ALASKA LEGISLATURE COMMITTEE FILES 1983-1984 8672

2301 HHESS SJR 26 - SJR 27

2301

Alaska State Legislature

Senate

May 3, 1983

OFFICIAL BUSINESS

CHAIRMAN
RULES COMMITTEE

JAN FAIKS
POUCH V
CAPITOL BUILDING
JUNEAU, ALASKA 99811

Wayne W. Myers, M.D.
Director, WAMI Program
University of Alaska, Fairbanks
Fairbanks, Alaska 99701

Dear Dr. Myers:

Thanks for providing me with information on need for additional WAMI medical school positions for Alaskan students.

While I believe WAMI is an excellent program and I support the opportunities it provides our students with career choices they may not otherwise have, I'm afraid that the financial reality of declining state revenues is forcing the Legislature to make some pretty tough decisions. We are having to reduce and make substantial funding changes in many programs -- and it seems there is always someone there with good reasons why we shouldn't take such action. At the same time, it would be extremely difficult to justify any increases in an existing programs -- such as WAMI.

I regret I can't support your request at this time. You have my support, but unfortunately I just don't believe we can afford the additional positions at this time.

Sincerely,

Jan Faiks
Senator

JF:cf

ALASKA RESIDENT WAMI MEDICAL STUDENTS CURRENT STATUS (MARCH 84)

ENTRY YEAR	MED SCHOOL	INTERN or RESIDENT	PRACTICE		
			U.S. OUT.	ALASKA	ELSEWHERE or UNKNOWN
83	10				
82	10				
81	10				
80	9				
79	2	8			
78		8		1	
77		10			
76		1	1	2	6
75				4	6
74		1		3	
73			1		2
72				1	2
71				1	4
	41	28	2	13	20

STUDENTS AND RESIDENTS WHO HAVE SETTLED IN ALASKA SINCE 1971

Name	Student/ Resident	Practicing City	Specialty
Emmel, Alfred	R	Elmendorf AFB	FP
Freudenthal, Allen	S	Bethel	FP
Isto, Sarah	*S/R	Juneau	FP
Kruse, Donald	*S	USPHS-Bethel	FP
Marx, Bill	*S	Mt. Edgecumbe	FP
McCreight, William	R	Juneau	FP
Highswander, Thomas	R	Anchorage	FP
Olsen, Eric	S/R	Juneau	FP
Seaman, Jill	S	Bethel	FP
Spencer, John	*S	Anchorage	FP
Todd, Kathleen	R	Valdez	FP
Tooney, Kathleen	R	Kotzebue	FP
Ude, Marianne J.	*S	Kodiak	FP
Vaught, Rodney	S/R	Sitka	FP
Wilbur, Jean	*S	Fairbanks	FP
Wood, Tom	S	Petersburg	FP
Worrall, William	*S	Anchorage	FP
Barrett, David	R	Anchorage	IM
Bell, William H.	*S	Homer	IM
Bing, Kenneth	R	Anchorage	IM
Boyle, Loueen	S	Juneau	IM
Cole, William	Fac.	Juneau	IM
Garrett, David	R	Anchorage	IM
Mues, John	*S	Anchorage	IM
Kulin, Stephen D.	*S	Anchorage	Anesthes
McGuire, Jim	R	Anchorage	Psych
Poppin, John	R	Anchorage	Psych
Winslow, Dick	S	Anchorage	Psych
Brennan, Ron	S	Bethel	Peds
Briggs, James D.	*S	Fairbanks	Peds
Egan, Harwood	R	Fairbanks	Peds
Emerson, Susan	S	Anchorage	Peds/Ob
Johnson, Dave	R	Ketchikan	Peds
Schultz, Nancy	R	Fairbanks	Peds
LaMagie, Susan	*S	Wasilla	Ob/Gyn
Cox, James	R	Anchorage	Ophth
Tokar, Ronald Lee	S/R	Juneau	Ophth
Dohan, Peter	R	Anchorage	Path
Levengston, Robert	R	Anchorage	Rad
Moeller, David	R	Anchorage	Rad

* Student spent the first year of training at the University of Alaska

Jan Carline's Handout Material
Attachment "B"

Home Towns of Alaska Students Entering UWSM
1971 to 1983

Home Town	Number of Students
Anchorage	36
Chugiak	1
College	2
Dillingham	1
Fairbanks	36
Homer	1
Hoonah	1
Juneau	8
Kasilof	1
Ketchikan	2
Kodiak	2
Meyers Chuck	1
Mt. Edgecumbe	1
Ninilchik	1
Nome	2
Seward	2
Sitka	3
Sleetmute	1
Unalakleet	1
Wasilla	1
Wrangell	1

Alaska Practice Locations: Graduates of UWSM M.D. Program and Residency Programs, 1971 to Present

Practice Location	Number of Physicians
Anchorage	16
Bethel	4
Elmendorf AFB	1
Fairbanks	4
Homer	1
Juneau	5
Ketchikan	2
Kodiak	1
Kotzebue	1
Mt. Edgecumbe	1
Petersburg	1
Sitka	3
Valdez	1
Wasilla	1

SJR

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change in penalties under the AECA would be retroactive and to allow adequate time to implement the change in pricing for training. All other sections would be effective on October 1, 1983.

S. 638

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Special Security Cooperation Act of 1983".

MILITARY SALES AND RELATED PROGRAMS

SEC. 101. (a) In addition to amounts otherwise made available for the fiscal year 1983 for loan guaranties under section 24(a) of the Arms Export Control Act, $425,000,000 of loan principal are authorized to be so guaranteed during such fiscal year.

(b) In addition to amounts otherwise made available for the fiscal year 1983 to carry out the provisions of section 503 of the Foreign Assistance Act of 1961, there is authorized to be appropriated $142,000,000 to carry out such provisions for such fiscal year.

