

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15 Social Security Act is repealed.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.—

1 “(1) IN GENERAL.—Notwithstanding any other
2 provision of law (including sections 226 and 226A),
3 the provisions of this section shall apply to individ-
4 uals (other than individuals entitled to benefits only
5 because of the application of section 1881(d)) who
6 first become entitled to benefits under part A, or
7 whose coverage period under part B begins, on or
8 after January 1, 2019.

9 “(2) NO IMPACT ON FICA/SECA TAX REVE-
10 NUES.—Nothing in this section shall be construed as
11 affecting revenues through the payment of hospital
12 insurance taxes under sections 1401(b), 3101(b),
13 and 3111(b) of the Internal Revenue Code of 1986.

14 “(3) NO IMPACT ON OTHER BENEFICIARIES.—

15 “(A) IN GENERAL.—This section shall not
16 apply to individuals not described in paragraph
17 (1).

18 “(B) NO IMPACT ON COMPUTATION OF
19 MEDICARE PREMIUMS FOR OLDER MEDICARE
20 BENEFICIARIES.—Premiums under parts A, B,
21 and D shall be computed for individuals not de-
22 scribed in paragraph (1) based on the average
23 costs that the Secretary estimates would have
24 been applicable if this section did not apply.

25 “(b) ALTERNATIVE BENEFITS.—

1 “(1) IN GENERAL.—An individual described in
2 subsection (a)(1) is only entitled to benefits under
3 this title in accordance with this section. In the case
4 of such an individual who has qualified health insur-
5 ance coverage, the individual is entitled under this
6 section—

7 “(A) to an income-related payment under
8 subsection (c); and

9 “(B) in the case of a low-income individual
10 (as defined in paragraph (3) of subsection (d)),
11 to a contribution to a medical savings account
12 of the individual in the amount specified in
13 such subsection.

14 “(2) ALTERNATIVE PREMIUM OBLIGATIONS.—
15 An individual described in subsection (a)(1)—

16 “(A) is not responsible for payment of any
17 premium otherwise applicable under part B or
18 D; but

19 “(B) is responsible for payment of the pre-
20 mium for qualified health insurance coverage
21 referred to in paragraph (1) and may apply the
22 income-related payment under subsection (c) to-
23 ward such premium.

24 “(3) QUALIFIED HEALTH INSURANCE COV-
25 ERAGE DEFINED.—In this subsection, the term

1 ‘qualified health insurance coverage’ means health
2 benefits coverage, whether under a group health
3 plan, health insurance coverage or otherwise, but
4 does not include coverage under a health plan if sub-
5 stantially all of its coverage is coverage described in
6 section 223(c)(1)(B) of the Internal Revenue Code
7 of 1986.

8 “(c) INCOME-RELATED PAYMENT.—

9 “(1) IN GENERAL.—The amount of the income-
10 related payment under this subsection for an indi-
11 vidual for a year is equal to—

12 “(A) the annual amount specified for the
13 year in paragraph (2);

14 “(B) subject to reduction under paragraph
15 (3) (relating to higher income individuals);

16 “(C) further subject to adjustment under
17 paragraph (4); and

18 “(D) subject to pro-ration under para-
19 graph (5).

20 “(2) ANNUAL AMOUNT.—

21 “(A) IN GENERAL.—The annual amount
22 specified in this paragraph—

23 “(i) for 2009 is \$9,500; and

24 “(ii) for any subsequent year is the
25 annual amount specified in this paragraph

1 for the preceding year increased by the an-
2 nual inflation adjustment described in sub-
3 paragraph (B) for such subsequent year.

4 Any amount computed under clause (ii) that is
5 not a multiple of \$12 shall be rounded to the
6 nearest multiple of \$12.

