION OF DIFFERENT
18 FACTORS.—In applying clause (i), the fol-
19 lowing shall be substituted under para-
20 graphs (2) and (3) of section 1935(c):

21 “(I) The base year State med-
22 icaid per capita expenditures for cov-
23 ered part D drugs described in sub-
24 paragraph (A)(i)(I) of such paragraph
25 (2) shall be deemed to be the per cap-

1 ita expenditures for Medicare cost-
2 sharing that would apply, with respect
3 to an individual described in subpara-
4 graph (A)(ii) of section 1935(c)(6)
5 (taking into account the application of
6 subparagraph (B) of such section)
7 and the State involved, if such an in-
8 dividual received benefits only under
9 title XVIII (and not the State plan
10 under this title).

11 “(II) Any reference to expendi-
12 tures for covered part D drugs or for
13 prescription drug benefits shall be
14 deemed a reference to the expendi-
15 tures for Medicare cost-sharing de-
16 scribed in subclause (I).

17 “(III) Any reference to 2003 or
18 2004 shall be deemed a reference to
19 2014 or 2015, respectively.

20 “(IV) Any reference to a full-ben-
21 efit-dual-eligible individual shall be
22 deemed a reference to an individual
23 described in subparagraph (A)(ii) of
24 section 1935(c)(6) (taking into ac-

1 count the application of subparagraph
2 (B) of such section).

3 “(V) The applicable growth fac-
4 tor under section 1935(c)(4) for a
5 year, with respect to a State, shall be
6 the average annual percentage change
7 (to that year from the previous year)
8 of the expenditures of the State under
9 the State plan under title XIX.

10 “(VI) The factor described in
11 section 1935(c)(5) is deemed to be 90
12 percent.

13 “(C) FEDERAL CONTRIBUTIONS TO
14 HIRAS.—For purposes of subparagraph (A), the
15 amount described in this subparagraph, with re-
16 spect to each such individual described in sub-
17 paragraph (A), is an amount which—

18 “(i) is calculated, on an average actu-
19 arial basis, to cover the remaining expenses
20 under a plan with a tier 3 benefit level
21 under section 1860E–24(b); and

22 “(ii) is risk-adjusted based upon the
23 actuarial characteristics of the individual.

24 “(4) OTHER INNOVATIVE ALTERNATIVES.—

1 “(A) IN GENERAL.—The State submits to
2 the Secretary, and has approved by the Sec-
3 retary, an innovative alternative proposal relat-
4 ing to coordinating coverage of such individuals
5 under Medicare and the State plan under title
6 XIX.

7 “(B) PROCESS FOR REVIEW.—With re-
8 spect to proposals submitted to the Secretary
9 under subparagraph (A), the Secretary shall ap-
10 prove such a proposal if the State demonstrates
11 with respect to the proposal that—

12 “(i) there would be no increased cost
13 to the Federal government if it were ap-
14 proved; and

15 “(ii) there would be no reduction in
16 the quality of care provided to such indi-
17 viduals if the proposal were approved.”.

18 (d) CONFORMING AMENDMENTS.—

19 (1) SECTION 226.—Section 226 of the Social
20 Security Act (42 U.S.C. 426) is amended—

21 (A) in subsection (a), in the matter pre-
22 ceding paragraph (1), by inserting “, subject to
23 section 1860E–11(b)” after “individual who”;

24 (B) in subsection (b), in the matter pre-
25 ceding paragraph (1), by inserting “, subject to

1 section 1860E–11(b)” after “individual who”;
2 and

3 (C) in subsection (c), in the matter pre-
4 ceeding paragraph (1), by inserting “, subject to
5 section 1860E–11(a)” after “subsection (a)”.

6 (2) SECTION 226A.—Section 226A(a) of such
7 Act (42 U.S.C. 426–1(a)) is amended, in the matter
8 preceding paragraph (1), by inserting “and subject
9 to section 1860E–11(b)” after “or title XVIII”.

10 (3) SECTION 1818A.—Section 1818A(a) of such
11 Act (42 U.S.C. 1395i–2a(a)) is amended, in the
12 matter preceding paragraph (1), by inserting “, sub-
13 ject to section 1860E–11(a)” after “individual who”.

14 (4) SECTION 1836.—Section 1836 of such Act is
15 amended, in the matter preceding paragraph (1), by
16 inserting “, subject to section 1860E–11(a)” after
17 “individual who”.

18 (5) SECTION 1932.—Section 1932(a)(2)(B) of
19 the Social Security Act (42 U.S.C. 1396u–
20 2(a)(2)(B)) is amended by striking “A State” and
21 inserting “Except in the case of a State that has
22 elected the maintenance of effort option described in
23 section 1944(b)(2), a State”.

1 **SEC. 102. INCENTIVIZED MEDICARE ELIGIBILITY AT IN-**
2 **CREASED AGE.**

3 (a) IN GENERAL.—Section 216 of the Social Security
4 Act (42 U.S.C. 426) is amended by adding at the end the
5 following new subsection:

6 “(m) MEDICARE ELIGIBILITY AGE DEFINED.—

7 “(1) IN GENERAL.—In this Act, the term
8 ‘Medicare eligibility age’ means, in accordance with
9 paragraph (2), 65 years of age, the preferred Medi-
10 care age, or any age between 65 years of age and
11 the preferred Medicare age.

12 “(2) CHOICE.—

13 “(A) IN GENERAL.—Unless an individual
14 elects otherwise (in a manner specified by the
15 Medicare Choices Commission) the Medicare
16 eligibility age shall be the preferred Medicare
17 age described in subparagraph (B) applicable to
18 such individual.

19 “(B) PREFERRED MEDICARE AGE.—

20 “(i) IN GENERAL.—The preferred
21 Medicare age with respect to an indi-
22 vidual—

23 “(I) who attains the age of 65
24 before January 1, 2016, is 65 years of
25 age;

1 “(II) who attains the age of 65
2 after December 31, 2015, and before
3 January 1, 2026, is 65 years of age
4 plus the number of months specified
5 by the Medicare Choices Commission
6 for the preferred age phase-in factor
7 under clause (ii) for the calendar year
8 in which the individual attains the age
9 of 65; and

10 “(III) who attains the age of 65
11 during a 10-year period (with the first
12 such period beginning on January 1,
13 2026), 67 years of age increased by
14 the life expectancy increase factor de-
15 scribed in clause (iii) for such 10-year
16 period.

17 “(ii) PREFERRED AGE PHASE-IN FAC-
18 TOR.—For each year during the 10-year
19 period beginning with 2016, the Medicare
20 Choices Commission shall specify the pre-
21 ferred age phase-in factor as either 2 or 3
22 months to be applied under clause (i)(II)
23 for individuals attaining 65 years of age
24 during such year in a manner that results
25 in the preferred Medicare age being in-

1 creased over such 10-year period in as
2 equivalent increments as possible such that
3 for individuals attaining the age of 65 as
4 of December 31, 2025, such preferred
5 Medicare age will be 67 years of age.

6 “(iii) LIFE EXPECTANCY INCREASE
7 FACTOR.—The life expectancy increase fac-
8 tor under this clause for a 10-year period
9 is the age, rounded to the nearest month,
10 at which (as estimated by the Medicare
11 Choices Commission based on the most re-
12 cent information available from the Na-
13 tional Center for Health Statistics for the
14 3rd year beginning before such 10-year pe-
15 riod) the average life expectancy of an in-
16 dividual who is eligible to enroll under this
17 title and who has attained 67 years of age
18 is 18 years, except that the application of
19 this clause may not result in a year-to-year
20 increase of more than 2 months or in the
21 preferred Medicare age being less than 67
22 years of age.

23 “(C) ENROLLMENT OPTIONS.—The Medi-
24 care Choices Commission shall specify a manner
25 and process in which an individual may make

1 an election described in subparagraph (A) to
2 have the Medicare eligibility age applicable to
3 such individual be an age described in para-
4 graph (1) other than the preferred Medicare
5 age so that such election takes effect in the
6 month in which the individuals attains such
7 age. Such process shall provide for an initial
8 election period and subsequent annual election
9 periods for each age that may be elected for the
10 Medicare eligibility age.

11 “(D) NOTIFICATION.—The Medicare
12 Choices Commission shall provide for notifica-
13 tion of each individual who will be eligible for
14 benefits under title XVIII that the Medicare eli-
15 gibility age of such individual will be the pre-
16 ferred Medicare age unless the individual elects
17 under subparagraph (C) an earlier age de-
18 scribed in paragraph (1).

19 “(3) PREMIUM.—For provisions relating to pre-
20 mium incentives for deferred Medicare eligibility
21 until the preferred Medicare age see section 1860E-
22 32(c).”.

23 (b) CONFORMING AMENDMENTS.—

24 (1) SOCIAL SECURITY ACT.—

1 (A) ENTITLEMENT TO HOSPITAL INSUR-
2 ANCE BENEFITS.—Section 226 of such Act (42
3 U.S.C. 426) is amended by striking “age 65”
4 each place such term appears and inserting
5 “medicare eligibility age (as such term is de-
6 fined in section 216(m))”.

7 (B) HOSPITAL INSURANCE BENEFITS FOR
8 THE AGED.—Section 1811 of such Act (42
9 U.S.C. 1395c) is amended by striking “age 65”
10 each place such term appears and inserting
11 “medicare eligibility age (as such term is de-
12 fined in section 216(m))”.

13 (C) HOSPITAL INSURANCE BENEFITS FOR
14 UNINSURED ELDERLY INDIVIDUALS NOT OTH-
15 ERWISE ELIGIBLE.—Section 1818 of such Act
16 (42 U.S.C. 1395i–2) is amended—

17 (i) in subsection (a)(1), by striking
18 “age of 65” and inserting “medicare eligi-
19 bility age (as such term is defined in sec-
20 tion 216(m))”;

21 (ii) in subsection (d)(1), by striking
22 “age 65” and inserting “medicare eligi-
23 bility age (as such term is defined in sec-
24 tion 216(m))”; and

1 (iii) in subsection (d)(3), by striking
2 “65” and inserting “medicare eligibility
3 age (as such term is defined in section
4 216(m))”.

5 (D) HOSPITAL INSURANCE BENEFITS FOR
6 DISABLED INDIVIDUALS WHO HAVE EXHAUSTED
7 OTHER ENTITLEMENT.—Section 1818A(a)(1) of
8 such Act (42 U.S.C. 1395i–2a(a)(1)) is amend-
9 ed by striking “the age of 65” and inserting
10 “medicare eligibility age (as such term is de-
11 fined in section 216(m))”.

12 (E) ELIGIBILITY FOR PART B BENEFITS.—

13 (i) IN GENERAL.—Section 1836 of
14 such Act (42 U.S.C. 1395o) is amended by
15 striking “age 65” each place such term ap-
16 pears and inserting “medicare eligibility
17 age (as such term is defined in section
18 216(m))”.

19 (ii) ENROLLMENT PERIODS.—Section
20 1837 of such Act (42 U.S.C. 1395p) is
21 amended by striking “age 65” and “the
22 age of 65” each place such terms appear
23 and inserting “medicare eligibility age (as
24 such term is defined in section 216(m))”.

1 (iii) COVERAGE PERIOD.—Section
2 1838 of such Act (42 U.S.C. 1395q) is
3 amended—

4 (I) in subsection (a), by striking
5 “age 65” and inserting “medicare eli-
6 gibility age (as such term is defined in
7 section 216(m))”.

8 (II) in subsection (c), by striking
9 “the age of 65” and inserting “medi-
10 care eligibility age (as such term is
11 defined in section 216(m))”.

12 (iv) AMOUNTS OF PREMIUMS.—Sec-
13 tion 1839 of such Act (42 U.S.C. 1395r)
14 is amended by striking “age 65” and “the
15 age of 65” each place such terms appear
16 and inserting “medicare eligibility age (as
17 such term is defined in section 216(m))”.

18 (F) APPROPRIATIONS TO COVER GOVERN-
19 MENT CONTRIBUTIONS AND CONTINGENCY RE-
20 SERVE.—Section 1844(a)(1) of such Act (42
21 U.S.C. 1395w) is amended by striking “age 65”
22 each place such term appears and inserting
23 “medicare eligibility age (as such term is de-
24 fined in section 216(m))”.

1 (G) ELIGIBILITY, ELECTION, AND ENROLL-
2 MENT.—The matter following subparagraph
3 (D) of section 1851(e)(4) of such Act (42
4 U.S.C. 1395w–21(e)(4)) is amended by striking
5 “age 65” and inserting “medicare eligibility age
6 (as such term is defined in section 216(m))”.

7 (H) PAYMENTS TO MEDICARE+CHOICE
8 ORGANIZATIONS.—Section 1853(c)(4)(C)(v) of
9 such Act (42 U.S.C. 1395w–23(c)(4)(C)(v)) is
10 amended by striking “65 years of age” and in-
11 sserting “medicare eligibility age (as such term
12 is defined in section 216(m))”.

13 (I) PART D PREMIUMS AND LATE ENROLL-
14 MENT PENALTY.—Section 1860D–
15 13(b)(7)(B)(i) of such Act (42 U.S.C. 1395w–
16 113(b)(7)(B)(i)) is amended by striking “age
17 65” and inserting “the medicare eligibility age
18 (as such term is defined in section 216(m))”.

19 (J) MEDICARE SECONDARY PAYER.—Sec-
20 tion 1862(b) of such Act (42 U.S.C. 1395y(b))
21 is amended by striking “age 65” each place
22 such term appears and inserting “medicare eli-
23 gibility age (as such term is defined in section
24 216(m))”.

1 (K) CERTIFICATION OF MEDICARE SUP-
2 PLEMENTAL HEALTH INSURANCE POLICIES.—
3 Section 1882(s) of such Act (42 U.S.C.
4 1395ss(s)) is amended—

5 (i) in paragraph (2)(A) by striking
6 “65 years of age” and inserting “medicare
7 eligibility age (as such term is defined in
8 section 216(m))”;

9 (ii) in paragraph (2)(D) by striking
10 “65 years of age” and inserting “medicare
11 eligibility age (as such term is defined in
12 section 216(m))”; and

13 (iii) in paragraph (3)(B)(vi) by strik-
14 ing “age 65” and inserting “medicare eli-
15 gibility age (as such term is defined in sec-
16 tion 216(m))”.

17 (L) MEDICARE SUBVENTION DEMONSTRA-
18 TION PROJECT FOR MILITARY RETIREES.—Sec-
19 tion 1896(a)(5)(D) of such Act (42 U.S.C.
20 1395ggg(a)(5)(D)) is amended by striking “age
21 65” and inserting “medicare eligibility age (as
22 such term is defined in section 216(m))”.

23 (M) MEDICAID STATE PLAN PROVISIONS.—
24 Section 1902 of the Social Security Act (42
25 U.S.C. 1396a) is amended—

1 (i) in subsection (a)(10)(A)—

2 (I) in clause (i)(VIII), by striking
3 “65 years of age” and inserting “the
4 medicare eligibility age (as such term
5 is defined in section 216(m))”;

6 (II) in clause (ii)(XV), by strik-
7 ing “at least 16, but less than 65,
8 years of age” and inserting “at least
9 16 years of age but less than the
10 medicare eligibility age (as such term
11 is defined in section 216(m))”; and

12 (III) in clause (ii)(XX), by strik-
13 ing “65 years of age” and inserting
14 “the medicare eligibility age (as such
15 term is defined in section 216(m))”;

16 (ii) in subsection (e)(14)(D)(i)(II), by
17 striking “age 65” and inserting “the medi-
18 care eligibility age (as such term is defined
19 in section 216(m))”;

20 (iii) in subsection (m)(1), by striking
21 “65 years of age” and inserting “the medi-
22 care eligibility age (as such term is defined
23 in section 216(m))”; and

24 (iv) in subsection (aa)(2), by striking
25 “age 65” and inserting “the medicare eli-

1 gibility age (as such term is defined in sec-
2 tion 216(m))”.

3 (N) MEDICAID MEDICAL ASSISTANCE DEFINI-
4 TION.—Section 1905(a) of the Social Security
5 Act (42 U.S.C. 1396d(a)) is amended—

6 (i) in clause (iii), by striking “65
7 years of age” and inserting “the medicare
8 eligibility age (as such term is defined in
9 section 216(m))”; and

10 (ii) in the matter following paragraph
11 (29)(B), by striking “65 years of age” and
12 inserting “of medicare eligibility age (as
13 such term is defined in section 216(m))”.

14 (O) QUALIFIED MEDICARE BENEFICIARY
15 DEFINITION.—Section 1905(p)(2)(C) of the So-
16 cial Security Act (42 U.S.C. 1396d(p)(2)(C)) is
17 amended by striking “age 65” and inserting
18 “who are the medicare eligibility age (as such
19 term is defined in section 216(m))”.

20 (P) MEDICAID DEFINITION FOR QUALIFIED
21 SEVERELY IMPAIRED INDIVIDUAL.—Section
22 1905(q) of the Social Security Act (42 U.S.C.
23 1396d(q)) is amended by striking “age 65” and
24 inserting “the medicare eligibility age (as such
25 term is defined in section 216(m))”.

1 (Q) MEDICAID DEFINITION FOR EM-
2 PLOYED INDIVIDUAL WITH A MEDICALLY IM-
3 PROVED DISABILITY.—Section 1905(v)(1)(A) of
4 the Social Security Act (42 U.S.C.
5 1396d(v)(1)(A)) is amended by striking “16,
6 but less than 65, years of age” and inserting
7 “16 years of age, but less than the medicare eli-
8 gibility age (as such term is defined in section
9 216(m))”.

10 (R) LIENS, ADJUSTMENTS AND RECOV-
11 ERIES, AND TRANSFERS OF ASSETS UNDER
12 MEDICAID.—Section 1917(c) of the Social Secu-
13 rity Act (42 U.S.C. 1396p(c)) is amended—

14 (i) in paragraph (2)(B)(iv), by strik-
15 ing “65 years of age” and inserting “the
16 medicare eligibility age (as such term is
17 defined in section 216(m))”; and

18 (ii) in paragraph (4)(A), by striking
19 “age 65” and inserting “the medicare eli-
20 gibility age (as such term is defined in sec-
21 tion 216(m))”.

22 (2) OTHER PROVISIONS OF LAW.—

23 (A) CONTRACTS FOR HEALTH BENEFITS
24 FOR CERTAIN MEMBERS OF UNIFORMED SERV-
25 ICES, FORMER MEMBERS, AND DEPENDENTS.—

1 Section 1086(d)(2)(B) of title 10, United
2 States Code, is amended by striking “under 65
3 years of age” and inserting “under the medi-
4 care eligibility age (as such term is defined in
5 section 216(m) of the Social Security Act)”.

6 (B) ELIGIBLE INDIVIDUAL DEFINITION
7 FOR EARNED INCOME.—Section
8 32(c)(1)(A)(ii)(II) of the Internal Revenue Code
9 is amended by striking “age 65” and inserting
10 “the preferred Medicare age (as such term is
11 described in section 216(m) of the Social Secu-
12 rity Act)”.

13 (C) TAX TREATMENT OF BLUE CROSS AND
14 BLUE SHIELD ORGANIZATIONS.—Section
15 833(c)(3)(A)(iv) of the Internal Revenue Code
16 is amended by striking “age 65” and inserting
17 “the medicare eligibility age (as such term is
18 defined in section 216(m) of the Social Security
19 Act)”.

20 (D) COMMUNITY-BASED PREVENTION AND
21 WELLNESS PROGRAMS.—Section 4202 of the
22 Patient Protection and Affordable Care Act (42
23 U.S.C. 300u–14) is amended—

24 (i) in subsection (a)—

1 (I) in paragraph (1), by striking
2 “who are between 55 and 64 years of
3 age” and inserting “who are at least
4 55 years of age but less than the
5 medicare eligibility age (as such term
6 is defined in section 216(m) of the So-
7 cial Security Act)”;

8 (II) in paragraph (2)(C), by
9 striking “the 55-to-64 year-old popu-
10 lation” and inserting “the population
11 of individuals who are at least 55
12 years of age but less than the medi-
13 care eligibility age (as such term is
14 defined in section 216(m) of the So-
15 cial Security Act)”;

16 (III) in paragraph (3)(A), by
17 striking “who are between 55 and 64
18 years of age” and inserting “who are
19 at least 55 years of age but less than
20 the medicare eligibility age (as such
21 term is so defined)”;

22 (IV) in paragraph (3)(C)(i), by
23 striking “who are between 55 and 64
24 years of age” and inserting “who are
25 at least 55 years of age but less than

1 the medicare eligibility age (as such
2 term is so defined)”; and

3 (V) in paragraph (3)(D), by
4 striking “between 55 and 64 years of
5 age” and inserting “at least 55 years
6 of age but less than the medicare eli-
7 gibility age (as such term is so de-
8 fined)”; and

9 (ii) in subsection (b)(2)(A), by strik-
10 ing “65 years of age” and inserting “the
11 medicare eligibility age (as such term is
12 defined in section 216(m) of the Social Se-
13 curity Act)”.