ECONOMIC SUPPORT FUND

SEC. 102. In addition to amounts otherwise authorized to be appropriated for the fiscal year 1983 to carry out the provisions of chapter 4 of part II of the Foreign Assistance Act of 1961, there is authorized to be appropriated $82,000,000 to carry out such provisions for such fiscal year.

INTERNATIONAL ORGANIZATIONS AND PROGRAMS

SEC. 103. In addition to amounts otherwise made available for the fiscal year 1983 to carry out the provisions of chapter 3 of part I of the Foreign Assistance Act of 1961, there is authorized to be appropriated for the fiscal year 1983 $4,500,000 to carry out such provisions, for payment to the International Atomic Energy Agency.

SECTION-BY-SECTION ANALYSIS OF THE PROPOSED SPECIAL SECURITY COOPERATION ACT OF 1983

I. INTRODUCTION

The proposed Special Security Cooperation Act of 1983 contains freestanding provisions in order to authorize supplemental international security assistance to meet urgent needs for fiscal year 1983.

II. PROVISIONS OF THE BILL

Section 101. Military sales and related programs

This section authorizes an increase of $425,000,000 in the limit established in P.L. 97-377 on the total principal amount of loans for which guaranties may be issued during fiscal year 1983 under section 24(a) of the AECA.

In addition, this section authorizes an increase in appropriations of $142,000,000 above the amount made available in P.L. 97-377 for fiscal year 1983 to carry out the military assistance program. Although the President's budget for fiscal year 1984 requested a supplemental appropriation of $167,000,000 to carry out the military assistance program for fiscal year 1983, section 506(c) already provides authorization to appropriate that part of the budget request ($25,000,000) which is proposed to be used for reimbursement to the Department of Defense for defense articles, defense services and military education and training previously drawn down pursuant to section 506(a).

Section 102. Economic support fund

The President's budget for fiscal year 1984 requested a supplemental appropriation of $344,500,000 for the Economic Support Fund for fiscal year 1983. This section increases by $82,000,000 the authorization of appropriations for fiscal year 1983 for this Fund, made by P.L. 97-113. The amounts appropriated in P.L. 97-377 for this Fund for fiscal year 1983 were $62,500,000 less than the amount authorized by P.L. 97-113.

Section 103. International organizations and programs

This section authorizes an increase in appropriations of $4,500,000 above the amount made available in P.L. 97-377 for fiscal year 1983 to carry out Chapter 3 of part I of the Foreign Assistance Act of 1961, as amended. These funds will be used for payments to the International Atomic Energy Agency.

S. 639

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SEC. 1. This Act may be cited as the "Lebanon Emergency Assistance Act of 1983".

ECONOMIC SUPPORT FUND

SEC. 2. (a) It is hereby determined that the national interests of the United States would be served by the authorization and appropriation of additional funds for economic assistance for Lebanon in order to promote the economic and political stability of that country and to support the international effort to strengthen a sovereign and independent Lebanon.

(b) Accordingly, in addition to amounts otherwise authorized to be appropriated for fiscal year 1983 to carry out the provisions of chapter 4 of part II of the Foreign Assistance Act of 1961, there is authorized to be appropriated $150,000,000 to carry out such provisions.

(c) The amounts appropriated pursuant to this section are authorized to remain available until expended.

MILITARY SALES AND RELATED PROGRAMS

SEC. 3. (a) In order to support the rebuilding of the armed forces of Lebanon, the Congress finds that the national security interests of the United States would be served by the authorization and appropriation of additional funds to provide training for the Lebanese armed forces and to finance procurements by Lebanon of defense articles and defense services for its security requirements.

(b) In addition to amounts otherwise made available for the fiscal year 1983 to carry out the provisions of chapter 5 of part II of the Foreign Assistance Act of 1961, there are authorized to be appropriated for the fiscal year 1983 $1,000,000 to carry out such provisons.

(c) In addition to amounts otherwise made available for the fiscal year 1983 for loan guarantees under section 24(a) of the Arms Export Control Act, $100,000,000 of loan principal are authorized to be so guaranteed during such fiscal year.

SECTION-BY-SECTION ANALYSIS OF THE PROPOSED LEBANON EMERGENCY ASSISTANCE ACT OF 1983

I. INTRODUCTION

The proposed Lebanon Emergency Assistance Act of 1983 ("the Bill") contains freestanding provisions in order to authorize supplemental international security assistance for the fiscal year 1983 for Lebanon. The amounts which would be authorized in the Bill represent the total amounts which are proposed to be allocated to Lebanon in fiscal year 1983 from amounts made available pursuant to this Bill and Public Law 97-377 for the Economic Support Fund, the International Military Education and Training program, and the Foreign Military Sales Credit program.

II. PROVISIONS OF THE BILL

Section 1. Short title

This section provides that the Bill may be cited as the "Lebanon Emergency Assistance Act of 1983".

Section 2. Economic support fund

This section consists of three subsections, as follows:

(a) This subsection states the determination of Congress that the national interests of the United States would be served by the authorization and appropriation of additional funds for economic assistance to promote the economic and political stability of Lebanon and to support the international effort to strengthen its sovereignty and independence.

(b) This subsection authorizes the appropriation of $150,000,000 for economic support pursuant to chapter 4 of Part II of the Foreign Assistance Act, in addition to amounts otherwise authorized for that chapter by Public Law 97-133.

(c) This subsection provides that the amounts appropriated pursuant to this section are authorized to remain available until expended.

Section 3. Military sales and related programs

This section consists of three subsections as follows:

(a) This subsection is a finding by the United States Congress, in support of the rebuilding of the armed forces of Lebanon, that the authorization and appropriation of supplemental funds for military sales and related programs would serve the national security interests of the United States. These additional funds would be used to provide training for the Lebanese armed forces and to finance procurements by Lebanon of defense articles and defense services for its security requirements.

