

### 115TH CONGRESS 1ST SESSION

# H. R. 352

To amend the Social Security Act to replace the Medicaid program and the Children's Health Insurance program with a block grant to the States, and for other purposes.

## IN THE HOUSE OF REPRESENTATIVES

January 6, 2017

Mr. Rokita (for himself, Mr. Messer, Mr. Franks of Arizona, Mr. Farenthold, Mr. Westerman, Mr. Desjarlais, Mr. Moolenaar, Mr. Palazzo, Mrs. Black, Mr. Schweikert, Mr. Jody B. Hice of Georgia, Mr. Loudermilk, Mr. Pittenger, Mr. Bishop of Utah, Mr. Duncan of South Carolina, Mr. Cole, Mr. Olson, Mr. Rohrabacher, Mr. Cramer, Mr. Meadows, Mr. Brat, Mr. Stewart, Mr. Pearce, Mr. Trott, Mr. Banks of Indiana, Mr. Barr, and Mr. Allen) introduced the following bill; which was referred to the Committee on Energy and Commerce, and in addition to the Committees on Rules, Ways and Means, Education and the Workforce, the Judiciary, Natural Resources, House Administration, and Appropriations, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

## A BILL

To amend the Social Security Act to replace the Medicaid program and the Children's Health Insurance program with a block grant to the States, and for other purposes.

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

## 1 SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

- 2 (a) Short Title.—This Act may be cited as the
- 3 "State Health Flexibility Act of 2017".
- 4 (b) Table of Contents of
- 5 this Act is as follows:
  - Sec. 1. Short title; table of contents.
  - Sec. 2. Health grants to the States for health care services to indigent individuals.

## "TITLE XXII—BLOCK GRANTS TO STATES FOR HEALTH CARE SERVICES TO INDIGENT INDIVIDUALS

- "Sec. 2201. Purpose.
- "Sec. 2202. Grants to States.
- "Sec. 2203. Administrative and fiscal accountability.
- "Sec. 2204. Nondiscrimination provisions.
- "Sec. 2205. Definitions.
- Sec. 3. Repeal of PPACA, HCERA, and the Federal requirements of Medicaid and CHIP.
- Sec. 4. Severability.
- Sec. 5. Effective date.

#### 6 SEC. 2. HEALTH GRANTS TO THE STATES FOR HEALTH

- 7 CARE SERVICES TO INDIGENT INDIVIDUALS.
- 8 (a) HEALTH CARE BLOCK GRANT TO STATES.—The
- 9 Social Security Act is amended by adding at the end the
- 10 following new title:

## 11 "TITLE XXII—BLOCK GRANTS TO

- 12 STATES FOR HEALTH CARE
- 13 **SERVICES TO INDIGENT INDI-**
- 14 **VIDUALS**
- 15 "SEC. 2201. PURPOSE.
- 16 "The purpose of this title is to provide Federal finan-
- 17 cial assistance to the States, in the form of a single grant,
- 18 to allow the States maximum flexibility in providing, and

- 1 financing the provision of, health-care-related items and
- 2 services to indigent individuals.

#### 3 "SEC. 2202. GRANTS TO STATES.

- 4 "(a) In General.—Subject to the requirements of
- 5 this title, each State is entitled to receive from the Sec-
- 6 retary of the Treasury a grant for each quarter of each
- 7 of fiscal years 2018 through 2026, in an amount that is
- 8 equal to 25 percent of the total amount received by a State
- 9 under title XIX and title XXI for fiscal year 2013.
- 10 "(b) APPROPRIATION.—Out of any money in the
- 11 Treasury of the United States not otherwise appropriated,
- 12 there are appropriated for each of fiscal years 2018
- 13 through 2026 such sums as are necessary for grants under
- 14 this section.
- 15 "(c) Requirements Relating to Intergovern-
- 16 MENTAL FINANCING.—The Secretary of the Treasury
- 17 shall make the transfer of funds under grants under sub-
- 18 section (a) directly to each State in accordance with the
- 19 requirements of section 6503 of title 31, United States
- 20 Code.
- 21 "(d) Expenditure of Funds.—
- 22 "(1) In general.—Except as provided in para-
- graph (2), amounts received by a State under this
- 24 title for any fiscal year shall be expended by the