14 **SEC. 103. NEW BENEFIT STRUCTURE UNDER UNIFIED**
15 **MEDICARE.**

16 (a) IN GENERAL.—Part E of title XVIII of the Social
17 Security Act, as added by section 101, is amended by add-
18 ing at the end the following:

19 **“Subpart 2—Benefits**

20 **“SEC. 1860E-21. UNIFIED PART A AND B DEDUCTIBLE.**

21 “(a) IN GENERAL.—Effective as of the general effec-
22 tive date, in the case of a Medicare enrollee—

23 “(1) the amount otherwise payable under part
24 A and the total amount of expenses incurred by the
25 enrollee during a year which would (except for this

1 section) constitute incurred expenses for which bene-
2 fits payable under section 1833(a) are determinable,
3 shall be reduced under sections 1813(b) and 1833(b)
4 by the amount of the unified deductible under sub-
5 section (b); and

6 “(2) the enrollee shall be responsible for pay-
7 ment of such amount.

8 “(b) AMOUNT OF UNIFIED DEDUCTIBLE.—

9 “(1) IN GENERAL.—The amount of the unified
10 deductible under this subsection shall be—

11 “(A) for 2016, \$550; or

12 “(B) for a subsequent year, the amount
13 specified in this subsection for the preceding
14 year increased by the percentage increase in the
15 per capita actuarial value of benefits under
16 parts A and B for such subsequent year.

17 “(2) ROUNDING.—If any amount determined
18 under paragraph (1) is not a multiple of \$10, such
19 amount shall be rounded to the nearest multiple of
20 \$10.

21 “(c) APPLICATION.—The unified deductible under
22 this section for a year shall be applied, with respect to
23 a Medicare enrollee—

24 “(1) with respect to benefits under part A, on
25 the basis of the amount that is payable for such ben-

1 efits without regard to any other copayments or co-
2 insurance and before the application of any such co-
3 payments or coinsurance;

4 “(2) with respect to benefits under part B, on
5 the basis of the total amount of the expenses in-
6 curred by the enrollee during a year which would,
7 except for the application of the deductible, con-
8 stitute incurred expenses from which benefits pay-
9 able under section 1833(a) are determinable, without
10 regard to any other copayments or coinsurance and
11 before the application of any such copayments or co-
12 insurance;

13 “(3) instead of the deductibles described in sec-
14 tions 1813(b) and 1833(b); and

15 “(4) with respect to all items and services
16 under parts A and B.

17 **“SEC. 1860E-22. UNIFORM COINSURANCE.**

18 “(a) IN GENERAL.—Subject to subsection (c) and
19 section 1860E-23, with respect to a year (beginning with
20 2016), in the case of a Medicare enrollee (as defined in
21 section 1860E-61(b))—

22 “(1) the amount otherwise payable under part
23 A and the total amount of expenses incurred by the
24 enrollee during the year which would (except for this
25 section) constitute incurred expenses for which bene-

1 fits payable under section 1833(a) are determinable,
2 shall be reduced by a uniform coinsurance of 20 per-
3 cent of such amount; and

4 “(2) the individual shall be responsible for pay-
5 ment of the amount of such uniform coinsurance.

6 “(b) APPLICATION TO ALL ITEMS AND SERVICES.—

7 The uniform coinsurance under this subsection for a year
8 shall, subject to subsection (d)—

9 “(1) be applied with respect to items and serv-
10 ices under part A on the basis of the amount that
11 is payable for such items and services and in lieu of
12 any other copayments or coinsurance under such
13 part;

14 “(2) be applied with respect to items and serv-
15 ices under part B on the basis of the total amount
16 of the expenses incurred by the individual during the
17 year which would, except for the application of the
18 deductible, constitute incurred expenses from which
19 items and services payable under section 1833(a) are
20 determinable, and in lieu of any other copayments or
21 coinsurance.

22 “(c) APPLICATION OF DEDUCTIBLE.—Before apply-
23 ing subsection (a), with respect to payment under part A
24 or B for items and services furnished to an individual,

1 such individual shall be required to meet the unified de-
2 ductible under section 1860E-21.

3 “(d) **AUTHORITY TO APPLY ACTUARIALLY EQUIVA-**
4 **LENT COPAYMENT.**—

5 “(1) **IN GENERAL.**—Subject to paragraph (2),
6 the Secretary may provide for the application of a
7 copayment amount instead of the coinsurance under
8 this section in cases for which the coinsurance can-
9 not be readily computed at the time of provision of
10 the items or services involved or the imposition of a
11 copayment amount would simplify the administra-
12 tion of this title.

13 “(2) **ACTUARIAL EQUIVALENCE.**—In applying
14 paragraph (1), the amount of any copayment estab-
15 lished under such paragraph with respect to a type
16 of item or service shall be calculated to provide, in
17 the aggregate and taking into account the applica-
18 tion of this section, for cost-sharing that is actuari-
19 ally equivalent to the cost-sharing that would be im-
20 posed under this section if this subsection did not
21 apply.

22 **“SEC. 1860E-23. OUT-OF-POCKET LIMIT.**

23 “(a) **IN GENERAL.**—Beginning with 2016, in the case
24 of a Medicare enrollee, if the amount of the out-of-pocket
25 cost-sharing of such enrollee for a calendar year equals

1 or exceeds the catastrophic limit under subsection (b) for
2 that year—

3 “(1) the enrollee shall not be responsible for ad-
4 ditional out-of-pocket cost-sharing incurred during
5 that year; and

6 “(2) the Secretary shall establish procedures
7 under which the Secretary shall, in appropriate part
8 from the Part A Medicare FFS Account under sec-
9 tion 1817 and the Part B Medicare FFS Account
10 under section 1841—

11 “(A) pay on behalf of the enrollee the
12 amount of the additional out-of-pocket cost-
13 sharing described in paragraph (1) attributable
14 to deductibles and coinsurance described in sub-
15 section (c)(1); and

16 “(B) reimburse the enrollee the amount of
17 the additional out-of-pocket cost-sharing de-
18 scribed in paragraph (1) attributable to
19 deductibles and coinsurance described in sub-
20 section (c)(2).

21 “(b) CATASTROPHIC LIMIT.—The amount of the cat-
22 astrophic limit under this subsection for a year shall be
23 the dollar amount in effect under section 223(c)(2)(A)(ii)
24 of the Internal Revenue Code of 1986 for self-only cov-
25 erage for taxable years beginning in such year.

1 “(c) OUT-OF-POCKET COST-SHARING DEFINED.—In
2 this section, the term ‘out-of-pocket cost-sharing’ means,
3 with respect to an individual, the amount of costs incurred
4 by the individual that are attributable to—

5 “(1) deductibles and coinsurance imposed under
6 sections 1860E–21 and 1860E–22; and

7 “(2) deductibles and coinsurance imposed under
8 standard prescription drug coverage pursuant to sec-
9 tion 1860D–2(b) or alternative prescription drug
10 coverage pursuant to section 1860D–2(c) offered by
11 a prescription drug plan.

12 **“SEC. 1860E–24. OFFERING OF TIERED COST-SHARING COV-
13 ERAGE LEVELS INSTEAD OF MEDIGAP.**

14 “(a) RECOGNITION OF 3 TIERS OF COST-SHARING
15 COVERAGE.—For plans years beginning on or after the
16 general effective date, MA plans shall be classified based
17 upon the following 3 tiers of cost-sharing coverage (each
18 in this part referred to as a ‘tier of cost-sharing coverage’):

19 “(1) TIER 1.—A tier 1 level (in this part re-
20 ferred to as ‘tier 1’) for Medicare Advantage plans
21 with cost-sharing designed to provide benefits that
22 are actuarially equivalent to that provided under
23 Medicare fee-for-service.

24 “(2) TIER 2.—A tier 2 level (in this part re-
25 ferred to as ‘tier 2’) for Medicare Advantage plans

1 with cost-sharing designed to provide benefits that
2 would provide a level of coverage of at least 85 per-
3 cent of the expenses under Medicare fee-for-service
4 for the average Medicare enrollee.

5 “(3) TIER 3.—A tier 3 level (in this part re-
6 ferred to as ‘tier 3’) for Medicare Advantage plans
7 with cost-sharing designed to provide benefits that
8 would provide a level of coverage of at least 95 per-
9 cent of the expenses under Medicare fee-for-service
10 for the average Medicare enrollee.

11 For purposes of this Act, Medicare fee-for-service shall be
12 included in tier 1.

13 “(b) ASSURING ACCESS TO A CHOICE OF COV-
14 ERAGE.—

15 “(1) CHOICE OF AT LEAST TWO PLANS IN EACH
16 AREA AND TIER.—

17 “(A) IN GENERAL.—The Medicare Choices
18 Commission shall ensure that there is available,
19 consistent with subparagraph (B), a choice of
20 enrollment in at least 2 qualifying plans (as de-
21 fined in paragraph (3)) for each tier of cost-
22 sharing coverage and each MA region.

23 “(B) REQUIREMENT FOR DIFFERENT
24 PLAN SPONSORS.—The requirement in subpara-
25 graph (A) is not satisfied with respect to a re-

1 gion if only one entity offers all the qualifying
2 plans in the region.

3 “(C) QUALIFYING PLAN DEFINED.—For
4 purposes of this section, the term ‘qualifying
5 plan’ means—

6 “(i) with respect to tier 1, Medicare
7 fee-for-service or any MA–PD plan that is
8 not classified under tier 2 or tier 3; or

9 “(ii) with respect to any other tier, an
10 MA–PD plan that is classified under the
11 respective tier.

12 “(2) FALLBACK PLAN.—In order to ensure ac-
13 cess pursuant to paragraph (1) in an MA region,
14 with respect to the offering of plans in a tier, if such
15 access is not provided in such region, the Medicare
16 Choices Commission shall direct the Secretary to
17 provide for the offering of a fallback plan in such
18 tier for that region in a similar manner that the Sec-
19 retary provides for the offering of a fallback pre-
20 scription drug plan under section 1860D–11(g) in
21 an area that does not provide access described in
22 section 1860D–3(a).

23 “(c) MEDIGAP.—

24 “(1) LIMITATION ON NEW ENROLLMENT.—Sub-
25 ject to paragraph (2), a health insurance issuer that

1 offers a Medicare supplemental health insurance pol-
2 icy (as defined in section 1882(g)(1)) may not enroll
3 an individual under such policy on or after the gen-
4 eral effective date.

5 “(2) TREATMENT OF CURRENT MEDIGAP EN-
6 ROLLEES.—

7 “(A) PERMITTED TO CONTINUE UNDER
8 MEDIGAP.—In the case of an individual who, as
9 of the day before the general effective date is
10 entitled to benefits under part A or enrolled
11 under part B and is enrolled under a Medicare
12 supplemental health insurance policy certified
13 under section 1882, such individual may choose
14 to remain enrolled under such policy or
15 disenroll and change enrollment to a different
16 policy so certified during a period and in ac-
17 cordance with a process specified by the Sec-
18 retary.

19 “(B) TREATMENT OF MEDIGAP POLI-
20 CIES.—

21 “(i) IN GENERAL.—With respect to
22 plan years beginning on or after January
23 1, 2016, a Medicare supplemental health
24 insurance policy shall be certified under
25 section 1882 only with respect to individ-

1 uals described in subparagraph (A) and
2 only if such policy is modified to be in ac-
3 cordance with standards revised pursuant
4 to clause (ii).

5 “(ii) NEW STANDARDS.—The Sec-
6 retary shall request the National Associa-
7 tion of Insurance Commissioners to revise
8 the standards for all benefit packages for
9 Medicare supplemental health insurance
10 policies under section 1882(p) to be in ac-
11 cordance with the cost-sharing provisions
12 established by this subpart.

13 “(C) AVAILABILITY OF SUBSTITUTE POLI-
14 CIES WITH GUARANTEED ISSUE.—

15 “(i) IN GENERAL.—The issuer of a
16 medicare supplemental policy—

17 “(I) may not deny or condition
18 the issuance or effectiveness of a
19 medicare supplemental policy that is
20 offered and is available for issuance to
21 new enrollees by such issuer;

22 “(II) may not discriminate in the
23 pricing of such policy, because of
24 health status, claims experience, re-

1 receipt of health care, or medical condi-
2 tion; and

3 “(III) may not impose an exclu-
4 sion of benefits based on a pre-exist-
5 ing condition under such policy, in the
6 case of an individual described in
7 clause (ii) who seeks to enroll under
8 the policy during a period described in
9 subparagraph (A).

10 “(ii) INDIVIDUAL COVERED.—An indi-
11 vidual described in this subparagraph with
12 respect to the issuer of a medicare supple-
13 mental policy is an individual who—

14 “(I) is described in subparagraph
15 (A) and, as of the date described in
16 such subparagraph, is enrolled under
17 a medicare supplemental policy; and

18 “(II) terminates enrollment in
19 such policy and submits evidence of
20 such termination along with the appli-
21 cation for the policy under subpara-
22 graph (A) during the period described
23 in such subparagraph.

24 “(iii) LIMITATION.—Subclause (i)
25 shall apply to an issuer of a medicare sup-

1 plemental policy, with respect to an indi-
2 vidual, only in the case the actuarial value
3 of the benefits under such policy does not
4 substantially exceed the actuarial value of
5 the policy described in clause (ii)(II) with
6 respect to which the individual terminated
7 enrollment.

8 **“SEC. 1860E–25. CONTRIBUTIONS INTO HEALTH INDIVIDUAL**
9 **RETIREMENT ACCOUNTS.**

10 “(a) CONTRIBUTIONS.—The Secretary shall establish
11 procedures to ensure that, for each year (beginning with
12 2016), the Secretary shall deposit in the health individual
13 retirement account (as defined in section 201(1) of the
14 Save and Strengthen Medicare Act of 2012) of an account
15 holder (as defined in section 201(2) of such Act) who is
16 a Medicare fee-for-service enrollee the per capita Medicare
17 preventive benefit amount under subsection (b) for such
18 year. In no case shall a deposit be made under the pre-
19 vious sentence in the case of an individual described in
20 subparagraph (A)(ii) of section 1935(c)(6) (taking into ac-
21 count the application of subparagraph (B) of such section)
22 in a State that has elected the maintenance of effort op-
23 tion described in section 1944(b)(2).

24 “(b) PER CAPITA MEDICARE PREVENTIVE BENEFIT
25 AMOUNT.—

1 “(1) IN GENERAL.—For purposes of subsection
2 (b), the per capita Medicare preventive benefit
3 amount is equal to—

4 “(A) with respect to 2016, the amount by
5 which—

6 “(i) the average per capita amount es-
7 timated to have been expended under
8 Medicare fee-for-service for preventive
9 services during the previous year; exceeds

10 “(ii) the average per capita amount
11 that would have been expended under
12 Medicare fee-for-service for such services
13 during such previous year if payment
14 under Medicare fee-for-service for such
15 services had been subject to the deductible
16 and cost-sharing provisions of section
17 1833;

18 “(B) with respect to 2017, the amount by
19 which—

20 “(i) the actual average per capita
21 amount expended under Medicare fee-for-
22 service for preventive services during 2015;
23 exceeds

24 “(ii) the average per capita amount
25 that would have been expended under

1 Medicare fee-for-service for such services
2 during such year if payment under Medi-
3 care fee-for-service for such services had
4 been subject to the deductible and cost-
5 sharing provisions of section 1833;

6 increased by the annual percentage increase in
7 the consumer price index (all items; U.S. city
8 average) as of September of such previous year;
9 and

10 “(C) with respect to a subsequent year, the
11 amount determined under this paragraph for
12 the previous year, increased by the annual per-
13 centage increase in the consumer price index
14 (all items; U.S. city average) as of September
15 of such previous year.

16 “(2) PREVENTIVE SERVICES.—For purposes of
17 this section, the term ‘preventive services’ means
18 preventive services that are exempt from coinsurance
19 under section 1833(a)(1)(Y) for 2015.

20 “(c) PAYMENT.—

21 “(1) FROM CMS OPERATING ACCOUNT.—Pay-
22 ment of each per capita Medicare preventive benefit
23 amount shall be made in appropriate part from the
24 Part A Medicare FFS Account under section 1817

1 and the Part B Medicare FFS Account under sec-
2 tion 1841.

3 “(2) AVAILABILITY.—Payment of a per capita
4 Medicare preventive benefit amount for a year to the
5 health individual retirement account of an individual
6 shall be made available to such account only for
7 such year. If, by December 31 of such year, the
8 amount of the per capita Medicare preventive benefit
9 amount deposited for such year exceeds the amount
10 distributed from the account of the individual (in ac-
11 cordance with section 206(a) of the Save and
12 Strengthen Medicare Act of 2012) during such year,
13 such excess shall be returned to the Medicare FFS
14 Account in accordance with procedures established
15 under subsection (e).

16 **“SEC. 1860E-26. REQUIRING MA PLANS TO OFFER PRE-
17 SCRIPTIION DRUG COVERAGE.**

18 “Beginning for plan years beginning on or after the
19 general effective date, the only MA plans that may be of-
20 fered under part C are MA–PD plans.”.

21 (b) APPLICATION OF OUT-OF-POCKET LIMIT TO MA–
22 PD PLANS.—

23 (1) IN GENERAL.—Section 1852(a)(1)(B) of the
24 Social Security Act (42 U.S.C. 1395w–22(a)(1)(B))
25 is amended—

1 (A) in clause (i), by striking “clause (iii)”
2 and inserting “clauses (iii) and (vi)”; and

3 (B) by adding at the end the following new
4 clause:

5 “(vi) OUT-OF-POCKET LIMIT.—The
6 provisions of section 1860E-23—

7 (I) shall apply to individuals en-
8 rolled under an MA-PD plan in the
9 same manner as such provisions apply
10 to Medicare enrollees under such sec-
11 tion, except that in lieu of the applica-
12 tion of subsection (a)(2) of such sec-
13 tion the MA-PD plan shall establish
14 procedures to provide for payment of
15 any additional out-of-pocket cost-shar-
16 ing described in subsection (a)(1) of
17 such section incurred by individuals
18 enrolled under the MA-PD plan; and

19 (II) as applied under subclause
20 (I), may not be waived by application
21 of this subparagraph.

22 In applying subsection (b) of section
23 1860E-23 pursuant to the previous sen-
24 tence, an MA-PD plan may substitute a

1 dollar amount that is less than the dollar
2 amount specified under such subsection.”.

3 (2) EXEMPTING MA–PD PLANS OFFERING AL-
4 TERNATIVE PRESCRIPTION DRUG COVERAGE FROM
5 PART D DEDUCTIBLE AND OUT-OF-POCKET LIMIT
6 REQUIREMENTS.—Section 1860D–2(c) of the Social
7 Security Act (42 U.S.C. 1395w–102(e)) is amend-
8 ed—

9 (A) in paragraph (2), by striking “The de-
10 ductible” and inserting “In the case of a pre-
11 scription drug plan, the deductible”; and

12 (B) in paragraph (3), by striking “The
13 coverage provides” and inserting “In the case
14 of a prescription drug plan, the coverage pro-
15 vides”.

16 (c) PRESCRIPTION DRUG PLANS REQUIRED TO RE-
17 PORT ENROLLEES’ OUT-OF-POCKET COST-SHARING.—
18 Section 1860D–12(b) of the Social Security Act (42
19 U.S.C. 1395w–112(b)) is amended by adding at the end
20 the following new paragraph:

21 “(7) OUT-OF-POCKET COST-SHARING RE-
22 PORTS.—Each contract entered into with a PDP
23 sponsor under this part with respect to a prescrip-
24 tion drug plan offered by such sponsor shall require
25 that, with respect to each claim submitted for items

1 or services furnished to an individual enrolled under
2 the plan pursuant to the contract, the sponsor sub-
3 mits to the Secretary information on the amount of
4 out-of-pocket cost-sharing (as defined in section
5 1860E–23(c)) applicable to such enrollee for such
6 items or services.”.

7 (d) CONFORMING AMENDMENTS.—

8 (1) Section 1813 of the Social Security Act (42
9 U.S.C. 1395e) is amended—

10 (A) in subsection (a), by inserting “Subject
11 to subpart 2 of part E:” before paragraph (1);
12 and

13 (B) in subsection (b), by inserting “Sub-
14 ject to subpart 2 of part E:” before paragraph
15 (1).

