



House of Representatives

General Assembly

File No. 205

January Session, 2001

House Bill No. 5039

House of Representatives, April 10, 2001

The Committee on Insurance and Real Estate reported through REP. JARJURA of the 74th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING MEDICAL SAVINGS ACCOUNTS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (f) of section 38a-493 of the general statutes is
2 repealed and the following is substituted in lieu thereof:

3 (f) Home health care benefits may be subject to an annual deductible
4 of not more than fifty dollars for each person covered under a policy
5 and may be subject to a coinsurance provision which provides for
6 coverage of not less than seventy-five per cent of the reasonable
7 charges for such services. Such policy may also contain reasonable
8 limitations and exclusions applicable to home health care coverage. A
9 "high deductible health plan", as defined in Section 220(c)(2) of the
10 Internal Revenue Code of 1986, or any subsequent corresponding
11 internal revenue code of the United States, as from time to time
12 amended, used to establish a "medical savings account" pursuant to
13 Section 220 of said Internal Revenue Code, shall not be subject to the
14 deductible limits set forth in this subsection.

15 Sec. 2. Subsection (f) of section 38a-520 of the general statutes is
16 repealed and the following is substituted in lieu thereof:

17 (f) Home health care benefits may be subject to an annual deductible
18 of not more than fifty dollars for each person covered under a policy
19 and may be subject to a coinsurance provision which provides for
20 coverage of not less than seventy-five per cent of the reasonable
21 charges for such services. Such policy may also contain reasonable
22 limitations and exclusions applicable to home health care coverage. A
23 "high deductible health plan", as defined in Section 220(c)(2) of the
24 Internal Revenue Code of 1986, or any subsequent corresponding
25 internal revenue code of the United States, as from time to time
26 amended, used to establish a "medical savings account" pursuant to
27 Section 220 of said Internal Revenue Code, shall not be subject to the
28 deductible limits set forth in this subsection.

29 Sec. 3. This act shall take effect July 1, 2001.

INS *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: None

Affected Agencies: None

Municipal Impact: None

Explanation

State Impact:

The bill specifies that a “high deductible health plan” used to establish a medical savings account, shall be exempt from the home health care deductible limit of \$50 that is required in certain individual and group health insurance policies. There is no fiscal impact for the Department of Insurance as a result of this bill.

OLR Bill Analysis

HB 5039

AN ACT CONCERNING MEDICAL SAVINGS ACCOUNTS.**SUMMARY:**

This bill exempts high-deductible health insurance policies used to establish federally qualified medical savings accounts (MSAs) from the \$50 maximum home health care deductible required in certain individual and group health insurance policies.

The exemption applies to hospital and medical coverage provided by HMOs to their subscribers and health insurance policies that pay (1) basic hospital, (2) basic medical-surgical, (3) major medical, and (4) hospital or medical expenses.

EFFECTIVE DATE: July 1, 2001

BACKGROUND***Medical Savings Account***

The tax provisions of the 1996 federal Health Insurance Portability and Accountability Act (P.L. 104-191) included a four-year demonstration program that allowed up to 750,000 high deductible health insurance policies to be sold to individuals employed at firms with 50 or fewer employees and self-employed people. The law permits:

1. an annual tax-deductible contribution to a MSA for up to 65% of the policy's deductible for individuals and up to 75% in families, when combined with a health insurance policy with an annual deductible of \$1,500 to \$2,250 for individuals and \$3,000 to \$4,000 for families;
2. tax-free buildup of money in the MSA and tax-free distributions of MSA funds for medical expenses;

3. consideration of funds withdrawn and used for non-medical expenses as income and subject to (a) income taxes and (b) a 15% penalty unless the withdrawal is made after age 65 or upon the onset of a disability;
4. any remaining MSA balance to be included in the decedent's gross estate at death, under rules similar to individual retirement account (IRA) fund rules; and
5. annual out-of-pocket maximum expenses of up to \$3,000 for individual coverage and up to \$5,000 for family coverage.

The demonstration program was extended two years for new enrollees (P.L. 106-554).

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Report

Yea 11 Nay 7