

1 of enforcement efforts and assigns priorities in en-
2 forcement.

3 **TITLE II—MEDICAID AND SCHIP**
4 **REFORM**

5 **SEC. 201. MEDICAID REFORM.**

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

8 (1) by redesignating section 1939 as section
9 1940; and

10 (2) by inserting after section 1938 the following
11 new section:

12 “REVISION OF MEDICAID PROGRAM

13 “SEC. 1939. (a) ELECTION OF BLOCK GRANT OR IM-
14 PLEMENTATION OF REFUNDABLE TAX CREDIT FOR MED-
15 ICAID POPULATION FOR ACUTE CARE SERVICES AND
16 MAINTENANCE OF EFFORT SPENDING.—

17 “(1) IN GENERAL.—Each State shall elect—

18 “(A) to receive block grant funding under
19 subsection (b); or

20 “(B) to have Medicaid-eligible individuals
21 eligible to receive refundable tax credits under
22 section 36 of the Internal Revenue Code of
23 1986 and to provide for maintenance of effort
24 described in subsection (c).

1 If a State fails to make such an election, the State
2 shall be treated as making the election described in
3 subparagraph (A).

4 “(2) LIMITATIONS ON ELECTION.—If a State
5 makes the election described in paragraph (1)(B),
6 the State may not change such election. A State that
7 makes the election described in paragraph (1)(A)
8 may change such election with notice to the Sec-
9 retary.

10 “(3) EFFECTIVE DATE; IMPLEMENTATION.—
11 This subsection shall first take effect as of January
12 1, 2010. For items and services furnished on or
13 after such date, no payment shall be made under
14 section 1903 to any State.

15 “(b) BLOCK GRANT PAYMENT FOR ACUTE CARE
16 SERVICES.—

17 “(1) IN GENERAL.—The block grant payment
18 amount under this subsection for a State—

19 “(A) for 2010 is equal to the total Federal
20 payments under this title and title XXI to the
21 State for calendar quarters in 2009 (other than
22 payments for medical assistance for long-term
23 care services, as defined for purposes of sub-
24 section (e))), increased by the inflation adjust-

1 ment factor for the year (described in para-
2 graph (2)); or

3 “(B) for a subsequent year is, subject to
4 subsection (d), equal to the block grant pay-
5 ment amount under this subsection for the
6 State for the previous year increased by the in-
7 flation adjustment factor for the year (described
8 in paragraph (2)) and a population growth fac-
9 tor (described in paragraph (3)).

10 “(2) INFLATION ADJUSTMENT FACTOR.—The
11 inflation adjustment factor in this paragraph for a
12 year is equal to the average of the projected annual
13 rate of increase in the consumer price index for
14 urban consumers (all items; U.S. city average) and
15 the percentage increase in the MEI (as defined in
16 section 1842(i)(3)) for the year.

17 “(3) POPULATION GROWTH FACTOR.—The Sec-
18 retary shall determine and apply a population
19 growth factor based on the percentage increase in
20 the population included in the computation of Na-
21 tional Health Expenditures from the calendar year
22 in which the previous fiscal year ends to the cal-
23 endar year in which the fiscal year involved ends, as
24 most recently published by the Secretary, but ad-
25 justed among the States so as to reflect differences

1 in relative population growth rates among such
2 States.

3 “(4) LIMITATION.—Payment under this sub-
4 section shall only be available to States for costs of
5 health care and related administrative costs.

6 “(5) NO REQUIREMENT FOR STATE MATCHING
7 PAYMENT.—Nothing in this subsection shall be con-
8 strued as requiring a State to make any matching
9 payments as a condition of receiving payment under
10 this subsection.

11 “(6) PERIODICITY OF PAYMENTS.—The Sec-
12 retary shall provide for making payments under this
13 subsection on a quarterly or other appropriate basis.

14 “(c) MAINTENANCE OF EFFORT (MOE) REQUIRE-
15 MENT.—

16 “(1) IN GENERAL.—The maintenance of effort
17 requirement under this subsection for a State for a
18 year is to provide for payment in the MOE amount
19 specified in paragraph (2) for the year for purposes
20 described in, and in accordance with, paragraph (3).