16 (2) Section 1833 of such Act (42 U.S.C. 1395l)
17 is amended—

18 (A) in subsection (a), in the matter pre-
19 ceding paragraph (1), by inserting “and sub-
20 part 2 of part E” after “succeeding provisions
21 of this section”;

22 (B) in subsection (b), in the first sentence,
23 by striking “Before applying” and inserting
24 “Subject to subpart 2 of part E, before apply-
25 ing”;

1 (C) in subsection (c)(1), in the matter pre-
2 ceding subparagraph (A), by inserting “subject
3 to subpart 2 of part E,” after “this part,”;

4 (D) in subsection (f), by striking “In es-
5 tablishing” and inserting “Subject to subpart 2
6 of part E, in establishing”; and

7 (E) in subsection (g)(1), by inserting “and
8 subpart 2 of part E” and “paragraphs (4) and
9 (5)”.

10 (3) Section 1882(a)(2) of such Act is amended
11 by striking “No medicare” and inserting “Subject to
12 section 1860E–24(c), no medicare”.

13 **SEC. 104. LATE ENROLLMENT PENALTY NOT TO APPLY FOR**
14 **MONTHS OF ANY HEALTH COVERAGE.**

15 (a) IN GENERAL.—Section 1839(b) of the Social Se-
16 curity Act (42 U.S.C. 1395r) is amended in the second
17 sentence, by inserting before the period at the end the fol-
18 lowing: “or months during which the individual has any
19 other health coverage”.

20 (b) EFFECTIVE DATE.—The amendment made by
21 paragraph (1) shall apply for months of coverage begin-
22 ning after the date of the enactment of this Act.

1 **SEC. 105. COMPETITIVE BIDDING AND PREMIUMS UNDER**
2 **UNIFIED MEDICARE.**

3 (a) IN GENERAL.—Part E of title XVIII of the Social
4 Security Act, as added by section 101 and amended by
5 section 103, is further amended by adding at the end the
6 following:

7 **“Subpart 3—Competitive Bidding and Premiums**
8 **“SEC. 1860E-31. APPLICATION OF COMPETITIVE BIDDING**
9 **AND CHANGES IN PREMIUMS.**

10 “(a) COMPETITIVE BIDDING BASED ON LEVELS OF
11 COVERAGE AND MA REGIONS.—In applying section 1854
12 for plan years beginning on or after the general effective
13 date the following rules shall apply:

14 “(1) SEPARATE BIDS FOR EACH TIER OF COST-
15 SHARING COVERAGE.—A Medicare Advantage orga-
16 nization shall submit a separate bid for each tier of
17 cost-sharing coverage for each MA–PD plan offered
18 by such organization.

19 “(2) BIDS.—Any bid submitted by a Medicare
20 Advantage organization under such section—

21 “(A) with respect to an MA region, shall
22 provide for the offering of an MA–PD plan in
23 each county within such region; and

24 “(B) with respect to an MA local area,
25 shall provide for the offering of an MA–PD
26 plan in each county within such area.

1 “(3) UNIFORM BIDS FOR ALL AREAS WITHIN
2 AN MA REGION.—Any bid submitted by a Medicare
3 Advantage organization under such section shall, as
4 specified by the organization, be uniform for—

5 “(A) all plans offered in any MA local area
6 within an MA region; or

7 “(B) subject to paragraph (4), all plans of-
8 fered within a county; and
9 section 1854(h) shall apply.

10 “(4) AUTHORITY OF MEDICARE CHOICES COM-
11 MISSION TO REJECT BIDS.—In the case that the
12 Medicare Choices Commission determines that a
13 Medicare Advantage organization is submitting bids
14 in accordance with paragraph (3)(B) in a manner
15 that demonstrates a disproportionate change in the
16 amounts of the bids for such areas compared to the
17 actual costs for providing benefits in such areas, the
18 Commission may reject such bids.

19 “(5) ACCEPTANCE OF BID.—

20 “(A) IN GENERAL.—A Medicare Advan-
21 tage organization shall not be eligible to submit
22 a bid under such section unless the organization
23 provides assurances satisfactory to the Medicare
24 Choices Commission that the organization will

1 accept an award of a contract under this part
2 pursuant to such bid.

3 “(B) CERTAIN MODIFICATIONS PER-
4 MITTED.—Nothing in subparagraph (A) shall
5 be construed as preventing a Medicare Advan-
6 tage organization that submits a bid under such
7 section from withdrawing or modifying the bid
8 before the date on which the risk-adjusted
9 benchmark amount under paragraph (3)(B)(i)
10 or (4)(B)(i), as appropriate, of section 1854(b)
11 is calculated for the area and year involved.

12 “(b) ADJUSTMENT IN PAYMENT TO MA PLANS.—

13 “(1) IN GENERAL.—In applying section 1853
14 for plans years beginning on or after the general ef-
15 fective date, the amount specified in subparagraph
16 (B) of section 1853(a)(1) shall be $\frac{1}{12}$ of 88 percent
17 of the revised benchmark for the region and year in-
18 volved.

19 “(2) REVISED BENCHMARK.—

20 “(A) IN GENERAL.—The Medicare Choices
21 Commission shall compute a revised benchmark
22 for each plan year and each MA region.

23 “(B) REVISED BENCHMARK.—Subject to
24 the succeeding provisions of this paragraph, the

1 revised benchmark for a plan year and MA re-
2 gion is equal to the sum of—

3 “(i) the phase-out percentage (as
4 specified in subparagraph (C)) of the aver-
5 age of the lowest and third lowest bid
6 amount submitted for such year and region
7 for the tier 1 level of cost-sharing coverage
8 under section 1860E–24(b), taking into
9 account section 1860E–32(b); and

10 “(ii) the phase-in percentage (as spec-
11 ified in subparagraph (C)) of the lowest
12 bid amount so submitted.

13 “(C) PHASE OUT AND PHASE-IN PERCENT-
14 AGES.—In subparagraph (B), with respect—

15 “(i) to the first plan year in which
16 this section applies, the phase-out percent-
17 age shall be 100 percent and the phase-in
18 percentage shall be 0 percent; and

19 “(ii) each succeeding plan year the
20 phase-out percentage shall be the phase-
21 out percentage for the previous year de-
22 creased by 20 percentage points (but not
23 below 0 percent) and the phase-in percent-
24 age shall be 100 percent minus the phase-
25 out percentage for the year.

1 “(D) LIMITATION.—In no case shall the
2 revised benchmark for a plan year and MA re-
3 gion be lower than the lowest bid amount sub-
4 mitted for such year and region that when com-
5 bined with all bids below such bid amount
6 would result in the capacity to provide coverage
7 to all Medicare enrollees in such region.

8 “(3) REVIEW AND REVISIONS OF RISK ADJUST-
9 MENT.—

10 “(A) IN GENERAL.—The Medicare Choices
11 Commission shall review and, as the Commis-
12 sion determines appropriate, revise the risk ad-
13 justments payment mechanism under section
14 1853(a)(1)(C) for purposes of applying such
15 mechanism under this section and under section
16 1860E–32, including pursuant to section
17 1860E–33(a).

18 “(B) REQUIREMENTS FOR REVISIONS.—In
19 making the revisions under subparagraph (A)
20 to the risk adjustments payment mechanism de-
21 scribed in such subparagraph, the following
22 shall apply:

23 “(i) INCORPORATING PRIVATE
24 HEALTH INSURANCE DATA.—The Medicare
25 Choices Commission shall incorporate data

1 on the cost and utilization of services by
2 individuals receiving benefits under a
3 group health plan or health insurance cov-
4 erage offered in the individual or group
5 market who have the same case character-
6 istics (such as conditions or combinations
7 of conditions) as such characteristics that
8 are to be used under such mechanism for
9 risk adjusting payment amounts to Medi-
10 care Advantage organizations under part C
11 and Medicare fee-for-service under section
12 1860E–32, including pursuant to section
13 1860E–33(a).

14 “(ii) INCLUSION OF NUMBER OF CON-
15 DITIONS.—The Medicare Choices Commis-
16 sion shall provide that a risk score under
17 such mechanism, with respect to an indi-
18 vidual, includes an indicator for the num-
19 ber of chronic conditions with which the in-
20 dividual has been diagnosed.

21 “(iii) USE OF 2 YEARS OF DIAGNOSIS
22 DATA.—The Medicare Choices Commission
23 shall ensure that a risk score under such
24 mechanism, with respect to an individual,

1 shall reflect two years of diagnosis data, to
2 the extent available.

3 “(C) EVALUATING ADDITION OF RETRO-
4 SPECTIVE RISK TRANSFER POOL.—In con-
5 ducting the review under subparagraph (A) of
6 the risk adjustments payment mechanism de-
7 scribed in such subparagraph, the Medicare
8 Choices Commission shall evaluate the extent to
9 which it would be appropriate to establish, in
10 addition to such risk adjustments payment
11 mechanism, a retrospective risk transfer pool—

12 “(i) that would enable MA organiza-
13 tions, with respect to MA–PD plans of-
14 fered by such organization, and the Sec-
15 retary, with respect to Medicare fee-for-
16 service, to collectively devise and admin-
17 ister procedures for adjusting for enrollee
18 selection effects that are not, in the judg-
19 ment of the organizations, with respect to
20 such plans, and the Secretary, with respect
21 to Medicare fee-for-service, adequately ad-
22 dressed by the risk adjustments payment
23 mechanism;

1 “(ii) under which each MA–PD plan
2 and Medicare fee-for-service must partici-
3 pate;

4 “(iii) which shall be operated by the
5 MA organizations offering such MA–PD
6 plans and the Secretary under the super-
7 vision of the Medicare Choices Commis-
8 sion; and

9 “(iv) which would be funded entirely
10 out of premiums and assessments on such
11 plans and Medicare fee-for-service.

12 “(4) APPLICATION ON A REGIONAL BASIS.—In
13 applying sections 1853 and 1854, the revised bench-
14 mark under this subsection for each MA local area
15 within an MA region shall be the revised benchmark
16 for such region.

17 “(c) PREMIUMS UNDER MA PLANS.—

18 “(1) IN GENERAL.—For plans years beginning
19 on or after the general effective date, sections 1853
20 and 1854 shall be applied—

21 “(A) by substituting the modified monthly
22 basic beneficiary premium described in para-
23 graph (2)(A) for the MA monthly basic bene-
24 ficiary premium defined in section
25 1854(b)(2)(A); and

1 “(B) by substituting the revised bench-
2 mark under subsection (b) for the unadjusted
3 MA area specific non-drug monthly benchmark
4 amount (as defined in section 1853(j)).

5 “(2) MODIFIED MONTHLY BASIC BENEFICIARY
6 PREMIUM.—

7 “(A) IN GENERAL.—The modified monthly
8 basic beneficiary premium described in this
9 paragraph, with respect to a month in a year
10 and an MA plan offered in a tier of cost-shar-
11 ing coverage in an MA region, is the amount (if
12 any) by which the MA non-drug bid described
13 in subparagraph (B) for such plan exceeds $\frac{1}{12}$
14 of the revised benchmark described in sub-
15 section (b) for the year and region.

16 “(B) MA NON-DRUG BID.—The MA non-
17 drug bid described in this subparagraph is, with
18 respect to a month and an MA plan offered in
19 a tier of cost-sharing coverage, the portion of
20 the bid amount submitted under clause (i) of
21 section 1854(a)(6)(A) for the tier benefit level,
22 MA region, and year involved that is attrib-
23 utable under clause (ii)(I) of such section to the
24 provision of benefits under Medicare fee-for-
25 service.

1 “(3) APPLICATION ON A REGIONAL BASIS.—In
2 applying sections 1853 and 1854, the average per
3 capita monthly savings under section 1854(b)(3)
4 shall be computed by substituting each region for a
5 State and all plans within the region for MA local
6 plans within a State.

7 “(4) TREATMENT OF BENEFICIARY REBATE
8 RULE.—Section 1854(b)(1)(C) shall not apply to the
9 modified monthly basic beneficiary premium applied
10 under this subsection.

11 “(5) TREATMENT OF INDIVIDUALS ELECTING
12 EARLIER BENEFIT COVERAGE.—Section 1860E–
13 32(c)(3) shall apply to an MA organization and the
14 premium charged under section 1854(b)(1) to an in-
15 dividual enrolled in an MA plan offered by such or-
16 ganization who makes an election described in such
17 section 1860E–32(c)(3) in the same manner as such
18 section applies to the Secretary and an individual
19 enrolled under Medicare fee-for-service who makes
20 such an election.

21 “(d) ANNUAL REPORT.—Beginning for 2016, the
22 Medicare Choices Commission shall submit to Congress an
23 annual report on any questionable activities or irregular-
24 ities that have arisen in the bidding process under part
25 C, as modified by this section, during such year.

1 **“SEC. 1860E–32. APPLICATION OF COMPETITIVE BIDDING**
2 **TO MEDICARE FEE-FOR-SERVICE.**

3 “(a) SUBMISSION OF BID.—

4 “(1) IN GENERAL.—The Secretary shall submit
5 a bid for Medicare fee-for-service (in this part re-
6 ferred to as a ‘Medicare FFS bid’) offered for each
7 MA region in the same manner as a bid submitted
8 by a Medicare Advantage organization under section
9 1854 for offering an MA plan under such tier.

10 “(2) BASIS FOR BID.—In applying paragraph
11 (1) in computing the average revenue requirements
12 under section 1854(a)(6)(A)(i) for a plan year, the
13 Secretary shall base such requirements on—

14 “(A) adjusted average per capita costs
15 payable during the previous plan year under
16 parts A and B attributable to all individuals en-
17 rolled under Medicare fee-for-service in such re-
18 gion, including administrative costs attributable
19 to such individuals and costs attributable to
20 such individuals with respect to per capita
21 Medicare preventive benefit amounts contrib-
22 uted under section 1860E–25 into health indi-
23 vidual retirement accounts, (as estimated by the
24 Secretary), increased by

25 “(B) the Secretary’s estimate of the per-
26 centage increase in the per capita actuarial

1 value of benefits under such parts for the plan
2 year involved.

3 “(3) MODIFICATION.—In applying this sub-
4 section, clause (iii) of section 1854(a)(6)(B) shall
5 not be construed as applying to Medicare fee-for-
6 service.

7 “(b) TREATMENT OF BID AS A TIER 1 BID UNDER
8 PART C.—Any bid under subsection (a) for a region shall
9 be considered as a bid for an MA plan offered in the region
10 with tier 1 cost-sharing coverage for purposes of this part
11 and sections 1853 and 1854.

12 “(c) PREMIUMS ADJUSTMENT.—

13 “(1) IN GENERAL.—Beginning for months be-
14 ginning on or after the general effective date—

15 “(A) there shall be a combined monthly
16 premium amount described in paragraph (2)
17 charged to a Medicare enrollee, with respect to
18 coverage under Medicare fee-for-service;

19 “(B) such premium amount under sub-
20 paragraph (A) shall be instead of the part B
21 monthly premium under section 1839; and

22 “(C) such premium shall be separate from
23 (and in addition to) any monthly beneficiary
24 premium that may apply to the individual with

1 respect to a prescription drug plan under part
2 D.

3 “(2) COMBINED MONTHLY PREMIUM.—

4 “(A) IN GENERAL.—The combined month-
5 ly premium amount under this paragraph for a
6 Medicare enrollee in an MA region shall be,
7 subject to subparagraph (D) and section
8 1860E–41(b), equal to the combined monthly
9 base amount under subparagraph (B), adjusted
10 in accordance with subparagraphs (C) and (D).

11 “(B) COMBINED MONTHLY BASE
12 AMOUNT.—The combined monthly base amount
13 shall be an amount calculated in a manner
14 similar to the manner in which the part B
15 monthly premium is calculated under sub-
16 sections (a) and (c) of section 1839, in effect as
17 of December 31, 2015, except that in applying
18 such section—

19 “(i) the actuarial rate determined
20 under the second sentence of subsection
21 (a)(1) of such section shall be an amount
22 the Secretary estimates to be necessary so
23 that the aggregate amount for the calendar
24 year involved with respect to all Medicare
25 enrollees will equal the total of the benefits

1 and administrative costs which the Sec-
2 retary estimates will be payable from the
3 Federal Hospital Insurance Trust Fund
4 under section 1817 and the Federal Sup-
5 plementary Medical Insurance Trust Fund
6 under section 1841 for services performed
7 and related administrative costs incurred
8 in such calendar year with respect to such
9 enrollees under parts A and B; and

10 “(ii) by substituting ‘24 percent’ for
11 ‘50 percent’ in subsection (a)(3) of such
12 section.

13 “(C) APPLICATION OF OTHER PROVI-
14 SIONS.—The combined monthly base amount
15 shall be subject to adjustment in the same man-
16 ner as the part B monthly premium calculated
17 under section 1839(a) is subject to adjustment
18 under subsections (b) and (i) of such section,
19 except that—

20 “(i) in applying the late enrollment
21 penalty under subsection (b) of such sec-
22 tion, the initial enrollment period of the in-
23 dividual shall be the enrollment period
24 specified by the Secretary pursuant to sub-

1 part 1 instead of the initial enrollment pe-
2 riod described in such section 1839(b); and

3 “(ii) the income reduction under sub-
4 section (i) of such section shall be applied
5 in accordance with section 1860E–41(a).

6 Adjustments under this subparagraph shall be
7 made without regard to any adjustment under
8 subparagraph (D).

9 “(D) AMOUNT OF ADJUSTMENT FOR NON-
10 MA ENROLLEES.—Under this subparagraph,
11 with respect to a Medicare fee-for-service en-
12 rollee for a month who resides in an MA region,
13 if the Medicare FFS bid under subsection (a)
14 for the region and month exceeds such revised
15 benchmark, the amount of the combined month-
16 ly base amount for the enrollee for the month
17 (without regard to any adjustment under sub-
18 paragraph (C)) shall be increased, subject to
19 subparagraph (E), by the amount by which
20 such bid exceeds such benchmark.

21 “(E) TRANSITION FOR CURRENT TRADI-
22 TIONAL FFS MEDICARE BENEFICIARIES.—In the
23 case of an individual who, as of December 31,
24 2015, is entitled to (or enrolled for) benefits

1 under part A or enrolled under part B but is
2 not enrolled in an MA plan—

3 “(i) with respect to months in 2016,
4 the adjustment under subparagraph (D)
5 for such individual for such months may in
6 no case exceed 20 percent of the part B
7 monthly premium amount under section
8 1839 that was applicable to such individual
9 for months in the previous year; and

10 “(ii) with respect to months in a sub-
11 sequent year (before 2026), such adjust-
12 ment for such months may in no case ex-
13 ceed 20 percent of the combined monthly
14 premium amount applicable to such indi-
15 vidual (not taking into account subpara-
16 graph (C)) for months in the previous
17 year.

18 “(3) TREATMENT OF INDIVIDUALS ELECTING
19 EARLIER BENEFIT COVERAGE.—In the case of an in-
20 dividual who elects under section 216(m) a Medicare
21 eligibility age of at least 65 but less than the pre-
22 ferred Medicare age applicable to such individual
23 under paragraph (2)(B) of such section, the Sec-
24 retary shall adjust the premium otherwise computed
25 for individuals with a Medicare eligibility age of the

1 preferred Medicare age in a manner so that, on an
2 actuarial basis over the lifetime of individuals mak-
3 ing such an election (taking into account the rel-
4 evant risk characteristics of individuals who as a
5 class have selected the respective age compared to
6 those who have not made the election), the actuarial
7 value of the benefits (net of premiums) is equal
8 among such groups.

9 “(4) PAYMENT OF PREMIUMS.—The provisions
10 of section 1854(d)(2) shall apply to the payment and
11 collection of combined monthly premium amounts
12 under this subsection in a similar manner as such
13 provisions apply to the payment to and collection by
14 an MA organization of monthly premiums under
15 part C.

16 **“SEC. 1860E-33. ENSURING A LEVEL PLAYING FIELD.**

17 “(a) IN GENERAL.—Except as specified otherwise in
18 this part, the Secretary and Medicare fee-for-service shall
19 be subject to requirements that are applicable under this
20 title to an MA organization and Medicare Advantage plan,
21 and payments shall be made to the Secretary, with respect
22 to coverage of an individual under Medicare fee-for-service
23 in the same manner as payments are made under section
24 1853(a)(1) to an MA organization, with respect to cov-

1 erage of an individual under a Medicare Advantage plan
2 offered by such organization.

3 “(b) ENSURING COLLECTION OF QUALITY AND RISK
4 DATA.—The Medicare Choices Commission shall establish
5 procedures to ensure that quality data and data on risk
6 factors of Medicare enrollees are collected and reported
7 with respect to Medicare fee-for-service in the same man-
8 ner as such data are collected and reported with respect
9 to Medicare Advantage plans.