7 “(B) ANNUAL INFLATION ADJUSTMENT.—
8 The annual inflation adjustment under this
9 subparagraph for a year is equal to the average
10 of—

11 “(i) the annual rate of increase in the
12 consumer price index for urban consumers
13 (all items; U.S. city average) for the year,
14 as projected by the Secretary in consulta-
15 tion with the Bureau of Labor Statistics
16 before the beginning of the year; and

17 “(ii) the annual rate of increase in the
18 medical care component of the consumer
19 price index for all urban consumers (U.S.
20 city average) for the year, as projected by
21 the Secretary in consultation with the Bu-
22 reau of Labor Statistics before the begin-
23 ning of the year.

24 “(3) REDUCTION FOR HIGHER-INCOME INDIVID-
25 UALS.—

1 “(A) IN GENERAL.— In the case of an in-
2 dividual whose modified adjusted gross income
3 exceeds the threshold amount specified in para-
4 graph (2) of section 1839(i), as adjusted under
5 paragraph (5) of such section, the annual
6 amount under paragraph (2) shall be reduced
7 by the adjustment percentage specified in sub-
8 paragraph (B).

9 “(B) ADJUSTMENT PERCENTAGE.—In the
10 case of an individual for whom the applicable
11 percentage specified in section 1839(i)(3)(C)—

12 “(i) is less than 80 percent, the ad-
13 justment percentage under this subpara-
14 graph shall be 50 percent; or

15 “(ii) is equal to 80 percent, the ad-
16 justment percentage under this subpara-
17 graph shall be 70 percent.

18 “(C) APPLICATION OF CERTAIN PROVI-
19 SIONS.—The provisions of paragraphs (4)
20 through (6) of section 1839(i) shall apply under
21 this paragraph in the same manner as they
22 apply for purposes of such section.

23 “(4) RISK, GEOGRAPHIC AREA, AND OTHER AD-
24 JUSTMENTS.—

1 “(A) RISK ADJUSTMENT.—The payment
2 amount under this subsection for an individual
3 shall be adjusted, using a methodology specified
4 by the Secretary, in a manner that takes into
5 account the relative risk factors (such as those
6 described in section 1853(a)(1)(C)(i)) associ-
7 ated with such individual. Such adjustment
8 shall be made in such a manner as not to
9 change the total amount of payments made
10 under this subsection as a result of such adjust-
11 ment.

12 “(B) PARTIAL GEOGRAPHIC AREA ADJUST-
13 MENT.—Such payment amount for an indi-
14 vidual also shall be adjusted, using a method-
15 ology specified by the Secretary, in a manner
16 that takes into account the relative differences
17 in area health care costs for the area in which
18 the individual resides compared to other areas.
19 Such adjustment shall be made in such a man-
20 ner as not to change the total amount of pay-
21 ments made under this subsection as a result of
22 such adjustment. The Secretary shall provide
23 for a decrease over time in the adjustment
24 made under this subparagraph.

1 “(C) CERTAIN PART A BUY-IN INDIVID-
2 UALS.—Such payment amount for an individual
3 who is not eligible for benefits under part A
4 pursuant to section 226 or 226A shall be ad-
5 justed by such proportion or amount as the
6 Secretary determines appropriate to take into
7 account premiums that would otherwise be pay-
8 able under section 1818 or 1818A for benefits
9 under part A.

10 “(5) PRO-RATIO FOR PARTIAL YEAR OF ELIGI-
11 BILITY.—In the case of an individual whose entitle-
12 ment under this section is for less than an entire
13 year, the payment amount under this subsection
14 shall be pro-rated to reflect the portion of the year
15 included in such entitlement.

16 “(6) PAYMENT ON PERIODIC BASIS.—The Sec-
17 retary shall provide for the payment under this sub-
18 section on an appropriate monthly or other periodic
19 basis.