(b) This subsection authorizes the appropriation of an additional $1,000,000 for the fiscal year 1983 for the International Military Education and Training (IMET) program. This authorization is in addition to the amounts made available for the IMET program by Public Law 97-377.

(c) This subsection authorizes an increase of $100,000,000 is the limit established in Public Law 97-377 on the total principal amount of loans for which guaranties may be issued during fiscal year 1983 under section 24(a) of the Arms Export Control Act.

By Mr. DOLE (by request):

S. 640. A bill to amend the Internal Revenue Code of 1954 to provide for the inclusion of certain employer contributions to health plans in an employee's gross income; to the Committee on Finance.

S. 641. A bill to provide for voluntary private alternative coverage for medicare beneficiaries, and for other purposes; to the Committee on Finance.

S. 642. A bill to restructure the medicare hospital insurance program; to the Committee on Finance.

S. 643. A bill to make improvements in the medicare and medicaid programs, and for other purposes; to the Committee on Finance.

HEALTH INCENTIVES REFORM LEGISLATION

• Mr. DOLE. Mr. President, I am introducing today, at the request of the administration, the major components of the health incentives reform program. There are five components of the package, one of which—the pro-

posed Medicare Prospective Payment Rates Act—was introduced on February 23, 1983.

The following four bills are those that are being introduced today: First, limitation on exclusion for employer health plan payments; second, the Medicare Voucher Act of 1983; third, the Medicare Catastrophic Hospital Cost Protection Act; and, fourth, the Health Care Financing Amendments of 1983.

NEED FOR ACTION

As many of my colleagues are aware, health care costs continue to escalate at an alarming rate, far exceeding the increase in prices overall.

This year the Federal Government will spend approximately $57 billion on the medicare program. At the same time, we expect to spend $19 billion on services for the poor under the medicaid program.

Rising health care costs are a problem that affects all of us. As the President pointed out in the letter of transmittal accompanying the health incentives reform program, increasing costs affect the elderly who are covered by medicare, and face the threat of increasing out of pocket costs. The poor continue to see medicaid coverage reduced as States and the Federal Government are forced by rising costs to make cutbacks. Workers with employment-based health insurance have received lower cash wages because of the unchecked cost increases for health benefits.

The President's package of health care program reform measures is designed to address each of these areas. The Senator from Kansas is particularly pleased to note the inclusion of the provision limiting the exclusion for employer health plan payments.

Under the proposal contained in the administration's fiscal year 1984 budget, employer contributions to accident or health plans for an employee would be included in the employee's income to the extent they exceed, first, $175 per month—$2,100 per year—if the plan covers the employee and his family, or second, $70 per month—$840 per year—if the plan covers only the employee. The provision would apply for taxable years beginning after December 31, 1983. The $175 and $70 amounts would be indexed to adjust for inflation.

Amounts included in the employee's income under the proposals would also be subject to social security taxes.

There would be a transition rule to exempt premiums paid under collective-bargaining agreements signed before January 31, 1983.

The total exclusion from employees' income for employer paid medical coverage is the second largest, statutory fringe benefit in the Tax Code. The largest is the exclusion from income of pension contributions and earnings.

The revenue loss estimate for this total exclusion from income is estimated to be $18.6 billion in fiscal year 1983 and $21.3 billion in fiscal year 1984.

The administration's proposal would reduce this revenue loss by $2.3 billion in fiscal year 1984 and $4.4 billion in fiscal year 1985. Therefore, even after a cap on the exclusion, the tax benefit for receiving part of your compensation in the form of health care would be very substantial.

Many experts believe that our present tax treatment of employer provided health benefits has been a contributing factor in the trend toward excessive coverage and escalating medical costs.

We will have to examine whether a dollar cap on the exclusion from an employee's income will change consumer behavior in a desirable way. For example, will a cap encourage copayments and more efficient health care, or will some workers, such as low-income individuals receive insufficient coverage?

Even if we decide to limit employer paid tax free medical insurance, there are still a number of questions to be resolved with respect to a so-called tax cap. These include the level at which the cap is set. For instance, should there be a national cap or one which varies in different areas of the country, thereby recognizing differing costs of care; how often should the limit be updated; and how do we prevent adverse selection—the case where all the healthy choose low option insurance and the sick, high option. Another obvious question is how to deal with self-insured plans which are increasing in number.

It is not likely that we on the Federal level would attempt to establish a minimum benefits package in conjunction with a tax cap. That is clearly the jurisdiction of the State insurance commissioners and in the lands of labor and business.

CONCLUSION

Medicare is a program which has grown at an alarming rate since its creation 17 years ago. The trust fund is rapidly approaching a period of time in which it will no longer have sufficient funds to finance program expenditures. Something must be done to prevent this potential insolvency. The President's proposals are an attempt to address this problem and others. The Senator from Kansas urges his colleagues to give these bills their serious consideration.

Mr. President, I request that a summary of each bill be included in the record following my comments.

There being no objection, the summaries were ordered to be printed in the RECORD, as follows:

S. 640—LIMITATION ON EXCLUSION FOR EMPLOYER HEALTH PLAN PAYMENTS

GENERAL EXPLANATION

Current law

All employer contributions to health insurance plans for employees are excluded from the employees' income and wages for purposes of income and employment taxes. This tax treatment generally applies to all insurance coverage, regardless of cost, and to all medical benefits, no matter how extensive. The same rule generally applies to amounts paid by an employer to or on behalf of an employee under a self-insured medical plan.

Reasons for change

Excluding employer contributions to health plans from gross income creates an inequity between individuals covered by employer health plans and those who are not so covered. The latter group must pay for their health care with after tax dollars, while the health care of the former group is provided with before tax dollars. For example, an employee with $23,000 of total compensation consisting of $20,000 of cash wages and $3,000 of health insurance coverage will pay $804 less in Federal income and Social Security taxes than one with $23,000 of cash wages.