10 “(c) NONINTERFERENCE RULES.—

11 “(1) NEGOTIATIONS BETWEEN MA PLANS AND
12 PROVIDERS.—In order to promote competition under
13 this title and in carrying out this title, neither the
14 Secretary nor the Medicare Choices Commission may
15 interfere with the negotiations between any MA or-
16 ganization and a hospital, physician, or other pro-
17 vider of services or supplier.

18 “(2) BIDDING PROCESS.—The Medicare
19 Choices Commission may not reject a bid submitted
20 by an MA organization for the offering of an MA-
21 PD plan based on the amount of such bid. Nothing
22 in the previous sentence shall be construed as affect-
23 ing the regulatory authority of the Commission or as
24 affecting the authority of the Commission to reject
25 a bid pursuant to section 1860E–31(a)(3).

1 “(3) TREATMENT OF REGULATORY FUNC-
2 TIONS.—

3 “(A) IN GENERAL.—The Secretary,
4 through the Centers of Medicare & Medicaid
5 Services, shall maintain regulatory functions as-
6 sociated with conditions of participation appli-
7 cable to participation of providers of services
8 and suppliers in Medicare fee-for-service.

9 “(B) NO APPLICATION TO PROVIDERS
10 WITH RESPECT TO MA PLANS.—Beginning on
11 the general effective date, the Secretary shall
12 not have the authority to apply any conditions
13 of participation or similar requirements on pro-
14 viders of services and suppliers insofar as they
15 are not related to Medicare fee-for-service.

16 “(C) GAO REPORT.—By not later than
17 January 31, 2015, the Comptroller General of
18 the United States shall submit to Congress a
19 report containing recommendations on the ex-
20 tent to which any condition of participation or
21 requirement described in paragraph (2) should
22 be applied to providers of services and suppliers
23 furnishing items and services under this title
24 under arrangements with Medicare Advantage
25 plans.

1 “(d) REPORT.—

2 “(1) INITIAL REPORT.—Not later than Sep-
3 tember 30, 2014, the Medicare Choices Commission
4 shall submit to Congress a report that—

5 “(A) identifies all the requirements that
6 are applicable to MA organizations and Medi-
7 care Advantage plans and the extent to which
8 such requirements are also applicable to the
9 Secretary and Medicare fee-for-service; and

10 “(B) includes a plan for achieving the re-
11 quirement described in subsection (a).

12 “(2) GAO REPORTS.—Not later than January
13 1, 2016, and every 3 years thereafter, the Comp-
14 troller General of the United States shall submit to
15 Congress a report on the extent to which the Sec-
16 retary and Medicare fee-for-service are in compliance
17 with subsection (a) and the plan described in para-
18 graph (1)(B).”.

19 (b) CONFORMING AMENDMENTS.—

20 (1) Section 1839(a) of the Social Security Act
21 is amended by inserting after the subsection enu-
22 merator the following: “Subject to section 1860E-
23 32:”.

24 (2) Section 1839(i)(1) of the Social Security
25 Act is amended by striking “In the case” and insert-

1 ing “Subject to sections 1860E–32 and 1860E–41,
2 in the case”.

3 (3) Section 1853(a)(1)(A) of the Social Security
4 Act is amended by striking “and section 1859(e)(4)”
5 and inserting “, section 1859(e)(4), and subpart 3
6 of part E”.

7 (4) Section 1853(j) of such Act is amended by
8 inserting “and subpart 3 of part E” after “sub-
9 section (o)”.

10 (5) Section 1854 of such Act is amended—

11 (A) in subsection (a), after the heading, by
12 inserting “Subject to subpart 3 of part E.”;

13 (B) in subsection (b), after the heading, by
14 inserting “Subject to subpart 3 of part E.”;

15 (C) in subsection (d), after the heading, by
16 inserting “Subject to subpart 3 of part E.”;

17 and

18 (D) in subsection (e), after the heading, by
19 inserting “Subject to subpart 3 of part E.”.

20 **SEC. 106. SEPARATE MEDICARE FFS ACCOUNTS AND**
21 **OTHER FINANCING UNDER UNIFIED MEDI-**
22 **CARE.**

23 (a) SEPARATE MEDICARE FFS ACCOUNTS.—

24 (1) UNDER FEDERAL HOSPITAL INSURANCE
25 TRUST FUND.—Section 1817 of the Social Security

1 Act (42 U.S.C. 1395i) is amended by adding at the
2 end the following new subsection:

3 “(1) PART A MEDICARE FFS ACCOUNT.—

4 “(1) ESTABLISHMENT.—There is hereby estab-
5 lished within the Trust Fund an account to be
6 known as the ‘Part A Medicare FFS account’ for
7 the receipts and disbursements attributable to the
8 operation of Medicare fee-for-service (as defined in
9 section 1860E–61(b)) insofar as it relates to the
10 program under this part, as modified under part E,
11 including the transition funding under paragraph
12 (2)(B). Section 1854(g) shall apply to receipts de-
13 scribed in the previous sentence in the same manner
14 as such section applies to payments or premiums de-
15 scribed in such section.

16 “(2) FUNDING.—

17 “(A) IN GENERAL.—The Part A Medicare
18 FFS Account shall consist of such gifts and be-
19 quests as may be made as provided in section
20 201(i)(1), as applied under this section, accrued
21 interest on balances in the Part A Medicare
22 FFS Account, and such amounts as may be de-
23 posited in, or appropriated to, such Part A
24 Medicare FFS Account as provided in this sub-
25 section.

1 “(B) TRANSITION FUNDING.—

2 “(i) IN GENERAL.—In order to pro-
3 vide for funding relating to transitional
4 costs for carrying out Medicare fee-for-
5 service insofar as it relates to the program
6 under this part, as modified under part E,
7 as of the general effective date (as defined
8 in section 1860E–62), there shall be trans-
9 ferred from the Trust Fund to the Part A
10 Medicare FFS Account such sums as spec-
11 ified necessary by the Medicare Choices
12 Commission. In order to provide for initial
13 claims reserves before the collection of pre-
14 miums, there shall be transferred from the
15 Trust Fund to the Part A Medicare FFS
16 Account such sums as necessary to cover
17 90 days worth of claims reserves based on
18 projected enrollment.

19 “(ii) AMORTIZATION OF TRANSITION
20 FUNDING.—The Secretary shall provide for
21 the repayment to the Trust Fund of the
22 funding transferred under clause (i) in an
23 amortized manner over the 10-year period
24 beginning with the first plan year begin-

1 ning on or after the general effective date
2 (as defined in section 1860E–62).

3 “(iii) LIMITATION ON FUNDING.—
4 Nothing in this paragraph shall be con-
5 strued as authorizing any additional trans-
6 fers to the Part A Medicare FFS Account,
7 other than such amounts as are otherwise
8 provided with respect to Medicare Advan-
9 tage plans.

10 “(3) SEPARATE FROM REST OF TRUST FUND.—
11 Funds provided under this subsection to the Part A
12 Medicare FFS Account shall—

13 “(A) be kept separate from all other funds
14 within the Trust Fund, but shall be invested,
15 and such investments redeemed, in the same
16 manner as all other funds and investments
17 within the Trust Fund; and

18 “(B) notwithstanding the previous sub-
19 sections of this section, be managed and admin-
20 istered by the Administrator of the Centers for
21 Medicare & Medicaid Services.”.

22 (2) UNDER SUPPLEMENTARY MEDICAL INSUR-
23 ANCE TRUST FUND.—Section 1841 of the Social Se-
24 curity Act (42 U.S.C. 1395t) is amended by adding
25 at the end the following new subsection:

1 “(j) PART B MEDICARE FFS ACCOUNT.—

2 “(1) ESTABLISHMENT.—There is hereby estab-
3 lished within the Trust Fund an account to be
4 known as the ‘Part B Medicare FFS account’ for
5 the receipts and disbursements attributable to the
6 operation of Medicare fee-for-service (as defined in
7 section 1860E–61(b)) insofar as it relates to the
8 program under this part, as modified under part E,
9 including the transition funding under paragraph
10 (2)(B). Section 1854(g) shall apply to receipts de-
11 scribed in the previous sentence in the same manner
12 as such section applies to payments or premiums de-
13 scribed in such section.

14 “(2) FUNDING.—

15 “(A) IN GENERAL.—The Part B Medicare
16 FFS Account shall consist of such gifts and be-
17 quests as may be made as provided in section
18 201(i)(1), as applied pursuant to this section,
19 accrued interest on balances in the Part B
20 Medicare FFS Account, and such amounts as
21 may be deposited in, or appropriated to, the
22 Part B Medicare FFS Account as provided in
23 this subsection.

24 “(B) TRANSITION FUNDING.—

1 “(i) IN GENERAL.—In order to pro-
2 vide for funding relating to transitional
3 costs for carrying out Medicare fee-for-
4 service insofar as it relates to the program
5 under this part, as modified under part E,
6 as of the general effective date (as defined
7 in section 1860E–62), there shall be trans-
8 ferred from the Trust Fund to the Part B
9 Medicare FFS Account such sums as spec-
10 ified necessary by the Medicare Choices
11 Commission. In order to provide for initial
12 claims reserves before the collection of pre-
13 miums, there shall be transferred from the
14 Trust Fund to the Part B Medicare FFS
15 Account such sums as necessary to cover
16 90 days worth of claims reserves based on
17 projected enrollment.

18 “(ii) AMORTIZATION OF TRANSITION
19 FUNDING.—The Secretary shall provide for
20 the repayment to the Trust Fund of the
21 funding transferred under clause (i) in an
22 amortized manner over the 10-year period
23 beginning with the first plan year begin-
24 ning on or after the general effective date
25 (as defined in section 1860E–62).

1 “(iii) LIMITATION ON FUNDING.—

2 Nothing in this paragraph shall be con-
3 strued as authorizing any additional trans-
4 fers to the Part B Medicare FFS Account,
5 other than such amounts as are otherwise
6 provided with respect to Medicare Advan-
7 tage plans.

8 “(3) SEPARATE FROM REST OF TRUST FUND.—

9 Funds provided under this subsection to the Part B
10 Medicare FFS Account shall—

11 “(A) be kept separate from all other funds
12 within the Trust Fund, but shall be invested,
13 and such investments redeemed, in the same
14 manner as all other funds and investments
15 within the Trust Fund; and

16 “(B) notwithstanding the previous sub-
17 sections of this section, be managed and admin-
18 istered by the the Administrator of the Centers
19 for Medicare & Medicaid Services.”.

20 (b) CHAIRPERSON OF MEDICARE CHOICES COMMIS-
21 SION TO REPLACE ADMINISTRATOR OF CMS ON AS SEC-
22 RETARY OF BOARD OF TRUSTEES OF HI AND SMI TRUST
23 FUNDS.—

24 (1) HI TRUST FUND.—Section 1817(b) of the
25 Social Security Act (42 U.S.C. 1395i(b)) is amended

1 by striking “The Administrator of the Centers for
2 Medicare & Medicaid Services shall serve as the Sec-
3 retary of the Board of Trustees.” and inserting “Be-
4 fore the general effective date defined under section
5 1860E–62, the Administrator of the Centers for
6 Medicare & Medicaid Services shall serve as the Sec-
7 retary of the Board of Trustees. On and after such
8 general effective date such Administrator shall not
9 serve as the Secretary of such Board and instead the
10 Chairperson of the Medicare Choices Commission es-
11 tablished under section 1860E–51 shall serve as the
12 Secretary of such Board.”.

13 (2) SMI TRUST FUND.—Section 1841(b) of the
14 Social Security Act (42 U.S.C. 1395t(b)) is amended
15 by striking “The Administrator of the Centers for
16 Medicare & Medicaid Services shall serve as the Sec-
17 retary of the Board of Trustees.” and inserting “Be-
18 fore the general effective date defined under section
19 1860E–62, the Administrator of the Centers for
20 Medicare & Medicaid Services shall serve as the Sec-
21 retary of the Board of Trustees. On and after such
22 general effective date such Administrator shall not
23 serve as the Secretary of such Board and instead the
24 Chairperson of the Medicare Choices Commission es-

1 tablished under section 1860E–51 shall serve as the
2 Secretary of such Board.”.

3 (c) SUBSIDIES.—Part E of title XVIII of the Social
4 Security Act, as added by section 101 and amended by
5 sections 103 and 105, is further amended by adding at
6 the end the following:

7 **“Subpart 4—Subsidies**

8 **“SEC. 1860E–41. CHANGES IN SUBSIDIES.**

9 “(a) REDUCED GOVERNMENT CONTRIBUTION FOR
10 HIGH-INCOME SENIORS.—

11 “(1) IN GENERAL.—For purposes of deter-
12 mining the combined monthly base amount under
13 section 1860E–32(c)(2)(B) for an individual, in ap-
14 plying section 1839(i) under such section, the fol-
15 lowing shall apply:

16 “(A) 2016.—For 2016, notwithstanding
17 paragraph (6) of such section 1839(i), subject
18 to paragraph (3)—

19 “(i) the threshold amount otherwise
20 applicable under paragraph (2)(A) of such
21 section for individuals shall be equal to
22 \$50,000 (or couples, \$100,000); and

23 “(ii) instead of the sliding scale per-
24 centage specified in paragraph (3)(A)(i) of
25 such section (and instead of the amount

1 which would be applied in the case of a
 2 joint return described in paragraph
 3 (3)(C)(ii) of such section), the sliding scale
 4 percentage shall be determined so that for
 5 individuals (or couples) whose modified ad-
 6 justed gross income is within an income
 7 tier specified in the table described in
 8 paragraph (2) the sliding scale percentage
 9 shall increase, on a sliding scale in a linear
 10 manner, from the initial premium percent-
 11 age to the final premium percentage as
 12 specified in such table for such income tier
 13 for such individuals (or couples, respec-
 14 tively).

15 “(B) SUBSEQUENT YEARS.—For each sub-
 16 sequent year, such section 1839(i) shall be ap-
 17 plied, as modified by subparagraph (A) and
 18 subject to paragraphs (3) and (4), without tak-
 19 ing into account paragraph (5) or (6) of such
 20 section.

21 “(2) TABLE.—The table specified in this para-
 22 graph is as follows:

“Initial Income Level within Tier for Individual (or Couple)	Final Income Level within Tier for Individual (or Couple)	Initial Premium Percentage	Final Premium Percentage
\$50,000 (\$100,000)	\$85,000 (\$150,000)	12 percent	20 percent

“Initial Income Level within Tier for Individual (or Couple)	Final Income Level within Tier for Individual (or Couple)	Initial Premium Percentage	Final Premium Percentage
\$85,001 (\$150,001)	\$130,000 (\$214,000)	20 percent	32 percent
\$130,001 (\$214,001)	\$190,000 (\$300,000)	32 percent	50 percent
\$190,001 (\$300,001)	no limit	50 percent	50 percent

1 “(3) TRANSITION FOR CERTAIN SENIORS.—

2 “(A) IN GENERAL.—In the case of individ-
3 uals and couples with an income level that is
4 below the minimum level for which section
5 1839(i) would otherwise apply (as in effect as
6 of the date of enactment of this section), the
7 premium to be applied shall be the sum of—

8 “(i) the premium otherwise applicable
9 to individuals whose income is \$1 below
10 the applicable threshold amount under sub-
11 section (a)(1); and

12 “(ii) the transition percentage of the
13 amount by which the premium that would
14 otherwise apply (but for this paragraph)
15 under this subsection exceeds the premium
16 described in clause (i).

17 “(B) TRANSITION PERCENTAGE.—The
18 transition percentage specified in this subpara-
19 graph—

1 “(i) for fiscal year 2016, is 20 per-
2 cent;

3 “(ii) for fiscal year 2017, is 40 per-
4 cent;

5 “(iii) for fiscal year 2018, is 60 per-
6 cent;

7 “(iv) for fiscal year 2019, is 80 per-
8 cent; and

9 “(v) for any succeeding fiscal year, is
10 100 percent.

11 “(4) INFLATION ADJUSTMENT.—

12 “(A) IN GENERAL.—In the case of any cal-
13 endar year beginning after such date that the
14 minimum income level for which section 1839(i)
15 applies pursuant to paragraph (1)(A)(i) is not
16 greater than 150 percent of the poverty line,
17 each dollar amount in paragraph (1)(A) or (2)
18 shall be increased by an amount equal to—

19 “(i) such dollar amount, multiplied by

20 “(ii) the percentage (if any) by which
21 the average of the Consumer Price Index
22 for all urban consumers (United States
23 city average) for the 12-month period end-
24 ing with August of the preceding calendar
25 year exceeds such average for the 12-

1 month period ending with August of the
2 calendar year preceding the first calendar
3 year beginning after such date.

4 “(B) ROUNDING.—If any dollar amount
5 after being increased under subparagraph (A) is
6 not a multiple of \$1,000, such dollar amount
7 shall be rounded to the nearest multiple of
8 \$1,000.

9 “(b) ENHANCED SUBSIDIES TO LOW-INCOME SEN-
10 IORS.—

11 “(1) IN GENERAL.—Beginning with 2016, in
12 lieu of any medical assistance available for medicare
13 cost sharing described in section 1905(p)(3), the fol-
14 lowing shall apply:

15 “(A) INDIVIDUALS WITH INCOME BELOW
16 100 PERCENT OF POVERTY LINE (QUALIFIED
17 MEDICARE BENEFICIARIES) AND FULL-BENEFIT
18 DUAL ELIGIBLE INDIVIDUALS.—In the case of
19 an individual described in section
20 1902(a)(10)(E)(i) or subparagraph (A)(ii) of
21 section 1935(c)(6) (taking into account the ap-
22 plication of subparagraph (B) of such section),
23 the individual is entitled under this section to
24 an income-related premium subsidy equal to
25 100 percent of the modified monthly basic bene-

1 beneficiary premium under section 1860E–31(c)(2)
2 for the MA–PD plan with the lowest bid under
3 the tier 3 benefit level under section 1860E–
4 24(a)(3).

5 “(B) INDIVIDUALS WITH INCOME BE-
6 TWEEN 100 PERCENT AND 120 PERCENT OF
7 POVERTY LINE (SPECIFIED LOW-INCOME BENE-
8 FICIARIES).—In the case of an individual de-
9 scribed in section 1902(a)(10)(E)(iii), the indi-
10 vidual is entitled under this section to an in-
11 come-related premium subsidy equal to 100 per-
12 cent of the modified monthly basic beneficiary
13 premium under section 1860E–31(c)(2) for the
14 MA–PD plan with the lowest bid under the tier
15 2 benefit level under section 1860E–24(b).

16 “(C) OTHER INDIVIDUALS WITH INCOME
17 BELOW 135 PERCENT OF POVERTY LINE (QUALI-
18 FYING INDIVIDUALS).—In the case of an indi-
19 vidual described in section 1902(a)(10)(E)(iv),
20 the individual is entitled under this section to
21 an income-related premium subsidy equal to
22 100 percent of the modified monthly basic bene-
23 ficiary premium under section 1860E–31(c)(2)
24 for the MA–PD plan with the lowest bid under
25 the tier 1 benefit level under section 1860E–

1 24(b). In no case shall an individual described
2 in this subparagraph be subject to a late enroll-
3 ment penalty, which would otherwise be applied
4 under section 1860E–32(c).

5 “(2) FLEXIBILITY IN USE OF SUBSIDIES.—An
6 individual entitled to an amount of an income-re-
7 lated premium subsidy under paragraph (1) may use
8 the amount of such subsidy toward the premium ap-
9 plied under Medicare fee-for-service or any MA–PD
10 plan offered under any tier benefit level.

11 “(3) DEPOSIT OF EXCESS INTO HEALTH
12 IRAS.—In the case of such an individual who is an
13 account holder (as defined in section 201(2) of the
14 Save and Strengthen Medicare Act of 2012) and for
15 whom the subsidy amount under this subsection ex-
16 ceeds the premium amount which is applicable to the
17 individual, the Medicare Choices Commission shall
18 provide for the deposit of such excess amount into
19 the health individual retirement account (as defined
20 in section 201(1) of such Act) of such account hold-
21 er.”.