20 “(d) CONTRIBUTION TO AN MEDICAL SAVINGS AC-
21 COUNT (MSA) FOR LOW-INCOME INDIVIDUALS.—

22 “(1) IN GENERAL.—The amount of the con-
23 tribution under subsection (b)(1)(B) to a medical
24 savings account of a low-income individual is
25 equal—

1 “(A) in the case of an individual described
2 in clause (i) or (ii) of paragraph (4)(A), to the
3 full MSA contribution amount (as defined in
4 paragraph (2)); or

5 “(B) in the case of any other individual, to
6 75 percent of the full MSA contribution
7 amount.

8 “(2) FULL MSA CONTRIBUTION AMOUNT.—For
9 purposes of this subsection, the term ‘full MSA con-
10 tribution amount’ means, for a year for an indi-
11 vidual, an amount to be equivalent to the full
12 amount of the average deductible of a high-deduct-
13 ible health plan (as defined in section 223(c)(2) of
14 the Internal Revenue Code of 1986) as determined
15 by the Secretary.

16 “(3) NO MEDICAID COVERAGE FOR MEDICARE-
17 COVERED SERVICES.—

18 “(A) IN GENERAL.—In the case of an indi-
19 vidual who is eligible to be provided a contribu-
20 tion to a medical savings account under this
21 subsection, the individual is not entitled to any
22 payment under a State plan under title XIX
23 with respect to any benefits relating to items
24 and services for which coverage is provided
25 under this title.

1 “(B) CONSTRUCTION.—Subparagraph (A)
2 shall not affect the continued provision of med-
3 ical assistance under title XIX for items and
4 services, such as dental, vision, or long-term
5 care facility services, for which benefits are not
6 provided under this title regardless of medical
7 necessity.

8 “(4) PERIODIC PAYMENT.—The Secretary shall
9 provide for the contribution into medical savings ac-
10 counts of amounts under this subsection on an ap-
11 propriate monthly or other periodic basis.

12 “(5) LOW-INCOME INDIVIDUAL DEFINED.—

13 “(A) IN GENERAL.—For purposes of this
14 section, the term ‘low-income individual’ means
15 an individual described in subsection (a)(1)—

16 “(i) who meets the requirement of
17 section 1936(c)(6)(A)(ii) (relating to a full-
18 benefit dual eligible individual);

19 “(ii) whose income (as determined
20 under section 1612 for purposes of the
21 supplemental security income program, ex-
22 cept as provided in subparagraph (B))
23 does not exceed 100 percent of the official
24 income poverty line (referred to in section

1 1905(p)(1)) applicable to a family of the
2 size involved; or

3 “(iii) whose income (as so determined)
4 exceeds 100 percent, but does not exceed
5 150 percent, of such official income pov-
6 erty line applicable to a family of the size
7 involved.

8 “(B) APPLICATION OF SPECIAL RULE RE-
9 GARDING APPLICATION OF SOCIAL SECURITY IN-
10 CREASES.—The provisions of subparagraph (D)
11 of section 1905(p)(2) shall apply to determina-
12 tions of income under subparagraph (A) in the
13 same manner they apply under such section.

14 “(C) DETERMINATION PROCESS.—The
15 Secretary shall specify a process for the deter-
16 mination of whether individuals are low-income
17 individuals.”.

18 **SEC. 302. INCREASE IN MEDICARE ELIGIBILITY AGE.**

19 Section 226 of the Social Security Act (42 U.S.C.
20 426) is amended by adding at the end the following new
21 subsection:

22 “(k) INCREASING MEDICARE QUALIFYING AGE.—

23 “(1) IN GENERAL.—Notwithstanding any other
24 provision of law, any reference in this section or title
25 XVIII (or title XIX insofar as it refers to title

1 XVIII) to ‘age 65’ shall be deemed a reference to
2 the medicare qualifying age specified in paragraph
3 (2).

4 “(2) MEDICARE QUALIFYING AGE SPECIFIED.—
5 The medicare qualifying age specified in this para-
6 graph is determined as follows:

7 “(A) In the case of an individual who at-
8 tains 65 years of age before January 1, 2019,
9 the medicare qualifying age is 65 years of age.