The preferential treatment of employer paid health benefits encourages employees to receive large amounts of their compensation in that form. This has led to a significant decline in the amount of compensation subject to tax and indirectly has led to higher tax rates on cash wages.

From a health policy viewpoint, many employees have such generous insurance plans that they bear very little, if any, of the cost of doctors' visits or hospital services. They therefore tend to overuse doctor and hospital services and medical tests. The very rapid increase in health care costs in recent years can be attributed at least in part to this tax-induced incentive to demand additional health care with little or no regard to its actual costs.

Proposal

Employer contributions to a health plan would be includible in gross income to the extent that they exceed $70 per month ($840 per year) for an individual employee, or $175 per month ($2,100 per year) for family coverage.

The proposal will generally be effective January 1, 1984. However, in order to allow renegotiation of existing contracts, the proposal will not be effective with respect to employer contributions to employer health plans, the amounts of which are fixed by a legally binding contract entered into on or before January 31, 1983, until the earlier of January 31, 1986, or the first date after January 31, 1983 on which such amounts cease to be fixed by the contract.

Effects of proposal

The amount of employer contributions is determined, in the case of an insured plan, on the basis of the premiums charged for such insurance. The insurance premiums paid by the employer on behalf of employees will be divided by the number of covered employees. If the employer maintains different plans covering different groups of employees, each plan will be treated separately in determining employer costs per employee.

In the case of noninsured plans, the amount of the employer contributions will be based on the costs of providing coverage under the plan. Costs of providing coverage may be determined based on reasonable estimates of such costs.

To the extent that employer contributions exceed the $70 individual/$175 family monthly ceilings, the excess would be includible in the income of the covered employee. Even if employer health plan payments exceed the $70 individual/$175 family monthly amounts, only the excess will be included in the employee's gross income. For example, if the employer paid $185 per month for family health coverage for an

employee, $10 per month would be included in the employee's gross income. Thus, $10 would be subject to income tax and FICA and FUTA taxes (if applicable). Most current employees will pay no additional tax because these employees have insurance coverage costing less than the applicable ceiling amount.

Revenue estimate

Fiscal years:	Billions
1984	$2.1
1985	4.3
1986	6.0
1987	8.0
1988	10.7

LIMITATION ON EXCLUSION FOR EMPLOYER HEALTH PLAN PAYMENTS

TECHNICAL EXPLANATION

Summary of the proposal

Employer contributions to a health plan would be includible in gross income to the extent that they exceed $70 per month ($840 per year) for an individual employee, or $175 per month ($2100 per year) for family coverage.

Detailed description

Under the proposal, the amount of any excess employer contributions to a health plan with respect to coverage of an employee during the payroll period will be included in the employee's gross income. Employer contributions for a payroll period are excess employer contributions to the extent they exceed the monthly dollar limit for such employee, prorated to reflect the length of the payroll period. For 1984, the monthly dollar limit is $70 for an employee with individual coverage under the plan and $175 for an employee with family coverage under the plan. For years after 1984, the monthly dollar limit will be adjusted to reflect changes in the Consumer Price Index. An employee will be treated as having individual coverage unless the employee has a spouse or a dependent who is covered under the plan.

The employer contribution to a health plan with respect to an employee will be the cost of coverage of the employee under the plan reduced by the amount of the employee's contributions for such coverage. The annual cost of coverage with respect to an employee will be the aggregate annual cost of providing coverage for all employees with the same type of coverage (individual or family) under the plan as that of the employee, divided by the number of such employees. The cost of coverage with respect to an employee for a payroll period will be the annual cost of coverage prorated to reflect the length of the payroll period. Any cost of providing coverage under a plan which is allocable to workmen's compensation or to a purpose other than providing medical care is not taken into account in determining the cost of coverage under the plan.

The annual cost of providing coverage under an insured plan (or any insured part of a plan) will be determined based on the net premium charged by the insurer for such coverage. The annual cost of providing coverage under a noninsured plan (or any noninsured part of a plan) will be based on the costs incurred with respect to the plan, including administrative costs. In lieu of using actual administrative costs, an employer may treat 5 percent of the plan's incurred liability for benefit payments as the administrative costs with respect to the plan. A plan will be a noninsured plan to the extent the risk under the plan is not shifted from the employer to an unrelated third party.

The cost of coverage under the plan must be determined in advance of the payroll period and must be redetermined not less often than once every 12 months. The cost of coverage must be redetermined whenever there are significant changes in the coverage provided under the plan or in the composition of the group of covered employees. The cost of coverage is determined separately for each separate plan of the employer. Coverage of a group of employees is a separate plan if such coverage differs from the coverage of another group of employees. Where the actual cost of coverage cannot be determined in advance, reasonable estimates of the expected cost of coverage are to be used. Where the cost of coverage fluctuates each year depending on the experience of the employer under the plan, an average annual cost of coverage will be used.

If an estimate is determined not to be a reasonable estimate, the employer will be liable for the income taxes (at the maximum rate applicable to individuals) and the employment taxes (both the employer's and the employee's share) that would have been imposed on the additional amount that would have been included in the income of employees as excess employer contributions if the actual cost of coverage had been used to determine the amount of excess employer contributions.

In the case of multiemployer plans to which an employer makes contributions, the multiemployer plan is to be treated as the employer for purposes of determining the cost of coverage and the liability for errors in estimates of the cost of coverage. Each employee's excess employer contributions will be determined based on this cost of coverage. However, for purposes of the employer's obligations to withhold from wages and to pay employment taxes, the amount of excess employer contributions will be considered to be a portion of each contribution made by the employer to the plan. The portion of each contribution to be treated as an excess employer contribution will be based on the ratio of the plan's excess employer contributions per employee per month to the total monthly employer contribution per employee.