22 (d) APPLICATION OF REVISED INCOME THRESHOLDS
23 TO PART D.—Section 1860D–13(a)(7) of the Social Secu-
24 rity Act (42 U.S.C. 1395w–113(a)(7)) is amended—

1 (1) in subparagraph (A), by inserting “(or, for
2 a calendar year after 2015, the threshold amount
3 applicable under paragraph (1) of section 1860E–
4 41(a) (including application of paragraph (4) of
5 such section) for the calendar year)” after “for the
6 calendar year”;

7 (2) in subparagraph (B)—

8 (A) in the matter preceding clause (i), by
9 striking “The monthly” and inserting “Subject
10 to subparagraph (H), the monthly”; and

11 (B) in clause (i)(I), by inserting “(or, for
12 a calendar year after 2015, the applicable per-
13 centage that would be determined under para-
14 graph (2) of section 1860E–41(a) (including
15 application of paragraph (4) of such section)
16 for the individual for the calendar year if the
17 table specified in subparagraph (G) were sub-
18 stituted for the table specified in the table
19 under such paragraph (2))” after “for the cal-
20 endar year”;

21 (3) in subparagraph (E)(ii)—

22 (A) in subclause (I), by inserting “or, for
23 a year after 2015, the modified adjusted gross
24 income threshold amount applicable under para-
25 graph (1) of section 1860E–41(a) (including

1 application of paragraph (4) of such section)”
 2 before the period at the end; and

3 (B) in subclause (II), by inserting “or, for
 4 a year after 2015, the applicable percentage
 5 that would be determined under paragraph (2)
 6 of section 1860E–41(a) (including application
 7 of paragraph (4) of such section) if the table
 8 specified in subparagraph (G) were substituted
 9 for the table specified in the table under such
 10 paragraph (2))” before the period at the end;
 11 and

12 (4) by adding at the end the following new sub-
 13 paragraphs:

14 “(G) TABLE.—For purposes of subpara-
 15 graph (B)(i)(I), the table specified in this sub-
 16 paragraph is as follows:

“Initial Income Level within Tier for Individual (or Couple)	Final Income Level within Tier for Individual (or Couple)	Initial Premium Percentage	Final Premium Percentage
\$50,000 (\$100,000)	\$85,000 (\$150,000)	25 percent	35 percent
\$85,001 (\$150,001)	\$130,000 (\$214,000)	35 percent	50 percent
\$130,001 (\$214,001)	\$190,000 (\$300,000)	50 percent	80 percent
\$190,001 (\$300,001)	no limit	80 percent	80 percent

17 “(H) TRANSITION FOR CERTAIN SEN-
 18 IORS.—In the case of individuals and couples
 19 with an income level that is below the minimum

1 level for which section 1839(i) (as in effect as
2 of the date of enactment of this subparagraph)
3 would otherwise apply before application of the
4 amendments made by section 106(b) of the
5 Save and Strengthen Medicare Act of 2012, the
6 monthly adjustment amount to be applied
7 under subparagraph (B) for such an individual
8 for a month in a fiscal year shall be the transi-
9 tion percentage specified in section 1860E-
10 41(a)(3)(B) for such fiscal year of the monthly
11 adjustment amount otherwise specified under
12 such subparagraph.”.

13 **SEC. 107. MEDICARE CHOICES COMMISSION; GENERAL**
14 **PROVISIONS; EFFECTIVE DATE.**

15 Part E of title XVIII of the Social Security Act, as
16 inserted by section 101(a)(2) and as previously amended,
17 is further amended by adding at the end the following new
18 subpart:

19 **“Subpart 5—Medicare Choices Commission**

20 **“SEC. 1860E-51. MEDICARE CHOICES COMMISSION.**

21 “(a) ESTABLISHMENT.—Subject to subsection (d),
22 there is established as an independent agency of the
23 United States a Medicare Commission (in this part re-
24 ferred to as the ‘Medicare Choices Commission’).

25 “(b) MEMBERSHIP.—

1 “(1) NUMBER AND APPOINTMENT.—The Medi-
2 care Choices Commission shall be composed of 7
3 members appointed by the President, by and with
4 the advice and consent of the Senate.

5 “(2) DEADLINE FOR INITIAL APPOINTMENT.—
6 The initial members of the Commission shall be
7 nominated for appointment by not later than 6
8 months after the date of enactment of this title.

9 “(3) TERMS.—

10 “(A) IN GENERAL.—The terms of mem-
11 bers of the Commission shall be for 7 years, ex-
12 cept that of the members first appointed—

13 “(i) 3 shall be appointed for terms of
14 3 years;

15 “(ii) 2 shall be appointed for terms of
16 5 years; and

17 “(iii) 2 shall be appointed for terms of
18 7 years.

19 “(B) VACANCIES.—Any member appointed
20 to fill a vacancy occurring before the expiration
21 of the term for which the member’s predecessor
22 was appointed shall be appointed only for the
23 remainder of that term. A member may serve
24 after the expiration of that member’s term until
25 a successor has taken office.

1 “(C) LIMITATION ON NUMBER OF
2 TERMS.—Any person appointed as a member of
3 the Commission shall not be eligible for re-
4 appointment to the Commission after having
5 served 2 terms.

6 “(4) CHAIRPERSON AND OTHER OFFICERS.—
7 The Commission shall elect a chairperson and such
8 officers as the Commission determines appropriate.

9 “(c) OPERATION OF THE BOARD.—

10 “(1) MEETINGS.—The Commission shall meet
11 at the call of its chairperson or a majority of its
12 members.

13 “(2) QUORUM.—A quorum shall consist of 4
14 members of the Commission, except that the Com-
15 mission may establish a lesser quorum to conduct a
16 hearing under section 2243(a).

17 “(d) ASSURING TIMELY IMPLEMENTATION OF COM-
18 MISSION.—If, by not later than one year after the date
19 of the enactment of this subpart, the Senate has not con-
20 sented to a quorum of initial members of the Commission
21 under subsection (b), the duties and powers of the Com-
22 mission under this part shall be carried out by the Office
23 of the Actuary of the Centers for Medicare & Medicaid
24 Services.

1 **“SEC. 1860E-52. DUTIES OF THE COMMISSION.**

2 “(a) IN GENERAL.—Except as otherwise provided in
3 this title and effective with respect to benefits furnished
4 on or after January 1, 2015, the Medicare Choices Com-
5 mission shall—

6 “(1) coordinate determinations of beneficiary
7 eligibility and enrollment under title XVIII with the
8 Administrator of Social Security;

9 “(2) oversee and administer the competitive
10 bidding under subpart 3;

11 “(3) oversee and administer the provisions of
12 part C;

13 “(4) oversee and administer the provisions of
14 part D;

15 “(5) distribute funds in appropriate part from
16 the Federal Hospital Insurance Trust Fund under
17 section 1817 and the Federal Supplementary Med-
18 ical Insurance Trust Fund under section 1841;

19 “(6) oversee and enforce the provisions of sec-
20 tion 1851(g) (relating to guaranteed issue and re-
21 newal), as applied through this part, including to en-
22 sure a Medicare Advantage organization offering an
23 MA–PD plan does not impose under such plan an
24 exclusion of benefits based on a pre-existing condi-
25 tion.

1 “(7) disseminate to Medicare enrollees informa-
2 tion with respect to benefits and limitations on pay-
3 ment under Medicare fee-for-service and Medicare
4 Advantage plans, including a comparative analysis of
5 Medicare plans and the quality of such plans in the
6 area in which the Medicare beneficiary resides;

7 “(8) establish a Medicare enrollee education
8 program to provide timely, readable, accurate, and
9 understandable information to Medicare enrollees re-
10 garding Medicare fee-for-service and Medicare Ad-
11 vantage plan options;

12 “(9) coordinate and maintain the Medicare.gov
13 Internet website; and

14 “(10) conduct public outreach and education ef-
15 forts in accordance with section 301 of the Save and
16 Strengthen Medicare Act of 2012.

17 “(b) RELATION TO MEDICARE FEE-FOR-SERVICE.—

18 The Commission shall not be responsible for the operation
19 of Medicare fee-for-service, but shall have oversight au-
20 thority over Medicare fee-for-service in a similar manner
21 to that provided with respect to Medicare Advantage
22 plans.

23 “(c) TRANSITION PROVISIONS.—The Secretary and
24 the Commission shall cooperate to establish an appro-
25 priate transition of responsibility for the administration

1 of title XVIII and other related laws, from the Secretary
2 to the Commission as is appropriate to carry out the pur-
3 poses of this part and as is consistent with the duties of
4 the Commission described in subsection (a). Insofar as a
5 responsibility is transferred to the Commission under this
6 subsection, any reference to the Secretary or the Centers
7 of Medicare & Medicaid Services in title XVIII or other
8 provision of law with respect to such responsibility is
9 deemed to be a reference to the Commission.

10 **“SEC. 1860E-53. POWERS OF COMMISSION.**

11 “(a) IN GENERAL.—The Medicare Choices Commis-
12 sion may, for the purpose of carrying out its duties, pro-
13 mulgate regulations, hold hearings, sit and act at times
14 and places, take testimony, and receive evidence as the
15 Commission considers appropriate.

16 “(b) CONTRACT AUTHORITY.—The Commission may
17 contract with, and compensate, government and private
18 agencies or persons for items and services, without regard
19 to section 3709 of the Revised Statutes (41 U.S.C. 5).

20 “(c) COMMISSION AUTHORITY TO PERMIT FLEXI-
21 BILITY IN REQUIREMENTS.—In promulgating regulations
22 under subsection (a) to carry out the requirements of part
23 C of title XVIII, the Commission may modify the regula-
24 tions previously promulgated by the Secretary to carry out
25 such requirements (other than those relating to benefits

1 or beneficiary protections) as may be appropriate to better
2 meet the needs of Medicare enrollees and promote fair and
3 open competition among Medicare fee-for-service and
4 Medicare Advantage plans.

5 “(d) OVERSEEING SOLVENCY OF MEDICARE FEE-
6 FOR-SERVICE.—The Commission shall monitor and over-
7 see the financial solvency of Medicare fee-for-service in a
8 manner similar to the manner in which State insurance
9 commissioners monitor and oversee the solvency of health
10 insurance issuers in the States. The Commission shall in-
11 clude in its periodic reports to Congress an analysis of
12 the solvency of Medicare fee-for-service.

13 **“SEC. 1860E-54. COMMISSION PERSONNEL MATTERS.**

14 “(a) MEMBERS.—

15 “(1) COMPENSATION.—Members of the Medi-
16 care Choices Commission shall devote their entire
17 time to the business of the Commission, and each
18 member shall be compensated at a rate equal to the
19 per diem equivalent of the rate provided for level II
20 of the Executive Schedule under section 5315 of title
21 5, United States Code.

22 “(2) TRAVEL EXPENSES.—The members of the
23 Commission shall be allowed travel expenses, includ-
24 ing per diem in lieu of subsistence, at rates author-
25 ized for employees of agencies under subchapter I of

1 chapter 57 of title 5, United States Code, while
2 away from their homes or regular places of business
3 in the performance of service for the Commission.

4 “(3) REMOVAL.—The President may remove a
5 member of the Commission only for neglect of duty
6 or malfeasance in office.

7 “(b) STAFF AND SUPPORT SERVICES.—

8 “(1) EXECUTIVE DIRECTOR.—The chairperson
9 shall appoint an executive director of the Commis-
10 sion who shall be paid at a rate specified by the
11 Commission.

12 “(2) STAFF.—With the approval of the Com-
13 mission, the executive director may appoint such
14 personnel as the executive director considers appro-
15 priate.

16 “(3) INAPPLICABILITY OF CIVIL SERVICE
17 LAWS.—The staff of the Commission shall be ap-
18 pointed without regard to the provisions of title 5,
19 United States Code, governing appointments in the
20 competitive service, and shall be paid without regard
21 to the provisions of chapter 51 and subchapter III
22 of chapter 53 of such title (relating to classification
23 and General Schedule pay rates).

24 “(4) EXPERTS AND CONSULTANTS.—With the
25 approval of the Commission, the executive director

1 may procure temporary and intermittent services
2 under section 3109(b) of title 5, United States Code.

3 “(c) TRANSFER OF PERSONNEL, ASSETS, ETC.—For
4 purposes of the Commission carrying out its duties, the
5 Secretary and the Commission may provide for the trans-
6 fer to the Commission of such civil service personnel em-
7 ployed by the Department of Health and Human Services,
8 and such resources and assets of the Department used in
9 carrying out title XVIII, as the Commission requires.

10 **“SEC. 1860E–55. REPORTS; COMMUNICATIONS WITH CON-**
11 **GRESS.**

12 “(a) REPORT ON MEDICARE PROGRAM.—Not less
13 frequently than annually, the Medicare Choices Commis-
14 sion shall submit to Congress such reports describing the
15 Medicare program under title XVIII as the Commission
16 determines appropriate.

17 “(b) MAINTAINING INDEPENDENCE OF COMMISSION
18 IN COMMUNICATIONS WITH CONGRESS.—The Commis-
19 sion may directly submit to Congress reports, legislative
20 recommendations, testimony, or comments on legislation.
21 No officer or agency of the United States may require the
22 Commission to submit to any officer or agency of the
23 United States for approval, comments, or review, prior to
24 the submission to Congress of such reports, recommenda-
25 tions, testimony, or comments.

1 **“SEC. 1860E-56. FUNDING OF THE COMMISSION.**

2 “There is authorized to be appropriated to the Medi-
3 care Choices Commission (in appropriate part from the
4 Federal Hospital Insurance Trust Fund under section
5 1817 and the Federal Supplementary Medical Insurance
6 Trust Fund under section 1841) such sums as are nec-
7 essary for the Commission to carry out its duties for each
8 fiscal year beginning with fiscal year 2014.

9 **“Subpart 6—General Provisions**

10 **“SEC. 1860E-61. APPLICABILITY; DEFINITIONS.**

11 “(a) IN GENERAL.—The provisions of this Act are
12 superseded to the extent inconsistent with the provisions
13 of this part.

14 “(b) TERMINOLOGY.—For purposes of this part:

15 “(1) MEDICARE ENROLLEE.—

16 “(A) IN GENERAL.—The term ‘Medicare
17 enrollee’ means—

18 “(i) an individual entitled to (or en-
19 rolled for benefits) under part A and en-
20 rolled under part B; and

21 “(ii) except as otherwise specified, an
22 individual described in section 1860E-
23 11(a)(3).

24 “(B) TREATMENT.—Any reference in this
25 Act (or any other Act) in effect before the date
26 of the enactment of this part, to an individual

1 entitled to benefits under part A or enrolled
2 under part B shall be deemed a reference to a
3 Medicare enrollee.

4 “(2) **MEDICARE FEE-FOR-SERVICE.**—The term
5 ‘Medicare fee-for-service’ means the original Medi-
6 care fee-for-service program under parts A and B,
7 as modified by this part, and does not include part
8 C or part D.

9 “(3) **MEDICARE FEE-FOR-SERVICE EN-**
10 **ROLLEE.**—The term ‘Medicare fee-for-service en-
11 rollee’ means a Medicare enrollee who is not enrolled
12 under a Medicare Advantage plan under part C.

13 **“SEC. 1860E-62. GENERAL EFFECTIVE DATE.**

14 “Except as otherwise specified, the provisions of this
15 part shall apply to items and services furnished on or after
16 January 1, 2016, and to plan years beginning on or after
17 such date (referred to in this title as the ‘general effective
18 date’).”.

19 **TITLE II—HEALTH INDIVIDUAL**
20 **RETIREMENT ACCOUNTS**
21 **Subtitle A—Establishment of**
22 **Accounts**

23 **SEC. 201. DEFINITIONS.**

24 For purposes of this subtitle—

1 (1) HEALTH INDIVIDUAL RETIREMENT AC-
2 COUNT.—The term “health individual retirement ac-
3 count” means an account established under section
4 203.

5 (2) ACCOUNT HOLDER.—The term “account
6 holder” means any individual for whom an account
7 is established under section 203.

8 (3) HIRA FUND.—The term “HIRA Fund”
9 means the Health Individual Retirement Account
10 Fund established under section 202.

11 **SEC. 202. HEALTH INDIVIDUAL RETIREMENT ACCOUNT**

12 **FUND.**

13 (a) ESTABLISHMENT OF FUND.—

14 (1) ESTABLISHMENT.—There is established in
15 the Treasury of the United States a trust fund to
16 be known as the “Health Individual Retirement Ac-
17 count Fund”.

18 (2) AMOUNTS IN FUND.—The HIRA Fund
19 shall consist of all amounts contributed to the HIRA
20 Fund under section 204, increased by the total net
21 earnings from investments of sums in the HIRA
22 Fund attributable to such contributed amounts, and
23 reduced by the total net losses from investments of
24 such sums.

1 (3) TRUSTEES.—The Commissioner of Social
2 Security shall serve as trustee of the HIRA Fund.

3 (4) BUDGET AUTHORITY; APPROPRIATION.—

4 This subtitle constitutes budget authority in advance
5 of appropriations Acts and represents the obligation
6 of the Commissioner to provide for the payment of
7 amounts provided under this subtitle. The amounts
8 held in the HIRA Fund are appropriated and shall
9 remain available without fiscal year limitation.

10 (b) AVAILABILITY.—The sums in the HIRA Fund are
11 appropriated and shall remain available without fiscal year
12 limitation—

13 (1) to invest funds in the HIRA Fund under
14 section 205;

15 (2) to make distributions in accordance with
16 section 206; and

17 (3) to pay the administrative expenses of the
18 Board in accordance with subsection (d).

19 (c) LIMITATIONS ON USE OF FUNDS.—

20 (1) IN GENERAL.—Sums in the HIRA Fund
21 credited to a account holder's health individual re-
22 tirement account under section 205(a)(1)(2) may
23 not be used for, or diverted to, purposes other than
24 for the exclusive benefit of the account holder or the
25 account holder's beneficiaries under this subtitle.

1 (2) ASSIGNMENTS.—Sums in the HIRA Fund
2 may not be assigned or alienated and are not subject
3 to execution, levy, attachment, garnishment, or other
4 legal process.

5 (d) PAYMENT OF ADMINISTRATIVE EXPENSES.—Ad-
6 ministrative expenses incurred to carry out this subtitle
7 shall be paid out of net earnings in the HIRA Fund in
8 conjunction with the allocation of investment earnings and
9 losses under section 203(d).

10 (e) LIMITATION.—The sums in the HIRA Fund shall
11 not be appropriated for any purpose other than the pur-
12 poses specified in this part and may not be used for any
13 other purpose.

14 **SEC. 203. ESTABLISHMENT OF HEALTH INDIVIDUAL RE-**
15 **TIREMENT ACCOUNTS.**

16 (a) ESTABLISHMENT OF PUBLICLY ADMINISTERED
17 SYSTEM OF HEALTH INDIVIDUAL RETIREMENT AC-
18 COUNTS.—The Commissioner shall establish a health indi-
19 vidual account for each individual who—

20 (1) receives wages in any calendar year after
21 December 31, 2015, subject to the contribution re-
22 quirement of section 3101(a) of the Internal Rev-
23 enue Code of 1986;

24 (2) derives self-employment income for a tax-
25 able year beginning after December 31, 2015, sub-

1 ject to the contribution requirement of section
2 1401(a) of such Code; or

3 (3) is a Medicare enrollee (as defined in section
4 1860E–61(b) of the Social Security Act).

5 (b) MANAGEMENT OF ACCOUNTS.—Such account
6 shall be the means by which amounts contributed to, and
7 held in, the HIRA Fund under section 204 are credited
8 to the account holder, under procedures which shall be es-
9 tablished by the Commissioner by regulation. Each ac-
10 count shall be identified to the account holder by means
11 of the account holder’s social security account number.
12 The Commissioner shall take such steps as are necessary
13 to protect account holders’ social security numbers, includ-
14 ing not using complete social security numbers on any
15 statements or identification or payment cards.

16 (c) ACCOUNT BALANCE.—The balance in an account
17 holder’s account at any time is the excess of—

18 (1) all deposits in the HIRA Fund credited to
19 such account holder’s health individual retirement
20 account, subject to such increases and reductions as
21 may result from allocations made to and reductions
22 made in the account pursuant to subsection (d); over

23 (2) amounts paid out of the HIRA Fund in
24 connection with amounts credited to such account
25 holder’s account.

1 (d) ALLOCATION OF EARNINGS AND LOSSES.—Pur-
2 suant to regulations which shall be prescribed by the Com-
3 missioner, the Commissioner shall allocate to each health
4 individual retirement account an amount equal to the net
5 earnings and net losses from each investment of sums in
6 the HIRA Fund which are attributable to sums credited
7 to such account reduced by an appropriate share of the
8 administrative expenses paid out of the net earnings, as
9 determined by the Commissioner.

10 **SEC. 204. TRANSFER OF HIRA CONTRIBUTIONS TO HIRA**
11 **FUND.**

12 (a) IN GENERAL.—There is hereby appropriated to
13 the HIRA Fund, out of moneys in the Treasury not other-
14 wise appropriated, amounts equivalent to 100 percent of
15 amounts contributed under sections 3101(d) and 1401(d)
16 of the Internal Revenue Code of 1986. The Secretary of
17 the Treasury shall from time to time transfer such
18 amounts from the general fund in the Treasury to the
19 HIRA Fund.