1	State in such fiscal year or in the succeeding fiscal
2	year.
3	"(2) Use of rainy day fund permitted.—
4	Of the amounts received by a State under this title,
5	the State may set aside, in a separate account, such
6	amounts as the State deems necessary to provide,
7	without fiscal limitation, health-care-related items
8	and services for indigent individuals during—
9	"(A) periods of unexpectedly high rates of
10	unemployment; or
11	"(B) periods related to circumstances that
12	are not described in subparagraph (A) and that
13	cause unexpected increases in the need for such
14	items and services for such individuals.
15	"(3) Funds remaining after fiscal year
16	2027.—If, after fiscal year 2027, a State has funds
17	in the account under paragraph (2), the State may
18	only expend such funds if such funds are used in a
19	manner that is permitted under subsection (e), as
20	such subsection is in effect on September 30, 2028.
21	"(e) USE OF FUNDS.—A State may only use the
22	amounts received under subsection (a) as follows:
23	"(1) General Purpose.—Nothing in this title
24	shall be construed as limiting the flexibility of a
25	State to determine which providers of such items

1	and services qualify to receive payment from a grant
2	made to the State under this title.
3	"(2) Funding for risk adjustment mecha-
4	NISMS.—To fund qualified high risk pools, reinsur-
5	ance pools, or other risk-adjustment mechanisms
6	used for the purpose of subsidizing the purchase of
7	private health insurance for the high-risk population.
8	"(3) Authority to use portion of federal
9	ASSISTANCE FOR OTHER WELFARE-RELATED PRO-
10	GRAMS.—
11	"(A) In general.—Subject to the limit
12	under subparagraph (B), to carry out a State
13	program pursuant to any or all of the following
14	provisions of law:
15	"(i) Part A of title IV of this Act.
16	"(ii) Section 1616 of this Act.
17	"(iii) The Food and Nutrition Act of
18	2008.
19	"(B) Limitation.—A State may not use
20	more than 30 percent of the amount received
21	under subsection (a) for a fiscal year to carry
22	out a State program, or programs, under sub-
23	paragraph (A).

1	"(C) REQUIREMENTS ON FUNDS.—Any
2	amounts that are used under subparagraph
3	(A)—
4	"(i) shall not be subject to any of the
5	requirements of subsection (d), subsection
6	(f), or section 2204; and
7	"(ii) shall be subject to—
8	"(I) the audit requirements
9	under section 2203; and
10	"(II) any requirements that
11	apply to Federal funds provided di-
12	rectly for such State program.
13	"(f) Maintenance of Current Law Restric-
14	TIONS ON USE OF FEDERAL FUNDS.—
15	"(1) In general.—
16	"(A) No funding for abortions.—
17	None of the funds appropriated in this title
18	shall be expended for any abortion.
19	"(B) No funds for coverage of abor-
20	TION.—None of the funds appropriated in this
21	title shall be expended for health benefits cov-
22	erage that includes coverage of abortion.
23	"(C) Health benefits coverage de-
24	FINED.—For purposes of this subsection, the
25	term 'health benefits coverage' means the pack-

1	age of services covered by a managed care pro-
2	vider or organization pursuant to a contract or
3	other arrangement.
4	"(2) Exceptions.—The limitations established
5	in paragraph (1) shall not apply to an abortion—
6	"(A) if the pregnancy is the result of an
7	act of rape or incest; or
8	"(B) in the case where a woman suffers
9	from a physical disorder, physical injury, or
10	physical illness that would, as certified by a
11	physician, place the woman in danger of death
12	unless an abortion is performed, including a
13	life-endangering physical condition caused by or
14	arising from the pregnancy itself.
15	"(3) State funds used in conjunction
16	WITH FEDERAL FUNDS.—The limitations established
17	in paragraph (1) shall apply to any State funds used
18	in conjunction with Federal funds appropriated
19	under this title to provide, or finance the provision
20	of, health-care-related items and services to indigent
21	individuals pursuant to section 2201 or subsection
22	(d)(2), $(e)(1)$ , or $(e)(2)$ of this section.
23	"(4) Option to purchase separate cov-
24	ERAGE OR PLAN.—Nothing in this subsection shall
25	be construed as prohibiting a State from purchasing

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separate coverage for abortions for which funding is prohibited under this subsection, or a health plan that includes such abortions, so long as such coverage or plan is paid for entirely using funds not provided by this title.