Effective date

In general, the proposal would apply to employer contributions made with respect to payroll periods beginning after December 31, 1983. However, the proposal will not apply to employer contributions to employer health plans, the amounts of which are fixed by a legally binding contract entered into on or before January 31, 1983, until the earlier of January 31, 1986, or the first date after January 31, 1983 on which such amounts cease to be fixed by the contract.

S. 641—SUMMARY OF PROPOSED MEDICARE VOUCHER ACT OF 1983

Section 1 would assign the draft bill the short title "Medicare Voucher Act of 1983".

Section 2 would permit the Secretary to contract with health benefits organizations (HBOs) (a broad range of health insurers and health services providers, including health maintenance organizations (HMOs) and competitive medical plans (CMPs)) to provide private alternative coverage for Medicare beneficiaries (other than individuals suffering from end-stage renal disease, or who are working and are 65 years of age or older but under 70) who chose to participate in such a private plan. Section 2 would also enact additional amendments to current provisions of law concerned with Medicare contracts with such organizations to—

Establish a single, coordinated open enrollment period during August and September of each year (but only for that number of new enrollees, in order of applications filed, previously specified by an HBO); and to enable the Secretary, to the extent feasible, to provide for individuals who move from the area served by one HBO to an area served by another (similar to the system used by the health benefits program for Federal employees);

Preclude new enrollments for individuals receiving only Supplementary Medical Insurance (SMI) benefits;

Preclude new cost-based contracts;

Permit HBOs to offer separate benefit packages for employer-based groups;

Permit HBOs to offer one or more benefit packages as long as each package covered at least those services for which Medicare pays and covered inpatient hospital services for every day of hospitalization, which benefit levels, coinsurance, and deductibles to be set by the HBO;

Eliminate current requirements as to premium levels and benefits, and require only that the average cost-sharing for the portion of benefits for which Medicare pays not exceed the average cost-sharing (including amounts above the Medicare reasonable charge) under Medicare;

Permit HBOs to provide annual rebates of up to $500 (instead of charging premiums), not consider those rebates as income for purposes of Medicaid, Aid to Families with Dependent Children, Supplemental Security Income, Food Stamps, Low-Income Home Energy Assistance, or low-income housing programs, and treat those rebates as Social Security benefits for purposes of the Federal income tax laws; and

Preempt provisions of State or local law requiring benefits more extensive that those under section 2.

Section 3 would enact conforming amendments that would—

Repeal the requirement for the Secretary to conduct a study of additional benefits that are required under existing law (but not under the provisions of section 2); and

Require payments to HBOs under section 2 to take into account services furnished by physician assistants or nurse practitioners if Medicare would pay for those services when furnished by a physician.

Section 4 would make the provisions of section 2 applicable to services furnished after 1984. Section 4 would also—

Retain the transitional provisions enacted in 1982 when Congress amended the provisions of law providing for payments to HMOs;

Permit any enrollee of an HMO or CMP at the end of 1984 not already covered by those earlier transition provisions to continue his enrollment under the provisions of law then current if either the HMO or CMP had a cost-based contract with the Secretary or if the enrollee was enrolled for Medicare SMI (but not Hospital Insurance (HI) benefits), unless the Secretary found that the new provisions should apply to all members of an HMO or CMP because of administrative costs or other administrative burdens; and

Apply the provisions of section 2 to enrollees who also receive benefits under Medicaid only after the Secretary finds that it is administratively feasible.

S. 642—SUMMARY OF PROPOSED MEDICARE CATASTROPHIC HOSPITAL COST PROTECTION ACT

Section 1 would assign the draft bill the short title "Medicare Catastrophic Hospital Cost Protection Act".

Section 2 would restructure benefits under the Medicare Hospital Insurance program. Under current law, Medicare covers only the first 90 days of a hospitalization during any spell of illness, plus a lifetime reserve of 60 additional days. An inpatient hospital de-

Alaska State Legislature

Senate

Committee on Finance

Official Business

Pouch V
State Capitol
Juneau, Alaska 99811

January 25, 1984

Memorandum

TO: REPRESENTATIVE MAE TISCHER
Chair - House HESS

FROM: Max Gifford
Administrative Assistant
Senator John Sackett

Subj: SJR 27 (Sackett) Health Cost Containment Act

The matter of the proposed Health Cost Containment Act pending before the U.S. Congress was brought to Senator Sackett's attention late last session. It was pointed out that while the federal legislation was an effort to hold the line on health care costs in the United States, what was being proposed would result in roughly $500 to $600 per year in taxable employer health benefit contributions for about 13,000 state employees in Alaska. The employer contributions would, in part, be seen as part of the employees gross income and subsequently t[illegible]d accordingly. Of particular note for Alaskans was that the dollar limitations were based on lower 48 standards thus resulting in higher federal tax withholding for Alaskans. Of significance, too, was the claim by the proponents that their legislation would reduce health costs. No evidence was offered that such would be the case in Alaska.

As a result, Senator Sackett introduced SJR-27, opposing the Health Cost Containment Tax Act, June 3, 1983. The resolution passed the Senate, June 26, 1983, but clearly did not reach the House of Representatives in time to be acted upon.

Since that time, I have learned that most experts feel the Health Cost Containment Act will not pass the current session of Congress. I am told, but without letters of substance, that the legislative package received less than enthusiastic reception from Members in the U.S. Senate and that the Administration has also dropped the matter.

I understand that other states have voiced their opposition to the Cost Containment Act. Senator Sackett agrees that it would not hurt to add Alaska's objections to the proposal and would welcome favorable action on SJR-27, by the State House of Representatives.

Should you have more questions please do not hesitate to contact Senator Sackett's office at 465-3753. I will do my best to find any information you might need.

SJR 26 (27)

98TH CONGRESS
1ST SESSION

S. 640

To amend the Internal Revenue Code of 1954 to provide for the inclusion of certain employer contributions to health plans in an employee's gross income.