20 (b) CONTRIBUTIONS FROM HHS.—The Commis-
21 sioner shall accept any contributions with respect to an
22 account holder's account, including contributions from the
23 Secretary of Health and Human Services under sections
24 1860E–25 and 1860E–41(b)(3) of the Social Security Act

1 and any contribution from a State under section 1944(b)
2 of such Act.

3 (c) COORDINATION WITH SOCIAL SECURITY TRUST
4 FUNDS.—The amounts contributed under sections
5 3101(d) and 1401(d) of such Code shall not be taken into
6 account in determining the amounts appropriated and
7 transferred under section 201 of the Social Security Act.

8 **SEC. 205. OPERATION OF HIRA FUND.**

9 (a) SEPARATE CREDITING TO HEALTH INDIVIDUAL
10 RETIREMENT ACCOUNTS.—

11 (1) IN GENERAL.—Subject to this subsection,
12 the Commissioner shall provide for prompt, separate
13 crediting of the amounts deposited in the HIRA
14 Fund to each account holder's health individual sav-
15 ings account to the extent such amount consists of
16 contributions made to the HIRA Fund under section
17 204 with respect to such account holder, together
18 with any increases or decreases therein so as to re-
19 flect the net returns and losses from investment
20 thereof while held in the Fund.

21 (2) USE OF FUNDS.—The amounts held in the
22 Fund are appropriated and shall remain available
23 without fiscal year limitation—

24 (A) to be held for investment under sub-
25 section (b), and

1 (B) to pay the administrative expenses re-
2 lated to the HIRA Fund.

3 (b) INVESTMENT GUIDELINES.—

4 (1) IN GENERAL.—For purposes of investment
5 of amounts credited to each health individual retire-
6 ment account, the Commissioner shall provide by
7 regulation for investment options similar to invest-
8 ment options available under the Thrift Savings
9 Fund under section 8438 of title 5, United States
10 Code.

11 (2) ELECTIONS AMONG INVESTMENT OP-
12 TIONS.—Pursuant to any individual's election filed
13 in accordance with regulations of the Commissioner,
14 the Commissioner shall, in accordance with such reg-
15 ulations, provide for disinvestment and reinvestment
16 of amounts credited to the account holder's health
17 individual retirement account and held in the HIRA
18 Fund under any of the investment options described
19 in paragraph (1).

20 (3) SPECIAL RULE FOR INVESTING CERTAIN
21 AMOUNTS CONTRIBUTED FROM HHS.—Amounts con-
22 tributed to any account by the Secretary of Health
23 and Human Services under section 1860E–25 of the
24 Social Security Act may be invested only in the in-
25 vestment option established under paragraph (1)

1 that is the equivalent to the Government Securities
2 Investment Fund (as defined under section
3 8438(a)(4) of title 5, United States Code).

4 (c) ANNUAL DESCRIPTION OF INVESTMENT OPTIONS
5 AND DISCLOSURE OF ADMINISTRATIVE COSTS.—The
6 Commissioner shall provide annually to each account hold-
7 er—

8 (1) a description of the investment options
9 available with respect to amounts held in the HIRA
10 Fund and the procedures for selecting such options;
11 and

12 (2) a disclosure of the rate of administrative
13 costs chargeable with respect to each investment op-
14 tion.

15 Descriptions and disclosures required under this sub-
16 section shall be written in a manner calculated to be un-
17 derstood by the average account holder.

18 (d) ACCOUNT INFORMATION.—The Commissioner
19 shall create an online portal that enables account holders
20 to view their account information, modify investment allo-
21 cations, and request quarterly paper account statements.

22 (e) TREATMENT OF AMOUNTS HELD IN HIRA
23 FUND.—Subject to this subtitle and to the extent provided
24 in section 1860E–25(c)(2) of the Social Security Act with
25 respect to amounts contributed under such section,

1 amounts deposited into, and held and accounted for in,
2 the HIRA Fund with respect to any account holder shall
3 be treated as property of such account holder, held in trust
4 for such account holder in the Fund.

5 **SEC. 206. HEALTH INDIVIDUAL RETIREMENT ACCOUNT DIS-**
6 **TRIBUTIONS.**

7 (a) IN GENERAL.—The Commissioner may distribute
8 amounts from an account holder’s health individual retire-
9 ment account only—

10 (1) for qualified medical expenses (as defined in
11 section 530A(d)(1) of the Internal Revenue Code of
12 1986);

13 (2) to an individual’s spouse or former spouse
14 under a divorce or separation instrument described
15 in subparagraph (A) of section 71(b)(2) of such
16 Code;

17 (3) by a transfer at the death of the account
18 holder as provided under subsection (b); or

19 (4) as provided in section 1860E–25(c)(2) of
20 the Social Security Act.

21 (b) SPECIAL ACCOUNTING RULE FOR CERTAIN
22 AMOUNTS.—Each calendar year, any distributions from
23 an account shall be treated as—

24 (1) first from any amounts contributed to the
25 account for such calendar year by the Secretary of

1 Health and Human Services under section 1860E–
2 25 of the Social Security Act, and

3 (2) then from all other amounts credited to the
4 account.

5 (c) TREATMENT AT DEATH.—If the account holder
6 dies before all amounts which are held in the HIRA Fund
7 which are credited to the health individual retirement ac-
8 count of the individual are otherwise distributed in accord-
9 ance with this section, such amounts shall be distributed,
10 under regulations which shall be prescribed by the Com-
11 missioner—

12 (1) in any case in which one or more bene-
13 ficiaries have been designated in advance, to such
14 beneficiaries in accordance with such designation as
15 provided in such regulations; and

16 (2) in the case of any amount not distributed
17 as described in paragraph (1), to such individual’s
18 estate.

19 **Subtitle B—Tax Treatment**

20 **SEC. 211. TAX TREATMENT OF ACCOUNTS.**

21 (a) IN GENERAL.—Subchapter F of chapter 1 of the
22 Internal Revenue Code of 1986 (relating to exempt organi-
23 zations) is amended by adding at the end the following
24 new part:

1 **“PART IX—HEALTH INDIVIDUAL RETIREMENT**
2 **ACCOUNT PROGRAM**

“Sec. 530A. Health Individual Retirement Account Program.

3 **“SEC. 530A. HEALTH INDIVIDUAL RETIREMENT ACCOUNT**
4 **PROGRAM.**

5 “(a) TAX TREATMENT OF ACCOUNTS.—The Health
6 Individual Retirement Account Fund is exempt from tax-
7 ation under this subtitle.

8 “(b) TREATMENT OF DISTRIBUTIONS.—

9 “(1) EXCLUSION OF AMOUNTS USED FOR
10 QUALIFIED MEDICAL EXPENSES.—Any amount paid
11 or distributed out of a health individual retirement
12 account which is used exclusively to pay qualified
13 medical expenses of the account beneficiary shall not
14 be includible in gross income.

15 “(2) INCLUSION OF AMOUNTS NOT USED FOR
16 QUALIFIED MEDICAL EXPENSES.—Any amount paid
17 or distributed out of a health individual retirement
18 account which is used other than as described in
19 paragraph (1) shall be included in the gross income
20 of the account beneficiary.

21 “(3) ADDITIONAL TAX ON DISTRIBUTIONS NOT
22 USED FOR QUALIFIED MEDICAL EXPENSES.—The
23 tax imposed by this chapter on the account bene-
24 ficiary for any taxable year in which there is a pay-
25 ment or distribution from a health savings account

1 of such beneficiary which is includible in gross in-
2 come under paragraph (2) shall be increased by 10
3 percent of the amount which is so includible.

4 “(4) COORDINATION WITH MEDICAL EXPENSE
5 DEDUCTION.—For purposes of determining the
6 amount of the deduction under section 213, any pay-
7 ment or distribution out of a health individual retire-
8 ment account for qualified medical expenses shall
9 not be treated as an expense paid for medical care.

10 “(5) TRANSFER OF ACCOUNT INCIDENT TO DI-
11 VORCE.—The transfer of an individual’s interest in
12 a health individual retirement account to an individ-
13 ual’s spouse or former spouse under a divorce or
14 separation instrument described in subparagraph
15 (A) of section 71(b)(2) shall not be considered a tax-
16 able transfer made by such individual notwith-
17 standing any other provision of this subtitle, and
18 such interest shall, after such transfer, be treated as
19 a health individual retirement account with respect
20 to which such spouse is the account beneficiary.

21 “(6) TREATMENT AFTER DEATH OF ACCOUNT
22 BENEFICIARY.—

23 “(A) IN GENERAL.—The transfer of an ac-
24 count beneficiary’s interest in a health indi-
25 vidual retirement account to another individual

1 by reason of being the designated beneficiary of
2 such account at the death of the account bene-
3 ficiary shall not be considered a taxable transfer
4 made by such individual notwithstanding any
5 other provision of this title.

6 “(B) OTHER CASES.—In the case of any
7 other transfer or acquisition of account bene-
8 ficiary’s interest at the death of the account
9 beneficiary, an amount equal to the fair market
10 value of the assets in such account as of the
11 date of death shall be includible in such bene-
12 ficiary’s gross income for the last taxable year
13 of such beneficiary.

14 “(c) ESTATE TAX TREATMENT.—No amount shall be
15 includible in the gross estate of any individual for pur-
16 poses of chapter 11 by reason of an interest in a health
17 individual retirement account of the individual.

18 “(d) DEFINITIONS.—For purposes of this section—

19 “(1) QUALIFIED MEDICAL EXPENSES.—The
20 term ‘qualified medical expenses’ means, with re-
21 spect to an account beneficiary, amounts paid for
22 medical care (as defined in section 213(d)) for such
23 individual, the individual’s spouse, and any depend-
24 ent (as defined in section 152, determined without
25 regard to subsections (b)(1), (b)(2), and (d)(1)(B)

1 thereof) of the individual, but only to the extent
2 such amounts are not compensated for by insurance
3 or otherwise and only if the individual, spouse, or
4 dependent with respect to whom the amount is paid
5 is entitled, at the time the amount is paid, to a
6 monthly benefit under title II of the Social Security
7 Act or a tier 1 railroad retirement benefit.

8 “(2) ABORTION AND EUTHANASIA EX-
9 CLUDED.—

10 “(A) IN GENERAL.—Such term shall not
11 include any amount paid for an abortion or for
12 the purposeful causing of, or the purposeful as-
13 sisting in causing, the death of any individual,
14 such as by assisted suicide, euthanasia, or
15 mercy killing.

16 “(B) EXCEPTIONS.—Subparagraph (A)
17 shall not apply to—

18 “(i) an abortion—

19 “(I) in the case of a pregnancy
20 that is the result of an act of rape or
21 incest, or

22 “(II) in the case where a woman
23 suffers from a physical disorder, phys-
24 ical injury, or physical illness that
25 would, as certified by a physician,

1 place the woman in danger of death
2 unless an abortion is performed, in-
3 cluding a life-endangering physical
4 condition caused by or arising from
5 the pregnancy, and

6 “(ii) the treatment of any infection,
7 injury, disease, or disorder that has been
8 caused by or exacerbated by the perform-
9 ance of an abortion.

10 “(3) ACCOUNT BENEFICIARY.—The term ‘ac-
11 count beneficiary’ means the account holder (as de-
12 fined in section 201 of the Save and Strengthen
13 Medicare Act of 2012) on whose behalf the health
14 individual retirement account is held.

15 “(4) HEALTH INDIVIDUAL RETIREMENT AC-
16 COUNT.—The term ‘health individual retirement ac-
17 count’ means an account established under section
18 203(b) of the Save and Strengthen Medicare Act of
19 2012.

20 “(5) HEALTH INDIVIDUAL RETIREMENT AC-
21 COUNT FUND.—The term ‘Health Individual Retire-
22 ment Account Fund’ means the Fund established
23 under section 202 of the Save and Strengthen Medi-
24 care Act of 2012.”.

1 (b) CLERICAL AMENDMENT.—The table of parts for
2 subchapter F of chapter 1 of such Code is amended by
3 adding at the end the following new item:

“PART IX. HEALTH INDIVIDUAL RETIREMENT ACCOUNT PROGRAM.”.

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to taxable years beginning after
6 December 31, 2015.

7 **SEC. 212. HIRA CONTRIBUTIONS.**

8 (a) EMPLOYMENT.—

9 (1) IN GENERAL.—Section 3101 of the Internal
10 Revenue Code of 1986 is amended by adding at the
11 end the following new subsection:

12 “(d) HEALTH INDIVIDUAL RETIREMENT AC-
13 COUNTS.—

14 “(1) IN GENERAL.—In addition to the taxes im-
15 posed by subsections (a) and (b), there shall be de-
16 ducted and withheld from the income of every indi-
17 vidual an amount equal to the applicable percentage
18 of wages (as defined in section 3121(a)) received by
19 him with respect to employment during any taxable
20 year.

21 “(2) LIMITATION.—The amount deducted and
22 withheld under paragraph (1) shall not exceed
23 \$2,500 (\$5,000 in the case of a married couple filing
24 jointly) for any taxable year.

1 “(3) APPLICABLE PERCENTAGE.—For purposes
2 of this subsection, the applicable percentage shall be
3 2 percent, or such other percentage (including zero)
4 as the individual elects in such form and manner as
5 the Secretary shall prescribe.

6 “(4) INFLATION ADJUSTMENT.—

7 “(A) IN GENERAL.—In the case of any
8 taxable year beginning after 2016, the dollar
9 amounts under the third sentence of subsection
10 (a) shall be increased by an amount equal to—

11 “(i) such dollar amount, multiplied by

12 “(ii) the cost-of-living adjustment de-
13 termined under section 1(f)(3) for the cal-
14 endar year in which the taxable year be-
15 gins, determined by substituting ‘2015’ for
16 ‘1992’ in subparagraph (B) thereof.

17 “(B) ROUNDING.—If any amount as ad-
18 justed under subparagraph (A) is not a multiple
19 of \$100, such amount shall be rounded to the
20 nearest multiple of \$100.”.

21 “(2) CONTRIBUTIONS PRE-TAX.—Subsection (a)
22 of section 3401 of such Code is amended by adding
23 at the end the following new sentence: “Such term
24 shall not include so much of any amounts deducted
25 and withheld from such remuneration under section

1 3101(d) for any taxable year as does not exceed
2 \$2,500 (\$5,000 in the case of a married couple filing
3 jointly).”.

4 (b) SELF-EMPLOYMENT.—

5 (1) IN GENERAL.—Section 1401 of such Code
6 is amended by adding at the end the following new
7 subsection:

8 “(d) HEALTH INDIVIDUAL RETIREMENT AC-
9 COUNTS.—

10 “(1) IN GENERAL.—In addition to the taxes im-
11 posed by the preceding subsections, in the case of an
12 individual with self-employment income for the tax-
13 able year, such individual shall contribute for such
14 taxable year an amount equal to the applicable per-
15 centage of such self employment income.

16 “(2) APPLICABLE PERCENTAGE.—For purposes
17 of this subsection, the applicable percentage shall be
18 2 percent, or such other percentage (including zero)
19 as the individual elects, in such form and manner as
20 the Secretary shall prescribe.

21 “(3) INFLATION ADJUSTMENT.—

22 “(A) IN GENERAL.—In the case of any
23 taxable year beginning after 2016, the dollar
24 amounts under subsection (a)(18) shall be in-
25 creased by an amount equal to—

1 “(i) such dollar amount, multiplied by

2 “(ii) the cost-of-living adjustment de-
3 termined under section 1(f)(3) for the cal-
4 endar year in which the taxable year be-
5 gins, determined by substituting ‘2015’ for
6 ‘1992’ in subparagraph (B) thereof.

7 “(B) ROUNDING.—If any amount as ad-
8 justed under subparagraph (A) is not a multiple
9 of \$100, such amount shall be rounded to the
10 nearest multiple of \$100.”.

11 (2) DEDUCTION FOR SELF-EMPLOYMENT
12 AMOUNTS CONTRIBUTED TO HIRA.—Subsection (a)
13 of section 1401 of such Code is amended by striking
14 “and” at the end of paragraph (16), but striking the
15 period at the end of paragraph (17) and inserting “;
16 and”, and by inserting after paragraph (17) the fol-
17 lowing new paragraph:

18 “(18) there shall be excluded so much of any
19 amounts contributed by the individual for such tax-
20 able year under 1401(d) as does not exceed \$2,500
21 (\$5,000 in the case of a married couple filing joint-
22 ly) reduced (but not below zero) by the amount of
23 contributions for the taxable year with respect to the
24 individual under section 3101.”.

1 (c) PROCEDURE FOR RECONCILIATION.—The Sec-
2 retary of the Treasury shall, in consultation with the Com-
3 mission of Social Security, prescribe such regulations and
4 guidance as are necessary to—

5 (1) allow the taxpayer to make additional con-
6 tributions in any case in which contributions for the
7 taxable year are less than the applicable limitations
8 for the taxable year under sections 3101(d) and
9 1401(d) with respect to the taxpayer, and

10 (2) provide for adding to gross income of the
11 taxpayer for the taxable year amounts equal to any
12 contributions in excess of such applicable limitations.

13 (d) ELECTION COORDINATION.—The Secretary of
14 the Treasury and the Commissioner of Social Security
15 shall consult and cooperate in prescribing the time, form,
16 and manner of elections under sections 3101(d) and
17 1401(d) of the Internal Revenue Code of 1986 and section
18 203(a) this Act so as to reduce unnecessary paperwork
19 and duplication.

20 **SEC. 213. CONTRIBUTIONS ELIGIBLE FOR SAVER'S CREDIT.**

21 (a) IN GENERAL.—Paragraph (1) of section 25B(d)
22 of the Internal Revenue Code of 1986 is amended by strik-
23 ing “and” at the end of subparagraph (B), by striking
24 the period at the end of subparagraph (C) and inserting

1 “, and”, and by adding at the end the following new sub-
2 paragraph:

3 “(D) the amount of contributions with re-
4 spect to the individual pursuant to sections
5 3101(d) and 1401(d) (reduced or increased, as
6 the case may be, to account for any reconcili-
7 ation under section 212(d) of the Save and
8 Strengthen Medicare Act of 2012).”.

9 (b) PORTION OF CREDIT MADE REFUNDABLE.—Sec-
10 tion 25B of such Code is amended by adding at the end
11 the following new subsection:

12 “(h) PORTION OF CREDIT REFUNDABLE.—

13 “(1) IN GENERAL.—The aggregate credits al-
14 lowed to a taxpayer under subpart C shall be in-
15 creased by the lesser of—

16 “(A) the credit which would be allowed
17 under this section without regard to this sub-
18 section and the limitation under section
19 26(a)(2) or subsection (g), as the case may be,
20 or

21 “(B) the amount by which the aggregate
22 amount of credits allowed by this subpart (de-
23 termined without regard to this subsection)
24 would be increased if the limitation imposed by
25 section 26(a)(2) or subsection (g), as the case

1 may be, were increased by an amount equal to
2 the taxpayer's hospital insurance taxes for the
3 taxable year.

4 The amount of the credit allowed under this sub-
5 section shall not be treated as a credit allowed under
6 this subpart and shall reduce the amount of credit
7 otherwise allowable under subsection (a) without re-
8 gard to section 26(a)(2) or subsection (g), as the
9 case may be.

10 “(2) HOSPITAL INSURANCE TAX.—

11 “(A) IN GENERAL.—The term ‘hospital in-
12 surance taxes’ means, with respect to any tax-
13 payer for any taxable year—

14 “(i) the amount of the taxes imposed
15 by sections 3101(b) and 3201(a) (to the
16 extent attributable to the rate in effect
17 under section 3101(b)) on amounts re-
18 ceived by the taxpayer during the calendar
19 year in which the taxable year begins,

20 “(ii) the amount of the taxes imposed
21 by sections 3111(b) and 3221(a) (to the
22 extent attributable to the rate in effect
23 under section 3111(b)) on amounts paid by
24 the employer to the taxpayer with respect

1 to employment during the calendar year in
2 which the taxable year begins,

3 “(iii) the amount of the taxes imposed
4 by section 1401(b) on the self-employment
5 income of the taxpayer for the taxable
6 year, and

7 “(iv) the amount of the taxes imposed
8 by section 3211(a) (to the extent attrib-
9 utable to the rate in effect under sections
10 3101(b) and 3111(b)) on amounts received
11 by the taxpayer during the calendar year
12 in which the taxable year begins.

13 “(B) COORDINATION WITH SPECIAL RE-
14 FUND OF TAX.—The term ‘hospital insurance
15 taxes’ shall not include any taxes to the extent
16 the taxpayer is entitled to a special refund of
17 such taxes under section 6413(e).