"(5) OPTION TO OFFER COVERAGE OR PLAN.—
Nothing in this subsection shall restrict any health
insurance issuer from offering separate coverage for
abortions for which funding is prohibited under this
subsection, or a health plan that includes such abortions, so long as—

"(A) premiums for such separate coverage or plan are paid entirely with funds not provided by this title; and

"(B) administrative costs and all services offered through such separate coverage or plan are paid for using only premiums collected for such coverage or plan.

## "(6) Conscience protections.—

"(A) None of the funds appropriated in this Act may be made available to a Federal agency or program, or to a State or local government, if such agency, program, or government subjects any institutional or individual health care entity to discrimination on the basis

1 that the health care entity does not provide, pay 2 for, provide coverage of, or refer for abortions. 3 "(B) In this paragraph, the term 'health 4 care entity' includes an individual physician or 5 other health care professional, a hospital, a pro-6 vider-sponsored organization, a health mainte-7 nance organization, a health insurance plan, or 8 any other kind of health care facility, organiza-9 tion, or plan. "(g) No Funding for Illegal Aliens.— 10 "(1) IN GENERAL.—Except as provided in para-11 12 graph (2), no funds appropriated in this title may be 13 used to provide health-care-related items and serv-14 ices to an alien who is not lawfully admitted for per-15 manent residence or otherwise permanently residing

- "(2) EMERGENCY ASSISTANCE.—A State that receives a grant under this title for a fiscal year shall provide payment for health-care-related items and services provided to an alien described in paragraph (1), consistent with the requirements of section 1867, if—
- 23 "(A) such health-care-related items and 24 services are—

in the United States under color of law.

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1	"(i) necessary for the treatment of an
2	emergency medical condition (as defined in
3	subsection (e) of such section); and
4	"(ii) health-care-related items and
5	services that such State would provide pay-
6	ment for under this title, if provided to an
7	indigent individual;
8	"(B) the individual would meet all nec-
9	essary eligibility requirements if paragraph (1)
10	did not apply for health-care-related items and
11	services under the State program funded under
12	this title; and
13	"(C) such items and services are not re-
14	lated to an organ transplant procedure.
15	"(h) Nonentitlement.—Nothing in this title shall
16	be construed as providing an individual with an entitle-
17	ment to health-care-related items and services under this
18	title.
19	"SEC. 2203. ADMINISTRATIVE AND FISCAL ACCOUNT-
20	ABILITY.
21	"(a) Audits.—
22	"(1) Contract with approved auditing en-
23	TITY.—Not later than October 1, 2018, and annu-
24	ally thereafter, a State shall contract with an ap-
25	proved auditing entity (as defined under paragraph

1	(3)(B)) for purposes of conducting an audit under
2	paragraph (2) (with respect to the fiscal year ending
3	September 30 of such year).
4	"(2) Audit requirement.—Under a contract
5	under paragraph (1), an approved auditing entity
6	shall conduct an audit of the expenditures or trans-
7	fers made by a State from amounts received under
8	a grant under this title, or from State funds de-
9	scribed in section 2202(f)(3), with respect to the fis-
10	cal year which such audit covers, to determine the
11	extent to which such expenditures and transfers
12	were expended in accordance with this title.
13	"(3) Entity conducting audit.—
14	"(A) In general.—With respect to a
15	State, the audit under paragraph (2) shall be
16	conducted by an approved auditing entity in ac-
17	cordance with generally accepted auditing prin-
18	ciples, including the provisions of chapter 75 of
19	title 31, United States Code.
20	"(B) Approved auditing entity.—For
21	purposes of this section, the term 'approved au-
22	diting entity' means, with respect to a State, an
23	entity that is—
24	"(i) approved by the Secretary of the

Treasury;