IN THE SENATE OF THE UNITED STATES

MARCH 1 (legislative day, FEBRUARY 28), 1983

Mr. DOLE (by request) introduced the following bill; which was read twice and referred to the Committee on Finance

---

A BILL

To amend the Internal Revenue Code of 1954 to provide for the inclusion of certain employer contributions to health plans in an employee's gross income,

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Health Cost Containment Tax Act of 1983".

SEC. 2. CERTAIN EMPLOYER HEALTH PLAN CONTRIBUTIONS INCLUDED IN INCOME.

(a) INCLUSION IN INCOME.—

(1) IN GENERAL.—Part II of subchapter B of chapter 1 (relating to items specifically included in

gross income) is amended by adding at the end thereof the following new section:

"SEC. 87. EXCESS EMPLOYER CONTRIBUTIONS TO HEALTH PLANS.

"(a) GENERAL RULE.—

"(1) INCLUSION IN INCOME.—If an employee is covered by an employer health plan at any time during a payroll period and there is an excess employer contribution to such plan with respect to coverage of the employee during such payroll period, then an amount equal to such excess employer contribution shall be included in the gross income of the employee for such payroll period.

"(2) TREATMENT OF AMOUNT INCLUDED.—For purposes of this title, any amount included under paragraph (1) in an employee's gross income for a payroll period shall be treated as compensation paid to the employee in cash on the earliest date on which any other compensation for such payroll period is paid to the employee or included in the employee's gross income.

"(b) EXCESS EMPLOYER CONTRIBUTION.—

"(1) IN GENERAL.—For purposes of this section, the term 'excess employer contribution' means, with respect to coverage of an employee during a payroll period, the excess of—

"(A) the employer contributions made by a single employer to one or more plans with respect to coverage of the employee during the payroll period, over

"(B) the applicable monthly dollar limit for coverage of such employee multiplied by a fraction, the numerator of which is 12 and the denominator of which is the number of payroll periods in a calendar year.

"(2) SPECIAL RULE FOR MULTIEMPLOYER PLANS.—If an employer makes contributions with respect to an employee for a payroll period to a health plan which is, or is part of, a multiemployer plan, then solely for purposes of the employer's obligations under subtitle C, the excess employer contribution shall be considered to be an amount equal to the employer's actual contributions to the plan multiplied by a fraction, the numerator of which is the excess employer contributions, determined as provided in paragraph (1), for 1 month with respect to coverage of all employees under the plan, and the denominator of which is the total monthly employer contributions, determined as provided in subsection (d), for 1 month with respect to coverage of all employees under the plan. For purposes of this paragraph only, the excess employer contribu-

tions under the plan may be determined on the basis of a single cost of coverage for both individual and family coverage (as provided in subsection (c)(1)) and a single monthly dollar limit (as provided in subsection (c)(3)).

"(c) MONTHLY DOLLAR LIMITS.—

"(1) MONTHLY DOLLAR LIMITS FOR 1984.—The applicable monthly dollar limit for coverage of an employee during any payroll period beginning in calendar year 1984 shall be—

"(A) $70 for coverage of an individual employee, or

"(B) $175 for coverage of an employee and one or more members of the employee's family.

"(2) MONTHLY DOLLAR LIMITS FOR YEARS AFTER 1984.—The monthly dollar limits for coverage of an employee during any payroll period beginning in a calendar year after 1984 shall be the monthly dollar limit provided in paragraph (1) multiplied by a fraction, the numerator of which is the Consumer Price Index for the 12-month period ended June 30 of the calendar year immediately preceding the calendar year in which the payroll period begins, and the denominator of which is the Consumer Price Index for the 12-month period ended June 30, 1983. Each monthly dollar limit so determined shall be rounded to the nearest whole

dollar. For purposes of this paragraph, the Consumer Price Index for a 12-month period shall mean the average of the Consumer Price Indexes for All Urban Consumers published by the Department of Labor for each month in the 12-month period.

"(3) SINGLE MONTHLY DOLLAR LIMIT.—In the case of a health plan which is, or is part of, a multiemployer plan, the multiemployer plan may apply a single dollar limit to coverage of all employees under the plan for purposes of applying the special rule in subsection (b)(3). The single monthly dollar limit shall be a weighted average determined, in the manner prescribed by the Secretary in regulations, based on the applicable monthly dollar limits provided in paragraph (1) or (2) and the percentage of employees having each type of coverage.

"(d) EMPLOYER CONTRIBUTIONS.—The employer contributions to any health plan with respect to coverage of an employee for a payroll period shall be the cost of coverage of the employee for such payroll period reduced by any contributions made by the employee for such coverage.

"(e) COST OF COVERAGE.—

"(1) COST PER EMPLOYEE.—The cost of coverage shall be determined separately for individual coverage and family coverage under each plan of the em-

ployer, except that for purposes of applying the special rule in subsection (b)(2), a single cost of coverage may be determined for individual and family coverage. Such single cost of coverage shall be a weighted average determined, in the manner prescribed by the Secretary in regulations, based on the cost of coverage for each type of coverage separately and the percentage of employees having each type of coverage. The annual cost of coverage of an employee shall be determined by dividing the aggregate annual cost of providing coverage for all employees who are covered under the plan and who have the same type of coverage (individual or family) as the employee, by the number of such employees. In making such determination, accounts shall be taken into account with respect to any employee only for periods during which such employee is covered by the plan. The cost of coverage of an employee for a payroll period shall be the annual cost of coverage for the employee multiplied by a fraction, the numerator of which is 1 and the denominator of which is the number of payroll periods in a calendar year.

"(2) TIME FOR DETERMINING COST OF COVERAGE.—The cost of coverage under a plan for a payroll period shall be determined prior to the beginning of the payroll period and shall be redetermined not less often

than once every 12 months. The cost of coverage shall be redetermined whenever there are significant changes in coverage or in the composition of the group of employees covered.