10 “(B) In the case of an individual who at-
11 tains 65 years of age in a year after 2018 and
12 before 2027, the medicare qualifying age is the
13 medicare qualifying age specified in this para-
14 graph for the previous year increased by 2
15 months.

16 “(C) In the case of an individual who at-
17 tains 65 years of age—

18 “(i) in the 2-year period beginning on
19 January 1, 2027, the medicare qualifying
20 age is 67 years and 1 month; or

21 “(ii) in a subsequent 2-year period be-
22 ginning before 2087, the medicare quali-
23 fying age is the medicare qualifying age
24 specified in this paragraph for the previous
25 2-year period (or, in the case of the first

1 2-year period, specified for 2026) increased
2 by 1 month.

3 “(D) In the case of an individual who at-
4 tains 65 years of age on or after January 1,
5 2086, the medicare qualifying age is the medi-
6 care qualifying age specified in this paragraph
7 is 69 years and 6 months.”.

8 **SEC. 303. UNIFIED MEDICARE TRUST FUND.**

9 (a) IN GENERAL.—The Federal Hospital Insurance
10 Trust Fund (established under section 1817 of the Social
11 Security Act) and the Federal Supplementary Medical In-
12 surance Trust Fund (established under section 1841 of
13 such Act) are hereby consolidated into a unified Medicare
14 trust fund. Such trust fund shall have separate accounts
15 for parts A, B, and D of such title and shall be adminis-
16 tered by the same board of trustees that administers the
17 current Trust Funds.

18 (b) CONSTRUCTION.—Nothing in this section shall be
19 construed as affecting the actual transfer of funds or com-
20 putations of amounts of premiums under any part of the
21 Medicare program.

22 (c) SOLVENCY.—The Medicare trustee shall establish
23 a measure of program solvency for the Medicare program
24 of total outlays as a measure of gross domestic product.

1 **Subtitle B—Changes in Current**
2 **Medicare Program**

3 **SEC. 311. INCOME-RELATED REDUCTION IN PART D PRE-**
4 **MIUM SUBSIDY.**

5 (a) INCOME-RELATED REDUCTION IN PART D PRE-
6 MIUM SUBSIDY.—

7 (1) IN GENERAL.—Section 1860D–13(a) of the
8 Social Security Act (42 U.S.C. 1395w–113(a)) is
9 amended by adding at the end the following new
10 paragraph:

11 “(7) REDUCTION IN PREMIUM SUBSIDY BASED
12 ON INCOME.—

13 “(A) IN GENERAL.—In the case of an indi-
14 vidual whose modified adjusted gross income
15 exceeds the threshold amount applicable under
16 paragraph (2) of section 1839(i) (including ap-
17 plication of paragraph (5) of such section) for
18 the calendar year, the monthly amount of the
19 premium subsidy applicable to the premium
20 under this section for a month after December
21 2009 shall be reduced (and the monthly bene-
22 ficiary premium shall be increased) by the
23 monthly adjustment amount specified in sub-
24 paragraph (B).

1 “(B) MONTHLY ADJUSTMENT AMOUNT.—

2 The monthly adjustment amount specified in
3 this subparagraph for an individual for a month
4 in a year is equal to the product of—

5 “(i) the quotient obtained by divid-
6 ing—

7 “(I) the applicable percentage de-
8 termined under paragraph (3)(C) of
9 section 1839(i) (including application
10 of paragraph (5) of such section) for
11 the individual for the calendar year
12 reduced by 25.5 percent; by

13 “(II) 25.5 percent; and

14 “(ii) the base beneficiary premium (as
15 computed under paragraph (2)).

16 “(C) MODIFIED ADJUSTED GROSS IN-
17 COME.—For purposes of this paragraph, the
18 term ‘modified adjusted gross income’ has the
19 meaning given such term in subparagraph (A)
20 of section 1839(i)(4), determined for the tax-
21 able year applicable under subparagraphs (B)
22 and (C) of such section.