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1	"(ii) approved by the chief executive
2	officer of the State; and
3	"(iii) independent of any Federal,
4	State, or local agency.
5	"(4) Submission of Audit.—Not later than
6	December 31, 2018, and annually thereafter, a State
7	shall submit the results of the audit under para-
8	graph (2) (with respect to the fiscal year ending on
9	September 30 of such year) to the State legislature
10	and to the Secretary of the Treasury.
11	"(b) Reimbursement and Penalty.—
12	"(1) In general.—If, through an audit con-
13	ducted under subsection (a), an approved auditing
14	entity finds that any amounts paid to a State under
15	a grant under this title were not expended in accord-
16	ance with this title—
17	"(A) the State shall pay to the Treasury of
18	the United States any such amount, plus 10
19	percent of such amount as a penalty; or
20	"(B) the Secretary of the Treasury shall
21	offset such amount plus the 10-percent penalty
22	against any other amount in any other fiscal
23	year that the State may be entitled to receive
24	under a grant under this title.

1 "(2) MISUSE OF STATE FUNDS.—If, through an 2 audit conducted under subsection (a), an approved 3 auditing entity finds that a State violated the re-4 quirements of section 2202(f)(3), the State shall pay 5 to the Treasury of the United States 100 percent of 6 the amount of State funds that were used in viola-7 tion of section 2202(f)(3) as a penalty. Insofar as a 8 State fails to pay any such penalty, the Secretary of 9 the Treasury shall offset the amount not so paid 10 against the amount of any grant otherwise payable 11 to the State under this title.

## "(c) Annual Reporting Requirements.—

- "(1) IN GENERAL.—Not later than January 31, 2019, and annually thereafter, each State shall submit to the Secretary of the Treasury a report on the activities carried out by the State during the most recently completed fiscal year with funds received by the State under a grant under this title for such fiscal year.
- "(2) Content.—A report under paragraph (1) shall, with respect to a fiscal year—
- 22 "(A) contain the results of the audit con-23 ducted by an approved auditing entity for a 24 State for such fiscal year, in accordance with

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1	the requirements of subsection (a) of this sec-
2	tion;
3	"(B) specify the amount of the grant made
4	to the State under this title that is used to
5	carry out a program under section 2202(e)(3);
6	and
7	"(C) be in such form and contain such
8	other information as the State determines is
9	necessary to provide—
10	"(i) an accurate description of the ac-
11	tivities conducted by the State for the pur-
12	pose described under section 2201 and any
13	other use of funds permitted under sub-
14	sections (d) and (e) of section 2202; and
15	"(ii) a complete record of the pur-
16	poses for which amounts were expended in
17	accordance with this title.
18	"(3) Conformity with accounting prin-
19	CIPALS.—Any financial information in the report
20	under paragraph (1) shall be prepared and reported
21	in accordance with generally accepted accounting
22	principles, including the provisions of chapter 75 of
23	title 31, United States Code.
24	"(4) Public availability.—A State shall
25	make copies of the reports required under this sec-

1	tion available on a public Web site and shall make
2	copies available in other formats upon request.
3	"(d) Suspension of Payments for Failure To
4	COMPLY WITH CERTAIN REQUIREMENTS.—
5	"(1) IN GENERAL.—The Secretary of the
6	Treasury shall suspend payments made to a State
7	under a grant authorized by section 2202(a) during
8	any payment suspension period.
9	"(2) Suspension period defined.—For pur-
10	poses of paragraph (1), the term 'payment suspen-
11	sion period' means—
12	"(A) in the case of an audit required to be
13	submitted under subsection (a), the period that
14	begins on the date such audit is required to be
15	so submitted and ends on the date on which the
16	State submits such audit;
17	"(B) in the case of a report required to be
18	submitted under subsection (c), the period that
19	begins on the date such report is required to be
20	so submitted and ends on the date on which the
21	State submits such report; or
22	"(C) in the case of a violation by a State
23	of a requirement of section 2202(f), the period
24	that begins on the date on which the State is
25	informed of such violation and ends on the date