"(8) DETERMINATION OF COST OF COVERAGE.—The annual cost of providing coverage under a plan shall be based on the cost to the employer of insurance for any insured coverage under the plan, plus all costs incurred with respect to noninsured coverage under the plan. Where the cost to the employer of insurance reflects the employer's prior experience under the plan, an average cost of such insurance, based on premiums for the three immediately preceding years (adjusted to reflect changes in the cost of health insurance), may be used. The cost of providing noninsured coverage shall equal the liability incurred for benefit payments under the plan plus all other costs, including administrative costs, incurred with respect to the plan. In lieu of determining the actual amount of other costs (costs other than the liability incurred for benefit payments), an employer may treat an amount equal to 7 percent of the liability incurred for benefit payments as equal to such other costs. In the case of a health plan that is, or is part of, a multiemployer plan, the cost of coverage

under the plan shall be determined as if the multiemployer plan were the employer.

"(4) ESTIMATION OF COSTS.—Where the actual cost of providing coverage cannot be determined in advance, the cost of coverage shall be based on a reasonable estimate that takes into account such factors as the Secretary may prescribe in regulations.

"(5) ESTIMATE NOT REASONABLE.—If the cost of coverage under a plan for any payroll period is determined on the basis of estimates, and such estimates are determined not to be reasonable, then the employer or, in the case of a plan which is, or is part of, a multiemployer plan, the multiemployer plan shall be liable for the taxes that would have been imposed under this title with respect to all employees on the amount by which the excess employer contribution for each employee, determined on the basis of the actual cost of coverage, exceeds the amount of such excess employer contribution, determined on the basis of the estimated cost of coverage, if such excess amount had been included, for the calendar year in which the payroll period begins, in the taxable income of each employee and—

"(A) each employee was subject to the maximum rate of tax imposed on individuals under section 1,

"(B) the remuneration of each employee for employment (including such excess) for the calendar year did not exceed the contribution and benefit base amount for such year (as determined under section 230 of the Social Security Act), and

"(C) the remuneration of each employee for employment (excluding such excess) for the calendar year exceeded $6,000.

"(6) AMOUNTS NOT FOR MEDICAL CARE.—Any cost of providing coverage under a plan which is properly allocable to—

"(A) workmen's compensation, or

"(B) a purpose other than the providing of medical care,

shall not be taken into account in determining the cost of coverage for purposes of this section.

"(f) INDIVIDUAL COVERAGE.—In any case where an employee has coverage other than individual coverage, and the employee has no spouse or dependent who is actually covered by reason of the employee's coverage, then the employee must notify the employer (or the multiemployer plan in the case of a plan which is, or is part of, a multiemployer

plan) of such fact. Such an employee shall be treated for all purposes under this section as having individual coverage.

"(g) INFORMATION REPORTS BY MULTIEMPLOYER PLANS.—Each multiemployer plan which includes an employer health plan with respect to which there are excess employer contributions for a calendar year must, prior to February 1 of the succeeding calendar year, provide an information report to each employee with respect to whom contributions to the plan were made during the calendar year. Such information report shall include the following:

"(1) The amount of the excess employer contributions with respect to the employee for such calendar year, and

"(2) The amount of employer contributions to the plan that were treated by employers under section 87(b)(2) as excess employer contributions included in the gross income of the employee.

"(h) LIABILITY FOR OVERESTIMATES.—No employer or multiemployer plan shall be subject to any liability by reason of a determination that the cost of coverage determined by the employer or the multiemployer plan exceeded the actual cost of coverage.

"(i) DEFINITIONS.—For purposes of this section—

"(1) EMPLOYER HEALTH PLAN.—The term 'employer health plan' means an arrangement to which the

employer makes contributions to provide (directly or through insurance, reimbursement, or otherwise) medical care for employees and their families in the event of personal injury or sickness. The term 'employer health plan' does not include any arrangement for the provision of medical care for individuals in active service in the Armed Forces of the United States or for the families of such individuals.

"(2) SEPARATE PLANS.—

"(A) DIFFERENT COVERAGE FOR SEPARATE GROUPS.—If a group of one or more employees receives coverage which differs from the coverage received by a second group of one or more employees, each such group shall be treated as covered by a separate plan. Individuals whose primary health insurance coverage is coverage under title XVIII of the Social Security Act shall be treated as receiving different coverage from individuals whose primary health insurance coverage is other than coverage under title XVIII of the Social Security Act.

"(B) EMPLOYER DETERMINATION.—The determination of whether two groups of one or more employees receiving identical coverage shall each be treated as covered by a separate plan shall be

made by the employer except as otherwise prescribed by the Secretary in regulations.

"(3) EMPLOYEE.—The term 'employee' does not include an individual who is an employee within the meaning of section 401(c)(1) (relating to self-employed individuals).

"(4) FAMILY.—The term 'family' means, with respect to an employee, the employee's spouse and any dependents of the employee.

"(5) MEDICAL CARE.—The term 'medical care' has the meaning given such term by paragraph (1) of section 213(e).

"(6) NONINSURED COVERAGE.—The term 'noninsured coverage' means any coverage, the risk of which is not shifted from the employer to an unrelated third party. All other coverage is insured coverage.

"(7) MULTIEMPLOYER PLAN.—The term 'multiemployer plan' means an employee welfare benefit plan (within the meaning of section 3(1) of the Employee Retirement Income Security Act of 1974)—

"(A) to which more than one employer is required to contribute, and

"(B) which is maintained pursuant to one or more collective bargaining agreements between

one or more employee organizations and more than one employer."

"(8) PAYROLL PERIOD.—The term 'payroll period' has the meaning provided such term in section 3401(b).

"(9) SINGLE EMPLOYER.—The term 'single employer' shall mean a single employer determined under rules similar to the rules provided by subsections (b), (c), and (m) of section 414.".