23 “(D) DETERMINATION BY COMMISSIONER
24 OF SOCIAL SECURITY.—The Commissioner of
25 Social Security shall make any determination

1 necessary to carry out the income-related reduc-
2 tion in premium subsidy under this paragraph.

3 “(E) PROCEDURES TO ASSURE CORRECT
4 INCOME-RELATED REDUCTION IN PREMIUM
5 SUBSIDY.—

6 “(i) DISCLOSURE OF BASE BENE-
7 FICIARY PREMIUM.—Not later than Sep-
8 tember 15 of each year beginning with
9 2009, the Secretary shall disclose to the
10 Commissioner of Social Security the
11 amount of the base beneficiary premium
12 (as computed under paragraph (2)) for the
13 purpose of carrying out the income-related
14 reduction in premium subsidy under this
15 paragraph with respect to the following
16 year.

17 “(ii) ADDITIONAL DISCLOSURE.—Not
18 later than October 15 of each year begin-
19 ning with 2009, the Secretary shall dis-
20 close to the Commissioner of Social Secu-
21 rity the following information for the pur-
22 pose of carrying out the income-related re-
23 duction in premium subsidy under this
24 paragraph with respect to the following
25 year:

1 “(I) The modified adjusted gross
2 income threshold applicable under
3 paragraph (2) of section 1839(i) (in-
4 cluding application of paragraph (5)
5 of such section).

6 “(II) The applicable percentage
7 determined under paragraph (3)(C) of
8 section 1839(i) (including application
9 of paragraph (5) of such section).

10 “(III) The monthly adjustment
11 amount specified in subparagraph
12 (B).

13 “(IV) Any other information the
14 Commissioner of Social Security de-
15 termines necessary to carry out the
16 income-related reduction in premium
17 subsidy under this paragraph.

18 “(F) RULE OF CONSTRUCTION.—The for-
19 mula used to determine the monthly adjustment
20 amount specified under subparagraph (B) shall
21 only be used for the purpose of determining
22 such monthly adjustment amount under such
23 subparagraph.”.

1 (2) COLLECTION OF MONTHLY ADJUSTMENT
2 AMOUNT.—Section 1860D–13(c) of the Social Secu-
3 rity Act (42 U.S.C. 1395w–113(c)) is amended—

4 (A) in paragraph (1), by striking “(2) and
5 (3)” and inserting “(2), (3), and (4)”; and

6 (B) by adding at the end the following new
7 paragraph:

8 “(4) COLLECTION OF MONTHLY ADJUSTMENT
9 AMOUNT.—

10 “(A) IN GENERAL.—Notwithstanding any
11 other provision of this subsection or section
12 1854(d)(2), subject to subparagraph (B), the
13 amount of the income-related reduction in pre-
14 mium subsidy for an individual for a month (as
15 determined under subsection (a)(7)) shall be
16 paid through withholding from benefit pay-
17 ments in the manner provided under section
18 1840.

19 “(B) AGREEMENTS.—In the case where
20 the monthly benefit payments of an individual
21 that are withheld under subparagraph (A) are
22 insufficient to pay the amount described in such
23 subparagraph, the Commissioner of Social Se-
24 curity shall enter into agreements with the Sec-
25 retary, the Director of the Office of Personnel

1 Management, and the Railroad Retirement
2 Board as necessary in order to allow other
3 agencies to collect the amount described in sub-
4 paragraph (A) that was not withheld under
5 such subparagraph.”.

6 (b) CONFORMING AMENDMENTS.—

7 (1) MEDICARE.—Part D of title XVIII of the
8 Social Security Act (42 U.S.C. 1395w–101 et seq.)
9 is amended—

10 (A) in section 1860D–13(a)(1)—

11 (i) by redesignating subparagraph (F)
12 as subparagraph (G);

13 (ii) in subparagraph (G), as redesign-
14 nated by clause (i), by striking “(D) and
15 (E)” and inserting “(D), (E), and (F)”;
16 and

17 (iii) by inserting after subparagraph
18 (E) the following new subparagraph:

19 “(F) INCREASE BASED ON INCOME.—The
20 monthly beneficiary premium shall be increased
21 pursuant to paragraph (7).”; and

22 (B) in section 1860D–15(a)(1)(B), by
23 striking “paragraph (1)(B)” and inserting
24 “paragraphs (1)(B) and (1)(F)”.