1	on which such violation is corrected by the
2	State.
3	"(e) Administrative Supervision and Over-
4	SIGHT.—
5	"(1) Limited role for secretary of the
6	TREASURY AND THE ATTORNEY GENERAL.—
7	"(A) Treasury.—The authority of the
8	Secretary of the Treasury under this title is
9	limited to—
10	"(i) promulgating regulations, issuing
11	rules, or publishing guidance documents to
12	the extent necessary for purposes of imple-
13	menting subsection (a)(3)(B), subsection
14	(b), and subsection (d);
15	"(ii) making quarterly payments to
16	the States under grants under this title in
17	accordance with section 2202(a);
18	"(iii) approving entities under sub-
19	section (a)(3)(B) for purposes of the audits
20	required under subsection (a);
21	"(iv) withholding payment to a State
22	of a grant under subsection (d) or offset-
23	ting a payment of such a grant to a State
24	under subsection (b); and

1	"(v) exercising the authority relating
2	to nondiscrimination that is specified in
3	section 2204(b).
4	"(B) Attorney general.—The authority
5	of the Attorney General under this title is lim-
6	ited to the authority under section 2204(c).
7	"(2) Federal supervision.—
8	"(A) In general.—Except as provided
9	under paragraph (1), an administrative officer,
10	employee, department, or agency of the United
11	States (including the Secretary of Health and
12	Human Services) may not—
13	"(i) supervise—
14	"(I) the amounts received by the
15	States under this title; or
16	"(II) the use of such amounts by
17	the States; or
18	"(ii) promulgate regulations or issue
19	rules in accordance with this title.
20	"(B) Limitation on secretary of
21	HEALTH AND HUMAN SERVICES.—The Sec-
22	retary of Health and Human Services shall
23	have no authority under this title.
24	"(f) Reservation of State Powers.—Nothing in
25	this section shall be construed to limit the power of a

- 1 State, including the power of a State to pursue civil and
- 2 criminal penalties under State law against any individual
- 3 or entity that misuses, or engages in fraud or abuse re-
- 4 lated to, the funds provided to a State under this title.

#### 5 "SEC. 2204. NONDISCRIMINATION PROVISIONS.

- 6 "(a) No Discrimination Against Individuals.—
- 7 No individual shall be excluded from participation in, de-
- 8 nied the benefits of, or subjected to discrimination under,
- 9 any program or activity funded in whole or in part with
- 10 amounts paid to a State under this title on the basis of
- 11 such individual's—
- 12 "(1) disability under section 504 of the Reha-
- 13 bilitation Act of 1973 (29 U.S.C. 794);
- 14 "(2) sex under title IX of the Education
- 15 Amendments of 1972 (20 U.S.C. 1681 et seq.); or
- 16 "(3) race, color, or national origin under title
- 17 VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d
- 18 et seq.).
- 19 "(b) Compliance.—
- 20 "(1) If the Secretary of the Treasury deter-
- 21 mines that a State or an entity that has received
- funds from amounts paid to a State under a grant
- under this title has failed to comply with a provision
- of law referred to in subsection (a), the Secretary of
- 25 the Treasury shall notify the chief executive officer

- 1 of the State of such failure to comply and shall re-2 quest that such chief executive officer secure such 3 compliance. 4 "(2) If, not later than 60 days after receiving 5 notification under paragraph (1), the chief executive 6 officer of a State fails or refuses to secure compliance with the provision of law referred to in such 7 8 notification, the Secretary of the Treasury may— 9 "(A) refer the matter to the Attorney Gen-10 eral with a recommendation that an appropriate 11 civil action be instituted; or 12 "(B) exercise the powers and functions 13 provided under section 505 of the Rehabilita-
- tion Act of 1973 (29 U.S.C. 794a), title IX of
  the Education Amendments of 1972 (20 U.S.C.
  16 1681 et seq.), or title VI of the Civil Rights Act
  of 1964 (42 U.S.C. 2000d et seq.) (as applicable).
- "(c) CIVIL ACTIONS.—If a matter is referred to the
  Attorney General under subsection (b)(2)(A), or the Attorney General has reason to believe that a State or entity
  has failed to comply with a provision of law referred to
  in subsection (a), the Attorney General may bring a civil
  action in an appropriate district court of the United States