18 “(C) SPECIAL RULE.—Any amounts paid
19 pursuant to an agreement under section 3121(l)
20 (relating to agreements entered into by Amer-
21 ican employers with respect to foreign affiliates)
22 which are equivalent to the taxes referred to in
23 subparagraph (A)(i) shall be treated as taxes
24 referred to in such subparagraph.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2015.

4 **SEC. 214. EXCLUSION OF CERTAIN HIRA TRANSFERS.**

5 (a) IN GENERAL.—Part II of subchapter B of chap-
6 ter 1 of the Internal Revenue Code of 1986 is amended
7 by inserting before section 140 the following new section:

8 **“SEC. 139F. GOVERNMENT HIRA SUBSIDIES.**

9 “Gross income shall not include any payment to the
10 health individual retirement account (as defined in section
11 530A(d)(3)) of an individual by the Secretary of Health
12 and Human Services under part E of title XVIII of the
13 Social Security Act.”.

14 **Subtitle C—Other Tax Provisions**

15 **SEC. 221. HEALTH SAVINGS ACCOUNTS AVAILABLE TO INDI-**
16 **VIDUALS ELIGIBLE FOR MEDICARE.**

17 (a) IN GENERAL.—Subsection (b) of section 223 of
18 the Internal Revenue Code of 1986 is amended by striking
19 paragraph (7) and by redesignating paragraph (8) as
20 paragraph (7).

21 (b) ELIMINATION OF MEDICARE ELIGIBILITY EX-
22 CEPTION TO NONQUALIFIED WITHDRAWAL PENALTY.—
23 Paragraph (4) of section 223(f) of such Code is amended
24 by striking subparagraph (C).

1 (c) CONFORMING AMENDMENT.—Subparagraph (S)
2 of section 26(b)(2) of such Code is amended by striking
3 “223(b)(8)(B)(i)(II)” and inserting
4 “223(b)(7)(B)(i)(II)”.

5 (d) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to taxable years beginning after
7 December 31, 2015.

8 **SEC. 222. REDUCTION IN MEDICARE PORTION OF PAYROLL**
9 **TAX TO INCENTIVIZE LATE RETIREMENT.**

10 (a) EMPLOYEES.—Section 3101 of the Internal Rev-
11 enue Code of 1986, as amended by this Act, is amended
12 by adding at the end the following new subsection:

13 “(e) EXCEPTION FOR INDIVIDUALS 65 AND
14 OLDER.—

15 “(1) IN GENERAL.—In the case of an individual
16 who has attained the age of 65, the rate of tax oth-
17 erwise in effect under subsection (b)—

18 “(A) shall be $\frac{1}{2}$ such rate, if such indi-
19 vidual has not attained the applicable age, and

20 “(B) shall be zero, if such individual has
21 attained the applicable age.

22 “(2) APPLICABLE AGE.—For purposes of this
23 subsection—

1 “(A) IN GENERAL.—Except as provided in
2 subparagraph (B), the applicable age shall be
3 67.

4 “(B) PREFERRED MEDICARE AGE.—In the
5 case of wages received after December 31,
6 2025, the applicable age shall be the preferred
7 Medicare age (within the meaning of section
8 216(m)(2)(B) of the Social Security Act).”.

9 (b) EMPLOYERS.—Section 3111 of such Code is
10 amended by adding at the end the following new sub-
11 section:

12 “(d) EXCEPTION FOR INDIVIDUALS 65 AND
13 OLDER.—In the case of an individual who has attained
14 the age of 65, the rate of tax otherwise in effect under
15 subsection (b)—

16 “(1) shall be $\frac{1}{2}$ such rate, if such individual
17 has not attained the applicable age (within the
18 meaning of section 3101(e)(2)), and

19 “(2) shall be zero, if such individual has at-
20 tained such age.”.

21 (c) SELF-EMPLOYMENT.—Section 1401 of such Code,
22 as amended by this Act, is amended by adding at the end
23 the following new subsection:

24 “(e) EXCEPTION FOR INDIVIDUALS 65 AND
25 OLDER.—

1 “(1) IN GENERAL.—In the case of an individual
2 who has attained the age of 65, the rate of tax oth-
3 erwise in effect under subsection (b) for the taxable
4 year—

5 “(A) shall be $\frac{1}{2}$ such rate, if such indi-
6 vidual has not attained the applicable age be-
7 fore the end of such taxable year, and

8 “(B) shall be zero, if such individual has
9 attained such age before the end of such tax-
10 able year.

11 “(2) APPLICABLE AGE.—For purposes of this
12 subsection—

13 “(A) IN GENERAL.—Except as provided in
14 subparagraph (B), the applicable age shall be
15 67.

16 “(B) PREFERRED MEDICARE AGE.—In the
17 case of taxable years beginning after December
18 31, 2025, the applicable age shall be the pre-
19 ferred Medicare age (within the meaning of sec-
20 tion 216(m)(2)(B) of the Social Security Act).”.

21 (d) EFFECTIVE DATES.—

22 (1) SUBSECTIONS (a) AND (b).—The amend-
23 ments made by subsections (a) and (b) shall apply
24 to wages paid after December 31, 2015.

1 (2) SUBSECTION (c).—The amendments made
2 by subsection (c) shall apply to remuneration paid in
3 taxable years ending after December 31, 2015.

4 **SEC. 223. 15-PERCENT EXCISE TAX ON EMPLOYER-SPON-**
5 **SORED MEDICARE SUPPLEMENTAL COV-**
6 **ERAGE.**

7 (a) IN GENERAL.—Chapter 43 of the Internal Rev-
8 enue Code of 1986 is amended by adding at the end the
9 following new section:

10 **“SEC. 4980J. EMPLOYER-SPONSORED MEDICARE SUPPLE-**
11 **MENTAL COVERAGE.**

12 “(a) IMPOSITION OF TAX.—In the case of any em-
13 ployee who—

14 “(1) becomes a Medicare enrollee (as defined in
15 section 1860E–61(b) of the Social Security Act)
16 after December 31, 2015, and

17 “(2) is covered for any period during a calendar
18 year beginning after such date under applicable em-
19 ployer-sponsored supplemental coverage,

20 there is hereby imposed a tax equal to 15 percent of the
21 aggregate cost (determined under rules similar to the rules
22 of section 4980B(f)(4)) of such coverage of the employee
23 for such period.

1 “(b) LIABILITY TO PAY TAX.—The coverage provider
2 (as defined in section 4980I(c)(1)) shall pay the tax im-
3 posed by subsection (a).

4 “(c) APPLICABLE EMPLOYER-SPONSORED SUPPLE-
5 MENTAL COVERAGE.—For purposes of this section—

6 “(1) IN GENERAL.—The term ‘applicable em-
7 ployer-sponsored supplemental coverage’ means, with
8 respect to any employee, any first-dollar coverage
9 made available by an employer to an employee dur-
10 ing the calendar year.

11 “(2) FIRST-DOLLAR INSURANCE COVERAGE.—
12 The term ‘first-dollar insurance coverage’ means
13 coverage for—

14 “(A) the amount of the unified deductible
15 for the calendar year under section 1860E-
16 21(b) of the Social Security Act, and

17 “(B) the first \$500 of coinsurance for the
18 calendar year under section 1860E-22 of such
19 Act.

20 “(3) COVERAGE INCLUDES EMPLOYEE PAID
21 PORTION.—Coverage shall be treated as applicable
22 employer-sponsored supplemental coverage without
23 regard to whether the employer or employee pays for
24 the coverage.

1 “(4) SELF-EMPLOYED INDIVIDUAL.—In the
2 case of an individual who is an employee within the
3 meaning of section 401(c)(1), coverage under any
4 group health plan providing health insurance cov-
5 erage shall be treated as applicable employer-spon-
6 sored coverage if a deduction is allowable under sec-
7 tion 162(1) with respect to all or any portion of the
8 cost of the coverage.

9 “(5) EMPLOYEE.—The term ‘employee’ includes
10 any former employee, surviving spouse, or other pri-
11 mary insured adult.

12 “(6) GOVERNMENTAL PLANS INCLUDED.—Ap-
13 plicable employer-sponsored coverage shall include
14 coverage under any group health plan established
15 and maintained primarily for its civilian employees
16 by the Government of the United States, by the gov-
17 ernment of any State or political subdivision thereof,
18 or by any agency or instrumentality of any such gov-
19 ernment.

20 “(7) NOT APPLICABLE TO CERTAIN AC-
21 COUNTS.—The term ‘first-dollar coverage’ does not
22 include coverage under a flexible spending arrange-
23 ment (as defined in section 106(c)(2)), coverage
24 under an arrangement under which the employer
25 makes contributions described in subsection (b) or

1 (d) of section 106, a health reimbursement arrange-
2 ment treated as employer coverage under an acci-
3 dent or health plan for purposes of section 106, or
4 coverage under a health individual retirement ac-
5 count (as defined in section 530A(d)(3)).

6 “(8) DENIAL OF DEDUCTION.—For denial of
7 deduction for the tax imposed by this section, see
8 section 275(a)(6).

9 “(d) REGULATIONS.—The Secretary shall prescribe
10 such regulations as may be necessary to carry out this
11 section.”.

12 (b) CLERICAL AMENDMENT.—The table of sections
13 for chapter 43 of such Code is amended by adding at the
14 end the following new item:

“Sec. 4980J. Employer-sponsored Medicare supplemental coverage.”.

15 (c) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to periods after December 31,
17 2015.

18 **TITLE III—OTHER HEALTH** 19 **PROVISIONS**

20 **Subtitle A—Transparency,** 21 **Outreach, and Education**

22 **SEC. 301. PUBLIC OUTREACH AND EDUCATION INITIA-** 23 **TIVES.**

24 Beginning not later than January 1, 2015, the Medi-
25 care Choices Commission shall conduct public outreach

1 and education efforts, through a variety of media and fo-
2 rums, to provide information to Medicare enrollees (as de-
3 fined in section 1860E–51 of the Social Security Act),
4 providers of services and suppliers (as such terms are de-
5 fined in section 1861 of such Act), health insurance plans,
6 and other appropriate individuals and entities on the
7 modifications made by the provisions of, including amend-
8 ments made by, this Act to Medicare under title XVIII
9 of the Social Security Act. Such efforts shall include at
10 least the following:

11 (1) Interactive websites for Medicare enrollees.

12 (2) Opportunities for Medicare enrollees to sign
13 up for informational emails from the Centers of
14 Medicare & Medicaid Services.

15 (3) Social media pages to provide basic facts to
16 Medicare enrollees and family members of such en-
17 rollees.

18 (4) National town hall meetings.

19 (5) Educational materials for hospitals, medical
20 schools, and other providers of services and sup-
21 pliers.

22 (6) Resources for physicians, home nurses, and
23 other medical professionals to provide to patients.

24 (7) Coordination with a broad range of commu-
25 nity partners, including community centers, retire-

1 ment centers, assisted living communities, and faith-
2 based organizations.

3 (8) Coordination with health plans.

4 **SEC. 302. ANNUAL MEDICARE BENEFICIARY CONTRIBU-**
5 **TIONS AND BENEFITS STATEMENTS.**

6 (a) IN GENERAL.—Part A of title XI of the Social
7 Security Act is amended by inserting after section 1143
8 (42 U.S.C. 1320b–13) the following new section:

9 **“SEC. 1143A. ANNUAL MEDICARE BENEFICIARY CONTRIBU-**
10 **TIONS AND BENEFITS STATEMENTS.**

11 “(a) PROVISION.—

12 “(1) IN GENERAL.—Beginning not later than 2
13 years after the date of the enactment of this section,
14 the Medicare Choices Commission established under
15 section 1860E–51, in coordination with the Commis-
16 sioner of Social Security, shall provide a statement
17 described in subsection (b) (in this section referred
18 to as an ‘annual Medicare information statement’)
19 on an annual basis to each eligible individual (as de-
20 fined in subsection (d)) for whom a current mailing
21 address can be determined through such methods as
22 the Medicare Choices Commission determines to be
23 appropriate.

24 “(2) COORDINATION IN SINGLE MAILING WITH
25 SOCIAL SECURITY ACCOUNT STATEMENTS.—In order

1 to avoid sending separate statements under this sec-
2 tion and section 1143 in the case of an individual
3 for whom a social security account statement is pro-
4 vided under section 1143 and a separate annual
5 Medicare information statement would otherwise be
6 provided under this section, the Medicare Choices
7 Commission shall coordinate with the Commissioner
8 of Social Security, whether through transmittal of
9 data or otherwise, in a manner so that the annual
10 Medicare information statement is included and sent
11 with such social security account statement.

12 “(3) METHODOLOGY.—

13 “(A) IN GENERAL.—The Medicare Choices
14 Commission, in consultation with the Commis-
15 sioner of Social Security and the Secretary of
16 the Treasury, shall specify the methodology to
17 be used in estimating lifetime contributions and
18 lifetime benefits with respect to annual Medi-
19 care information statements. Such methodology
20 for computing the lifespan of an individual shall
21 be the same methodology used for purposes of
22 the social security account statement under sec-
23 tion 1143.

24 “(B) INCLUSION OF DESCRIPTION IN
25 STATEMENT.—The Medicare Choices Commis-

1 sion shall include a brief description of the key
2 assumptions used in such methodology in the
3 annual Medicare information statements.

4 “(4) SUMMARY OF MEDICARE PROGRAM.—Each
5 annual Medicare information statement shall include
6 a summary of the Medicare programs under title
7 XVIII, including a summary description of the sta-
8 tus of the Federal Hospital Insurance Trust Fund
9 under section 1817 and the Federal Supplementary
10 Medical Insurance Trust Fund under section 1841,
11 using information from the most recent report of the
12 Board of Trustees of such Fund. Such summary
13 shall also include a summary description of benefits
14 and enrollment options under parts C and D of such
15 title, but shall indicate that the information de-
16 scribed in subsection (b) does not include informa-
17 tion related to contributions and benefits under
18 those parts.

19 “(b) MEDICARE INFORMATION STATEMENT DE-
20 SCRIBED.—In addition to the information described in
21 paragraphs (3)(B) and (4) of subsection (a), each annual
22 Medicare information statement for an eligible individual
23 shall contain the following:

1 “(1) HI EMPLOYEE CONTRIBUTIONS.—The
2 total contributions described in section
3 1143(a)(2)(C) for the individual—

4 “(A) for the most recent year for which
5 data are available;

6 “(B) to the extent feasible, for previous pe-
7 riods through the end of such year; and

8 “(C) as projected for the individual during
9 the individual’s lifetime.

10 To the extent feasible, of such total contributions
11 the portion that is attributable to employer, em-
12 ployee, and self-employment contributions.

13 “(2) MEDICARE BENEFITS.—In the case of an
14 eligible individual—

15 “(A) an estimate of the actuarial value of
16 the expected benefits under such parts for the
17 individual during the individual’s lifetime, in-
18 cluding (but stated separately) any benefits de-
19 scribed in subparagraph (A); and

20 “(B) if, for such most recent year, such in-
21 dividual was a Medicare enrollee (as defined in
22 section 1860E–61(b)), the total value of such
23 benefits provided to the individual under such
24 parts as of the end of such year and, to the ex-
25 tent feasible, the total value of such benefits for

1 such individual for previous periods through the
2 end of such year.

3 “(3) COMPARISON.—An appropriate comparison
4 of such contributions with such benefits.

5 “(c) RECORDS RETENTION.—The Medicare Choices
6 Commission shall provide for the indefinite retention of
7 information that—

8 “(1) is described in subsection (b), including
9 benefits described in subsection (b)(2); and

10 “(2) the Medicare Choices Commission has not
11 discarded as of the date of the enactment of this
12 section.

13 “(d) ELIGIBLE INDIVIDUAL DEFINED.—In this sec-
14 tion, the term ‘eligible individual’ means an individual—

15 “(1) who has a social security account number;

16 “(2) who has attained age 25 or over; and

17 “(3) who is a Medicare enrollee (as defined in
18 section 1860E–61(b)) or who, as of the end of the
19 most recent year referred to in subsection (b)(1)(A),
20 has had any contributions described in subsection
21 (b)(1) made with respect to the individual during
22 such year or a previous year.”.

23 (b) INCLUSION OF SOCIAL SECURITY ACCOUNT
24 STATEMENT FOR THOSE RECEIVING ANNUAL MEDICARE
25 INFORMATION STATEMENT.—Section 1143(a)(3) of such

1 Act (42 U.S.C. 1320b–13(a)(3)) is amended by adding at
2 the end the following:

3 “Such term includes an individual not described in
4 the previous sentence who is an eligible individual (as de-
5 fined in subsection (d) of section 1143A) for whom an an-
6 nual Medicare information statement is provided under
7 such section.”.

8 **Subtitle B—Miscellaneous**

9 **SEC. 311. REPEAL OF IPAB.**

10 Effective as if included in the enactment of the Pa-
11 tient Protection and Affordable Care Act (Public Law
12 111–148), the provisions of, and amendments made by,
13 sections 3403 and 10320 of such Act (other than sub-
14 section (d) of section 1899A of the Social Security Act,
15 as added and amended by such sections) are repealed.

16 **SEC. 312. REPEAL OF MEDICARE PAYMENT PRODUCTIVITY** 17 **ADJUSTMENTS AFTER 2020.**

18 The provisions of, and amendments made by, section
19 3401 of the Patient Protection and Affordable Care Act
20 (Public Law 111–148), as amended by title X of such Act
21 and section 1105 of the Health Care and Education Rec-
22 onciliation Act of 2010, insofar as such provisions (and
23 amendments) relate to a productivity adjustment, shall
24 not apply with respect to payments for items or services

1 furnished during any year after fiscal year 2020 or cal-
2 endar year 2020, as applicable.

3 **SEC. 313. GRADUATE MEDICAL EDUCATION GRANT PRO-**
4 **GRAM.**

5 (a) IN GENERAL.—Title XVIII of the Social Security
6 Act is amended by adding at the end the following new
7 section:

8 **“SEC. 1899B. GRADUATE MEDICAL EDUCATION GRANT PRO-**
9 **GRAM.**

10 “(a) ESTABLISHMENT.—For cost reporting periods
11 occurring during fiscal year 2015 or a subsequent fiscal
12 year, the Secretary shall carry out a grant program under
13 which the Secretary shall provide to each hospital with an
14 approved medical residency training program a grant in
15 accordance with the subsequent provisions of this section
16 for costs of such hospital for indirect and direct graduate
17 medical education. Such grants are instead of any pay-
18 ment under subsection (d)(5)(B) or (h) of section 1886,
19 payments for direct or indirect medical education costs
20 under title XIX, or section 340E of the Public Health
21 Service Act for such costs during such fiscal year.

22 “(b) GRANT AMOUNT.—Subject to subsections (c)
23 and (d), the amount of a grant to a hospital under sub-
24 section (a) for a cost reporting period occurring during
25 a fiscal year shall be equal to—

1 “(1) in the case of a subsection (d) hospital, the
2 sum of—

3 “(A) the payment amount the hospital
4 would have received under section 1886(h)(3),
5 without application of this section or the last
6 sentence of section 1886(h)(1), for such cost re-
7 porting period; and

8 “(B) 72 percent of the additional payment
9 amount the hospital would have received under
10 section 1886(d)(5)(B), without application of
11 this section or clause (xii) of such section
12 1886(d)(5)(B), for such cost reporting period;

13 “(2) in the case of a hospital in a State, an
14 amount determined in accordance with a method-
15 ology specified by the Secretary, which shall be in
16 lieu of any amount that the hospital otherwise
17 would, without application of this section or section
18 1903(i)(27), have received under the State plan
19 under title XIX for expenses of such hospital attrib-
20 utable to the costs of direct and indirect graduate
21 medical education; and

22 “(3) in the case of a children’s hospital (as de-
23 fined in subsection (g) of section 340E of the Public
24 Health Service Act), the sum of—

1 “(A) the amount that would be determined
2 under subsection (c) of such section for such
3 hospital for direct expenses associated with op-
4 erating approved graduate medical residency
5 training programs for such period, without ap-
6 plication of this section or subsection (h) of
7 such section 340E; and

8 “(B) the amount that would be determined
9 under subsection (d) of such section for such
10 hospital for indirect expenses associated with
11 the treatment of more severely ill patients and
12 the additional costs relating to teaching resi-
13 dents in such programs for such period, without
14 application of this section or subsection (h) of
15 such section 340E.

16 “(c) MODIFICATION.—Subject to subsection (d)(1),
17 the Secretary may modify the grant amounts under sub-
18 section (b), including after application of subsection
19 (d)(2), based on factors such as the number of residents
20 of approved medical residency training programs, the ex-
21 tent to which such programs provide for primary care
22 training, the curriculum of such programs, and the quality
23 of care provided through such programs.