1 (2) INTERNAL REVENUE CODE.—Section
2 6103(l)(20) of the Internal Revenue Code of 1986
3 (relating to disclosure of return information to carry
4 out Medicare part B premium subsidy adjustment)
5 is amended—

6 (A) in the heading, by striking “PART B
7 PREMIUM SUBSIDY ADJUSTMENT” and inserting
8 “PARTS B AND D PREMIUM SUBSIDY ADJUST-
9 MENTS”;

10 (B) in subparagraph (A)—

11 (i) in the matter preceding clause (i),
12 by inserting “or 1860D–13(a)(7)” after
13 “1839(i)”; and

14 (ii) in clause (vii), by inserting after
15 “subsection (i) of such section” the fol-
16 lowing: “or under section 1860D–13(a)(7)
17 of such Act”; and

18 (C) in subparagraph (B)—

19 (i) by inserting “or such section
20 1860D–13(a)(7)” before the period at the
21 end;

22 (ii) as amended by clause (i), by in-
23 serting “or for the purpose of resolving tax
24 payer appeals with respect to any such pre-

1 mium adjustment” before the period at the
2 end; and

3 (iii) by adding at the end the fol-
4 lowing new sentence: “Officers, employees,
5 and contractors of the Social Security Ad-
6 ministration may disclose such return in-
7 formation to officers, employees, and con-
8 tractors of the Department of Health and
9 Human Services, the Office of Personnel
10 Management, the Railroad Retirement
11 Board, the Department of Justice, and the
12 courts of the United States to the extent
13 necessary to carry out the purposes de-
14 scribed in the preceding sentence.”; and

15 (D) by adding at the end the following new
16 subparagraph:

17 “(C) TIMING OF DISCLOSURE.—Return in-
18 formation shall be disclosed to officers, employ-
19 ees, and contractors of the Social Security Ad-
20 ministration under subparagraph (A) not later
21 than the date that is 90 days prior to the date
22 on which the taxpayer first becomes entitled to
23 benefits under part A of title XVIII of the So-
24 cial Security Act or eligible to enroll for benefits
25 under part B of such title.”.

1 **SEC. 312. REDUCTION IN HOSPITAL MARKETBASKET IN-**
2 **CREASES.**

3 Notwithstanding any other provision of law:

4 (1) **OUTPATIENT HOSPITAL SERVICES.**—For
5 2010 and each succeeding year, the OPD fee sched-
6 ule increase factor otherwise computed under section
7 1833(t)(3)(C)(iv) of the Social Security Act (42
8 U.S.C. 1395l(t)(3)(C)(iv)) shall be reduced by .4
9 percentage points.

10 (2) **INPATIENT HOSPITAL SERVICES.**—For fis-
11 cal year 2010 and each succeeding fiscal year, the
12 applicable percentage increase otherwise computed
13 under clauses (i) and (ii) of section 1886(b)(3)(B) of
14 such Act (42 U.S.C. 1395ww(b)(3)(B)) shall be re-
15 duced by .4 percentage points.

16 **SEC. 313. ELIMINATION OF INDEXING OF INCOME THRESH-**
17 **OLDS FOR PART B INCOME-RELATED PRE-**
18 **MIUMS.**

19 (a) **IN GENERAL.**—Section 1839(i) of the Social Se-
20 curity Act (42 U.S.C. 1395r(i)) is amended by striking
21 paragraph (5).

22 (b) **EFFECTIVE DATE.**—The amendment made by
23 subsection (a) shall apply to premiums for years beginning
24 with 2010.