(2) The table of sections for part II of subchapter B of chapter 1 is amended by adding at the end thereof the following:

"Sec. 87. Excess employer contributions to health plans.".

(b) EXCLUSION FROM INCOME.—Section 106 is amended by striking the word "Gross" at the beginning thereof and inserting in lieu thereof the words "Except as provided in section 87 with respect to excess employer contributions, gross".

(c) EMPLOYMENT TAX AMENDMENTS.—

(1) FEDERAL INSURANCE CONTRIBUTIONS ACT AMENDMENTS.—Section 3102 is amended by adding at the end thereof the following new subsection:

"(d) SPECIAL RULE FOR EXCESS EMPLOYER CONTRIBUTIONS.—

"(1) In the case of excess employer contributions (within the meaning of section 87(b)) which constitute

wages, subsection (a) shall be applicable only to the extent that collection can be made by the employer, at or after the date on which such excess employer contributions are treated as paid to the employee under section 87(a)(2) and before the close of the 30th day following such date, by deducting the amount of the tax from such wages of the employer (excluding excess employer contributions, but including funds turned over by the employee to the employer pursuant to paragraph (2)) as are under control of the employer.

"(2) If the tax imposed by section 3101, with respect to excess employer contributions (within the meaning of section 87(b)), exceeds the wages of the employee (excluding excess employer contributions) from which the employer is required to collect the tax under paragraph (1), the employee may furnish to the employer, on or before the 30th day following the date on which the excess employer contributions are treated as paid to the employee under section 87(a)(2), an amount of money equal to such excess.

"(3) If the tax imposed by section 3101 with respect to excess employer contributions which constitute wages exceeds the portion of such tax which can be collected by the employer from the wages of the em-

ployee pursuant to paragraph (1), such excess shall be paid by the employee.".

(2) RAILROAD RETIREMENT TAX ACT AMENDMENTS.—Section 3202 is amended by adding at the end thereof the following new subsection:

"(d) SPECIAL RULES FOR EXCESS EMPLOYER CONTRIBUTIONS.—

"(1) In the case of excess employer contributions (within the meaning of section 87(b)) which constitute wages, subsection (a) shall be applicable only to the extent that collection can be made by the employer, at or after the date on which such excess employer contributions are treated as paid to the employee under section 87(a)(2) and before the close of the 30th day following such date, by deducting the amount of the tax from such wages of the employee (excluding excess employer contributions, but including funds turned over by the employee to the employer pursuant to paragraph (2)) as are under control of the employer.

"(2) If the tax imposed by section 3201, with respect to excess employer contributions (within the meaning of section 87(b)), exceeds the wages of the employee (excluding excess employer contributions) from which the employer is required to collect the tax under paragraph (1), the employee may furnish to the

employer, on or before the 30th day following the date on which the excess employer contributions are treated as paid to the employee under section 87(a)(2), an amount of money equal to such excess.

"(3) If the tax imposed by section 3201, with respect to excess employer contributions which constitute wages exceeds the portion of such tax which can be collected by the employer from the wages of the employee pursuant to paragraph (1), such excess shall be paid by the employee.".

(3) COLLECTION OF INCOME TAX AT SOURCE AMENDMENTS.—Section 3402 is amended by adding at the end thereof the following new subsection:

"(s) EXCESS EMPLOYER CONTRIBUTIONS.—In the case of excess employer contributions (within the meaning of section 87(b)) which constitute wages, subsection (a) shall be applicable only to the extent that the tax can be deducted and withheld by the employer, at or after the date on which such excess employer contributions are treated as paid to the employee under section 87(a)(2) and before the close of the calendar year in which such date occurs, from such wages of the employee (excluding excess employer contributions, but including funds turned over by the employee to the employer for the purpose of such deduction and withholding) as are under the control of the employer. Such tax shall not at any

time be deducted and withheld in an amount which exceeds the aggregate of such wages and funds (including funds turned over under section 3102(d)(2) or section 3202(d)(2)) minus any tax required by section 3102(a) or section 3202(a) to be collected from such wages and funds.".

(4) GENERAL RULE.—Chapter 25 (relating to general provisions relating to employment taxes) is amended by adding at the end thereof the following new section:

"SEC. 3508. TREATMENT OF EXCESS EMPLOYER CONTRIBUTIONS.

"(a) For purposes of this subtitle, any amount required to be included in the gross income of an employee under section 87(c) shall not be treated as a payment under a plan or system established by the employer on account of sickness or accident disability or medical or hospitalization expenses in connection with sickness or accident disability.

"(b) In the case of an employer who makes contributions to a health plan that is, or is part of, a multiemployer plan, then the amount of the excess employer contribution for purposes of the employer's liabilities and obligations under sections 3102, 3111, 3202, 3221, 3301, and 3401 shall be the amount determined under section 87(b)(2).".

(2) CLERICAL AMENDMENT.—The table of sections for chapter 25 is amended by adding at the end thereof the following new item:

"Sec. 3508. Treatment of excess employer contributions.".

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the amendments made by this section shall apply to payroll periods beginning after December 31, 1983, in taxable years ending after such date.

(2) EMPLOYMENT TAXES.—The amendments made by subsection (c) shall take effect January 1, 1984.

(3) LEGALLY BINDING CONTRACTS.—The amendments made by this section shall not apply with respect to employer contributions to an employer health plan, the amounts of which are fixed by the terms of a legally binding contract in effect on January 31, 1983, prior to the earlier of January 31, 1986, or the first date on which the amounts of such employer contributions cease to be fixed by the terms of such a contract. For purposes of this paragraph the amounts of employer contributions cease to be fixed by the terms of a contract on the earliest of the date the contract terminates, the date the contract is extended, the date the contract is reopened or renegotiated, the date any

terms of the contract are altered, amended, or otherwise changed, or the date any party to the contract has a right to terminate either the entire contract or that portion of the contract relating to the employer health plan.

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