24 “(d) LIMITATION.—

1 “(1) IN GENERAL.—In no case may the aggre-
2 gate amount of grants awarded under subsection (a)
3 for a fiscal year exceed the amount made available
4 under subsection (e)(1) for such fiscal year for car-
5 rying out this section.

6 “(2) PRO-RATION.—In the case of a fiscal year
7 for which the aggregate amount of grants under this
8 section is projected to exceed the amount made
9 available under subsection (e)(1) for such fiscal year
10 for carrying out this section, the Secretary shall re-
11 duce the amount of each grant awarded under this
12 section for such fiscal year by a prorated amount.
13 Subject to paragraph (1), the Secretary may modify
14 such a prorated amount in accordance with sub-
15 section (c).

16 “(e) FUNDING.—

17 “(1) IN GENERAL.—For fiscal year 2015 and
18 each subsequent fiscal year, amounts in the Grad-
19 uate Medical Education Trust Fund under section
20 9512 of the Internal Revenue Code of 1986 shall be
21 available, without further appropriation, to the Sec-
22 retary to carry out this section.

23 “(2) TRANSFERS TO GME TRUST FUND.—There
24 shall be provided for the transfer to the Graduate
25 Medical Education Trust Fund by the Medicare

1 Choices Commission in appropriate part from the
2 Federal Hospital Insurance Trust Fund under sec-
3 tion 1817 and the Federal Supplementary Medical
4 Insurance Trust Fund under section 1841 of the fol-
5 lowing:

6 “(A) For fiscal year 2015, an amount
7 equal to the aggregate amount that would have
8 been calculated under subsection (b)(1) for such
9 fiscal year for all hospitals with approved med-
10 ical residency training programs if the percent-
11 age described in paragraph (1)(B) of such sub-
12 section were 82 percent.

13 “(B) For fiscal year 2016 and each subse-
14 quent fiscal year, the amount transferred under
15 this paragraph for the previous fiscal year in-
16 creased by the annual percentage increase in
17 the medical component of the Consumer Price
18 Index for All Urban Consumers (all items;
19 United States city average) as of June of the
20 previous fiscal year.

21 “(f) DEFINITIONS.—The terms ‘approved medical
22 residency training program’ and ‘direct graduate medical
23 education costs’ have the meanings given such terms
24 under section 1886(h)(5).”.

25 (b) GME TRUST FUND.—

1 (1) IN GENERAL.—Subchapter A of chapter 98
2 of the Internal Revenue Code of 1986 is amended by
3 adding at the end the following new section:

4 **“SEC. 9512. GRADUATE MEDICAL EDUCATION TRUST FUND.**

5 “(a) IN GENERAL.—There is established in the
6 Treasury of the United States a trust fund to be known
7 as the ‘Graduate Medical Education Trust Fund’ (here-
8 after in this section referred to as the ‘GME Trust Fund’),
9 consisting of such amounts as may be appropriated or
10 credited to such Trust Fund as provided in this section
11 and section 9602(b).

12 “(b) TRANSFERS TO FUND.—

13 “(1) TRUST FUND TRANSFERS.—There shall be
14 credited to the GME Trust Fund for fiscal year
15 2015 and each subsequent fiscal year—

16 “(A) the amounts transferred under sec-
17 tion 1899B of the Social Security Act; and

18 “(B) the amounts transferred from the Pa-
19 tient-Centered Outcomes Research Trust Fund
20 under section 9511(g).

21 “(2) APPROPRIATION.—There are hereby ap-
22 propriated to the GME Trust Fund for fiscal year
23 2015 and each subsequent fiscal year an amount
24 equal to the aggregate payment amounts determined

1 for such fiscal year under section 1899B(b)(2) of
2 the Social Security Act.

3 “(3) AUTHORIZATION OF APPROPRIATIONS.—In
4 addition to amounts credited to the GME Trust
5 Fund under paragraph (1) for a fiscal year, there
6 are authorized to be appropriated to the Trust
7 Fund—

8 “(A) for each of fiscal years 2015 and
9 2016, \$200,000,000; and

10 “(B) for each of fiscal years 2017 and
11 2018, \$100,000,000.

12 “(c) EXPENDITURES FROM FUND.—Amounts in the
13 GME Trust Fund are available, without further appro-
14 priation, to the Secretary for carrying out section 1899B
15 of the Social Security Act.”.

16 (2) CLERICAL AMENDMENT.—The table of sec-
17 tions for subchapter A of chapter 98 of such Code
18 is amended by adding at the end the following new
19 item:

“Sec. 9512. Graduate Medical Education Trust Fund.”.

20 (c) CONFORMING AMENDMENTS.—

21 (1) SUNSET MEDICARE GME.—Section 1886 of
22 the Social Security Act (42 U.S.C. 1395ww) is
23 amended—

24 (A) in subsection (d)(5)(B)—

1 (i) by redesignating the second clause
2 (x) as clause (xi); and

3 (ii) by adding at the end the following
4 new clause:

5 “(xii) For cost reporting periods beginning
6 on or after October 1, 2014, no additional pay-
7 ment amount for subsection (d) hospitals with
8 indirect costs of medical education shall be
9 made under this subparagraph and instead pay-
10 ments for such costs shall be made in accord-
11 ance with section 1899B.”; and

12 (B) in subsection (h)(1), by adding at the
13 end the following new sentence: “For cost re-
14 porting periods beginning on or after October 1,
15 2014, no payments for direct graduate medical
16 education costs shall be made under this sub-
17 section and instead payments for such costs
18 shall be made in accordance with section
19 1899B.”.

20 (2) SUNSET MEDICAID GME.—Section 1903(i)
21 of the Social Security Act (42 U.S.C. 1396b(i)) is
22 amended—

23 (A) in paragraph (25), by striking “or” at
24 the end;

1 (B) in paragraph (26), by striking the pe-
2 riod at the end and inserting “; or”; and

3 (C) by inserting after paragraph (26) the
4 following new paragraph:

5 “(27) with respect to any amounts expended on
6 or after October 1, 2014, for payments to hospitals
7 for direct or indirect costs of graduate medical edu-
8 cation.”.

9 (3) SUNSET PHSA CHILDREN’S HOSPITAL
10 GME.—Section 340E of the Public Health Service
11 Act (42 U.S.C. 256e) is amended—

12 (A) in the first sentence of subsection (a),
13 by striking “The Secretary” and inserting
14 “Subject to subsection (h), the Secretary”; and

15 (B) by adding at the end the following new
16 subsection:

17 “(h) SUNSET.—For fiscal year 2015 and each subse-
18 quent fiscal year, no payments shall be made under this
19 section to a children’s hospital for the direct expenses and
20 the indirect expenses associated with operating approved
21 graduate medical residency training programs and instead
22 payments for such expenses shall be made to such hospital
23 in accordance with section 1899B of the Social Security
24 Act.”.

25 (4) TRANSFER OF PCORI FUNDS.—

1 (A) MEDICARE TRANSFER.—Section 1183
2 of the Social Security Act is amended—

3 (i) in the heading, by striking “**PA-**
4 **TIENT-CENTERED OUTCOMES RE-**
5 **SEARCH TRUST FUND**” and inserting
6 **“GRADUATE MEDICAL EDUCATION**
7 **TRUST FUND**”; and

8 (ii) in subsection (a), by striking “to
9 the Patient-Centered Outcomes Research
10 Trust Fund (referred to in this section as
11 the ‘PCORTF’) under section 9511 of the
12 Internal Revenue Code of 1986” and in-
13 serting “to the Graduate Medical Edu-
14 cation Trust Fund under section 9512 of
15 the Internal Revenue Code of 1986”.

16 (B) PCORI TRUST FUND.—Section 9511
17 of the Internal Revenue Code of 1986 is
18 amended—

19 (i) in subsection (d)(1), by inserting
20 “and subsection (g)” after “paragraph
21 (2)”; and

22 (ii) by adding at the end the following
23 new subsection:

24 “(g) TRANSFER TO GRADUATE MEDICAL EDUCATION
25 TRUST FUND.—The Secretary of the Treasury shall

1 transfer to the Graduate Medical Education Trust Fund
2 under section 9512 all funds made available, appropriated,
3 or transferred to the trust fund under this section on or
4 after October 1, 2014.”.

5 **SEC. 314. REPORT ON TRANSITIONING PAYMENTS UNDER**
6 **MEDICARE FOR DISPROPORTIONATE SHARE**
7 **HOSPITALS INTO A GRANT PROGRAM.**

8 Not later than December 31, 2017, the Secretary of
9 Health and Human Services shall submit to Congress a
10 report containing recommendations on the extent to
11 which—

12 (1) adjustments in payments under section
13 1886(d)(5)(F) of the Social Security Act for inpa-
14 tient hospital services furnished by disproportionate
15 share hospitals should be terminated; and

16 (2) instead of such adjustments described in
17 paragraph (1) there should be established a grant
18 program (separate from the Medicare programs
19 under title XVIII of the Social Security Act) to pro-
20 vide disproportionate care hospitals funding for pro-
21 viding such services.

1 **SEC. 315. ONE-YEAR FREEZE FOR PHYSICIAN PAYMENT UP-**
2 **DATE; SENSE OF CONGRESS RELATING TO**
3 **THE SUSTAINABLE GROWTH RATE (SGR).**

4 (a) ONE-YEAR FREEZE FOR PHYSICIAN PAYMENT
5 UPDATE.—Section 1848(d) of the Social Security Act (42
6 U.S.C. 1395w-4(d)) is amended by adding at the end the
7 following new paragraph:

8 “(14) UPDATE FOR 2013.—

9 “(A) IN GENERAL.—Subject to paragraphs
10 (7)(B), (8)(B), (9)(B), (10)(B), (11)(B),
11 (12)(B), and (13)(B), in lieu of the update to
12 the single conversion factor established in para-
13 graph (1)(C) that would otherwise apply for
14 2013, the update to the single conversion factor
15 shall be zero percent.

16 “(B) NO EFFECT ON COMPUTATION OF
17 CONVERSION FACTOR FOR 2014 AND SUBSE-
18 QUENT YEARS.—The conversion factor under
19 this subsection shall be computed under para-
20 graph (1)(A) for 2014 and subsequent years as
21 if subparagraph (A) had never applied.”.

22 (b) SENSE OF CONGRESS RELATING TO THE SUS-
23 TAINABLE GROWTH RATE (SGR).—It is the Sense of Con-
24 gress that the sustainable growth rate (SGR) formula
25 under the Medicare physician fee schedule under section
26 1848 of the Social Security Act (42 U.S.C. 1395w-4(d))

1 is fundamentally flawed and that replacing such formula
2 with a payment system that protects the access of seniors
3 to high-quality physician care should be an urgent pri-
4 ority.

5 **SEC. 316. IMPROVEMENTS TO MSA PLANS; PERMITTING OF-**
6 **FERING OF CATASTROPHIC PLAN WITH HIGH**
7 **DEDUCTIBLE AND CONTRIBUTION TO MSA,**
8 **HSA, OR HIRA.**

9 (a) MSA PLAN MAY CHOOSE TO NOT APPLY DE-
10 DUCTIBLE TO PREVENTIVE SERVICES.—Section
11 1859(b)(3) of the Social Security Act is amended—

12 (1) in subparagraph (A), by inserting “, subject
13 to subparagraph (C)” after “plan that”; and

14 (2) by adding at the end the following new sub-
15 paragraph:

16 “(C) DEDUCTIBLE NOT APPLICABLE TO
17 PREVENTIVE SERVICES.—With respect to ex-
18 penses incurred during the first plan year be-
19 ginning on or after the date of the enactment
20 of this subparagraph or a subsequent plan year,
21 a Medicare Advantage organization offering an
22 MSA plan may waive application of the deduct-
23 ible under this paragraph with respect to pre-
24 ventive care (within the meaning of section
25 1871) under such plan and such waiver shall

1 not affect the plan satisfying the definition
2 under subparagraph (A).”.

3 (b) MA AND MSA PLANS ALLOWED TO MAKE MEDI-
4 CARE ADVANTAGE MSA CONTRIBUTIONS.—Section
5 138(b)(2) of the Internal Revenue Code of 1986 is amend-
6 ed—

7 (1) in subparagraph (A), by striking at the end
8 “or”;

9 (2) in subparagraph (B), by adding at the end
10 “or”; and

11 (3) by adding at the end the following new sub-
12 paragraph:

13 “(C) a contribution made by a Medicare
14 Advantage plan or MSA plan under part C of
15 title XVIII of the Social Security Act pursuant
16 to subparagraph (B) or (D) of section
17 1851(a)(2) of such Act,”.

18 (c) MA PLANS OFFERED MAY INCLUDE CATA-
19 STROPHIC PLAN WITH HIGH DEDUCTIBLE AND MSA,
20 HSA, OR HIRA CONTRIBUTION.—Section 1851(a)(2) of
21 the Social Security Act (42 U.S.C. 1395w–21(a)(2)) is
22 amended by adding at the end the following new subpara-
23 graph:

24 “(D) COMBINATION CATASTROPHIC HIGH
25 DEDUCTIBLE PLAN WITH MSA, HSA, OR HIRA

1 CONTRIBUTION.—A plan offering catastrophic
2 coverage with a high deductible feature (as de-
3 scribed in section 1882(p)(11)(B)), and a con-
4 tribution by such plan into a Medicare Advan-
5 tage medical savings account (MSA) (as defined
6 in section 138(b)(2) of the Internal Revenue
7 Code of 1986), a health savings account (as de-
8 fined in section 223(d) of the Internal Revenue
9 Code of 1986), or a health individual retirement
10 account established under section 503(b) of the
11 Save and Strengthen Medicare Act of 2012.”.

12 **SEC. 317. EXTENSION FOR SPECIALIZED MA PLANS FOR**
13 **SPECIAL NEEDS INDIVIDUALS.**

14 (a) NO PERIOD LIMITATION APPLIED FOR RE-
15 STRICTED ENROLLMENTS.—Section 1859(f)(1) of the So-
16 cial Security Act (42 U.S.C. 1395w-28(f)(1)) is amended
17 by striking “and for periods before January 1, 2014”.

18 (b) PERIOD FOR MEETING APPLICABLE REQUIRE-
19 MENTS EXTENDED.—Section 1859(b)(6)(A) of the Social
20 Security Act (42 U.S.C. 1395w-28(b)(6)(A)) is amended
21 by striking “, as of January 1, 2010,”.

22 (c) EXTENSION OF AUTHORITY TO OPERATE BUT
23 NO SERVICE AREA EXPANSION FOR DUAL SPECIAL
24 NEEDS PLANS THAT DO NOT MEET CERTAIN REQUIRE-
25 MENTS.—Section 164(c)(2) of the Medicare Improvements

1 for Patients and Providers Act of 2008 (Public Law 110–
2 275), as amended by section 3205(d) of the Patient Pro-
3 tection and Affordable Care Act (Public Law 111–148),
4 is amended by striking “December 31, 2012” and insert-
5 ing “December 31, 2015”.

6 **SEC. 318. CONSCIENCE PROTECTIONS.**

7 Part F of title XVIII of the Social Security Act, as
8 redesignated by section 101(a)(1) and amended by section
9 313, is further amended by adding at the end the following
10 new sections:

11 **“SEC. 1899C. CONSCIENCE PROTECTIONS; PROHIBITION**
12 **AGAINST DISCRIMINATION ON ASSISTED SUI-**
13 **CIDE AND ABORTION SERVICES.**

14 **“(a) PROHIBITION ON FUNDING FOR ABORTIONS.—**
15 **No payment may be made under this title for any expenses**
16 **incurred for any abortion.**

17 **“(b) PROHIBITION ON FUNDING FOR HEALTH BENE-**
18 **FITS PLANS THAT COVER ABORTION.—No payment may**
19 **be made under this title for any expenses for coverage**
20 **under an MA plan or prescription drug plan that includes**
21 **coverage of any abortion.**

22 **“(c) TREATMENT OF ABORTIONS RELATED TO RAPE,**
23 **INCEST, OR PRESERVING THE LIFE OF THE MOTHER.—**
24 **The limitations established in the previous subsections**
25 **shall not apply to an abortion—**

1 “(1) if the pregnancy is the result of an act of
2 rape or incest; or

3 “(2) in the case where a woman suffers from a
4 physical disorder, physical injury, or physical illness
5 that would, as certified by a physician, place the
6 woman in danger of death unless an abortion is per-
7 formed, including a life-endangering physical condi-
8 tion caused by or arising from the pregnancy itself.

9 **“SEC. 1899D. PROHIBITION AGAINST DISCRIMINATION ON**
10 **ASSISTED SUICIDE AND ABORTIONS.**

11 “(a) IN GENERAL.—The Federal Government, any
12 MA plan or prescription drug plan that receives payment
13 under this title, and any provider of services or supplier
14 that receives payment under this title with respect to
15 Medicare fee-for-service (as defined in section 1860E–
16 61(b)) may not subject an individual or institutional
17 health care entity to discrimination on the basis that the
18 entity does not provide—

19 “(1) any health care item or service furnished
20 for the purpose of causing, or for the purpose of as-
21 sisting in causing, the death of any individual, such
22 as by assisted suicide, euthanasia, or mercy killing;
23 or

24 “(2) abortions.

1 “(b) DEFINITION.—In this section, the term ‘health
2 care entity’ includes an individual physician or other
3 health care professional, a hospital, a provider-sponsored
4 organization, a health maintenance organization, a health
5 insurance plan, or any other kind of health care facility,
6 organization, or plan.

7 “(c) CONSTRUCTION AND TREATMENT OF CERTAIN
8 SERVICES IN THE CASE OF ASSISTED SUICIDE.—Nothing
9 in subsection (a)(1) shall be construed to apply to, or to
10 affect, any limitation relating to—

11 “(1) the withholding or withdrawing of medical
12 treatment or medical care;

13 “(2) the withholding or withdrawing of nutri-
14 tion or hydration; or

15 “(3) the use of an item, good, benefit, or service
16 furnished for the purpose of alleviating pain or dis-
17 comfort, even if such use may increase the risk of
18 death, so long as such item, good, benefit, or service
19 is not also furnished for the purpose of causing, or
20 the purpose of assisting in causing, death, for any
21 reason.

22 “(d) ADMINISTRATION.—The Office for Civil Rights
23 of the Department of Health and Human Services is des-
24 ignated to receive complaints of discrimination based on
25 this section. Any such complaint shall, by not later than

1 180 days after receipt by the Office of such complaint,
2 be reviewed by the Office and, as appropriate, referred to
3 the Medicare Choices Commission or Centers for Medicare
4 & Medicaid Services for purposes of subsection (e).

5 “(e) ENFORCEMENT.—

6 “(1) MA PLANS AND PRESCRIPTION DRUG
7 PLANS.—In the case of an MA plan or prescription
8 drug plan that is in violation of subsection (a), the
9 Medicare Choices Commission may, as determined
10 appropriate by the Commission—

11 “(A) apply against the MA organization of-
12 fering the MA plan or the PDP sponsor offer-
13 ing the prescription drug plan a civil monetary
14 penalty or assessment in the same manner as
15 such a penalty or assessment is authorized
16 under section 1128A(a);

17 “(B) exclude the plan from participation
18 under this title, in accordance with the proce-
19 dures of subsections (c), (f), and (g) of section
20 1128; or

21 “(C) apply both subparagraphs (A) and
22 (B) with respect to the plan.

23 “(2) MEDICARE FEE-FOR-SERVICE PROVIDERS
24 OF SERVICES AND SUPPLIERS.—In the case of a pro-
25 vider of services or supplier described in subsection

1 (a) that is in violation of such subsection, the Sec-
2 retary, through the Administrator of the Centers for
3 Medicare & Medicaid Services, may, as determined
4 appropriate by the Secretary—

5 “(A) apply against the provider of services
6 or supplier a civil monetary penalty or assess-
7 ment in the same manner as such a penalty or
8 assessment is authorized under section
9 1128A(a);

10 “(B) exclude the provider of services or
11 supplier from participation under this title, in
12 accordance with the procedures of subsections
13 (c), (f), and (g) of section 1128; or

14 “(C) apply both subparagraphs (A) and
15 (B) with respect to the provider of services or
16 supplier.

17 “(3) ADMINISTRATION.—The provisions of sec-
18 tion 1128A (other than the first 2 sentences of sub-
19 section (a) and other than subsection (b)) shall
20 apply to a civil money penalty and assessment under
21 paragraph (1) or (2) in the same manner as such
22 provisions apply to a penalty, assessment, or pro-
23 ceeding under section 1128A(a), except to the extent
24 such provisions are inconsistent with paragraph
25 (1)(B) or (2)(B), respectively.”.