21 “(2) MOE AMOUNT.—The MOE amount speci-
22 fied in this paragraph for a State—

23 “(A) for 2010 is equal to the amount of
24 expenditures of the State under this title and
25 title XXI for calendar quarters in 2008, not

1 taking into account Federal payments made to
2 the State under the respective title and not tak-
3 ing into account such payments that are attrib-
4 utable to medical assistance for long-term care
5 services (as defined for purposes of subsection
6 (e)), increased by the inflation adjustment fac-
7 tor described in subsection (b)(2) for 2009 and
8 further increased by such factor for 2010; or

9 “(B) for a subsequent year is equal to the
10 MOE amount specified in this paragraph for
11 the State for the previous year increased by the
12 inflation adjustment factor described in sub-
13 section (b)(2) for such subsequent year.

14 “(3) APPLICATION TOWARD SPENDING.—Pay-
15 ments by a State shall be used for the following pur-
16 poses, with priority given to such purposes in the
17 following order:

18 “(A) To develop an auto-enrollment pro-
19 gram for previously eligible Medicaid recipients.

20 “(B) To assist individuals in low-income
21 families (as defined by the State) and high-cost
22 individuals and families (for those for whom in-
23 surance is unavailable or very expensive because
24 of their health status) to purchase qualifying
25 health insurance. Eligible expenses shall include

1 direct assistance with premiums and cost-shar-
2 ing.

3 “(C) For purposes of funding qualified
4 high risk pools (as defined in section 2744(e)(2)
5 of the Public Health Service Act).

6 “(D) For establishment and funding of re-
7 insurance mechanisms.

8 “(E) For establishment and maintenance
9 of networks designed to improve consumer in-
10 formation, transparency in price and quality
11 data, and reduction in transaction costs associ-
12 ated with enrolling individuals in health insur-
13 ance coverage.

14 “(d) PHASE-OUT OF DSH PAYMENTS.—

15 “(1) IN GENERAL.—Notwithstanding any other
16 provision of law, the amount of DSH allotment oth-
17 erwise provided under section 1923(f) for each State
18 for a fiscal year shall be reduced—

19 “(A) by 25 percent for fiscal year 2010;

20 “(B) by 50 percent for fiscal year 2011;

21 “(C) by 75 percent for fiscal year 2012;

22 and

23 “(D) entirely for fiscal year 2013 and each
24 succeeding fiscal year.

1 “(2) ADJUSTMENT IN BLOCK GRANT.—The
2 amount of any block grant for a State under sub-
3 section (b) for a fiscal year shall be adjusted to re-
4 flect the amount of reductions in DSH allotment
5 under paragraph (1) for the State and the fiscal
6 year.

7 “(e) BLOCK GRANT FOR LONG-TERM CARE SERV-
8 ICES.—

9 “(1) IN GENERAL.—Notwithstanding any other
10 provision of this title, instead of any payment under
11 this title to a State for long-term care services (as
12 defined by the Secretary), the Secretary shall pay to
13 a State the long-term care block grant amount speci-
14 fied in paragraph (2).

15 “(2) LONG-TERM CARE BLOCK GRANT
16 AMOUNT.—The long-term block grant payment
17 amount under this paragraph for a State—

18 “(A) for 2010 is equal to the total Federal
19 payments under this title to the State for cal-
20 endar quarters in 2009 for long-term care serv-
21 ices, as defined for purposes of paragraph (1),
22 increased by the inflation adjustment factor for
23 the year (described in subsection (b)(2)); or

24 “(B) for a subsequent year is equal to the
25 long-term care block grant payment amount

1 under this paragraph for the State for the pre-
2 vious year increased by such inflation adjust-
3 ment factor for the year.

4 “(3) APPLICATION OF PROVISIONS.—The provi-
5 sions of paragraphs (3), (4), and (5) of subsection
6 (b) shall apply to payments under this subsection.

7 “(4) EFFECTIVE DATE; IMPLEMENTATION.—
8 This subsection shall first take effect as of January
9 1, 2010. For long-term care items and services fur-
10 nished on or after such date, no payment shall be
11 made under section 1903 to any State.”

12 **SEC. 202. SCHIP REFORM.**

13 (a) IN GENERAL.—Effective for items and services
14 furnished on or after January 1, 2010, title XXI of the
15 Social Security Act is repealed.

16 (b) CONSTRUCTION.—Subsection (a) shall not affect
17 payment for items and services furnished before such date.

18 **TITLE III—MEDICARE REFORM**
19 **Subtitle A—New Medicare Program**

20 **SEC. 301. BENEFIT CHANGES.**

21 Title XVIII of the Social Security Act is amended by
22 inserting after section 1808 the following new section:

23 “PROGRAM FOR NEW MEDICARE BENEFICIARIES

24 BEGINNING IN 2019

25 “SEC. 1809. (a) APPLICATION.—