1	for such relief as may be appropriate, including injunctive
2	relief.
3	"SEC. 2205. DEFINITIONS.
4	"For purposes of this title:
5	"(1) Health-Care-related items and serv-
6	ICES.—The term 'health-care-related items and serv-
7	ices' shall be defined by a State with respect to use
8	of such term for purposes of the application of this
9	title to the State.
10	"(2) High-risk population.—The term 'high-
11	risk population' means individuals who are described
12	in one of the following subparagraphs:
13	"(A) Individuals who, by reason of the ex-
14	istence or history of a medical condition, are
15	able to acquire health coverage only at rates
16	which are at least 150 percent of the standard
17	risk rates for such coverage.
18	"(B) Individuals who are provided health
19	coverage by a qualified high risk pool.
20	"(3) Indigent individual.—The term 'indi-
21	gent individual' shall be defined by a State with re-
22	spect to use of such term for purposes of the appli-
23	cation of this title to the State.
24	"(4) QUALIFIED HIGH RISK POOL.—The term
25	'qualified high risk pool' has the meaning given such

- 1 term in section 2745(g)(1)(A) of the Public Health
- 2 Service Act.
- 3 "(5) Risk-adjustment mechanism de-
- 4 FINED.—For purposes of this section, the term
- 5 'risk-adjustment mechanism' means any risk-spread-
- 6 ing mechanism to subsidize the purchase of private
- 7 health insurance for the high-risk population, includ-
- 8 ing a qualified high risk pool.".
- 9 (b) Report on Reduction of Federal Adminis-
- 10 TRATIVE EXPENDITURES.—Beginning not later than Oc-
- 11 tober 31, 2019, and annually thereafter until October 31,
- 12 2028, the Secretary of Health and Human Services, in
- 13 consultation with the Secretary of the Treasury, shall sub-
- 14 mit a report to the Committee on Energy and Commerce
- 15 in the House of Representatives and the Finance Com-
- 16 mittee in the Senate containing a description of the total
- 17 reduction in Federal expenditures required to administer
- 18 and provide oversight for the programs to provide health-
- 19 care-related items and services to indigent individuals
- 20 under this Act, compared to the expenditures required to
- 21 administer and provide oversight for the programs under
- 22 titles XIX and XXI of the Social Security Act, as in effect
- 23 on September 30, 2012.
- 24 (c) State Defined.—Section 1101(a)(1) of the So-
- 25 cial Security Act (42 U.S.C. 1301(a)(1)) is amended—

- 1 (1) in the first sentence, by striking "XIX, and
- 2 XXI" and inserting "and XXII"; and
- 3 (2) in the fourth sentence, by striking "titles
- 4 XIX and XXI" and inserting "title XXII".
- 5 SEC. 3. REPEAL OF PPACA, HCERA, AND THE FEDERAL RE-
- 6 QUIREMENTS OF MEDICAID AND CHIP.
- 7 (a) PPACA.—The Patient Protection and Affordable
- 8 Care Act (Public Law 111–148) is repealed, and the provi-
- 9 sions of law amended or repealed by such Act are restored
- 10 or revived as if such Act had not been enacted.
- 11 (b) HCERA.—Title I and subtitle B of title II of the
- 12 Health Care and Education Reconciliation Act of 2010
- 13 (Public Law 111–152) are repealed, and the provisions of
- 14 law amended or repealed by such title or subtitle, respec-
- 15 tively, are restored or revived as if such title and subtitle
- 16 had not been enacted.
- 17 (c) Medicaid and CHIP.—Titles XIX and XXI of
- 18 the Social Security Act are repealed.
- 19 SEC. 4. SEVERABILITY.
- If any provision of this Act, or the application of such
- 21 provision to any person or circumstance, is found to be
- 22 unconstitutional, the remainder of this Act, or the applica-
- 23 tion of that provision to other persons or circumstances,
- 24 shall not be affected.

## 1 SEC. 5. EFFECTIVE DATE.

- 2 This Act and the amendments and repeals made by
- 3 this Act shall take effect with respect to items and services
- 4 furnished on or after October 1, 2018.

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