Ohio Legislative Service Commission

Bill Analysis

Carol Napp

Am. H.B. 97

129th General Assembly

(As Reported by H. Health and Aging)

Reps. Hollington and Carney, Henne, Martin, Huffman, Buchy, Snitchler, Ruhl, Gardner, Thompson, Beck, Hackett, Hottinger, Wachtmann, Blair, Yuko, Combs, Stebelton, Letson, O'Brien, Garland, Schuring

BILL SUMMARY

- Requires the Department of Administrative Services to establish a high deductible health care plan for state employees and state elected officials.
- Requires any individual who selects a high deductible health care plan offered by the state to establish a health savings account.
- Requires the state to make a monthly deposit into the individual's health savings account that equals 80% of the difference between the state's contribution for (1) a standard deductible health care plan and (2) a high deductible health care plan.

CONTENT AND OPERATION

High deductible health care plan for state employees

The bill requires the Department of Administrative Services (DAS) to establish a high deductible health care plan as part of any package of health care benefit options offered to state employees and state elected officials. DAS must make both individual and family coverage available under the plan.[1]

Definition of high deductible health care plan

The bill does not contain a definition of "high deductible health care plan." However, the plan must satisfy the federal definition of "high deductible health plan" in order for individuals to establish a health savings account as required by the bill (see "**Required health savings account**," below). Federal law defines "high deductible

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[1] R.C. 124.824.

health plan" as a plan with (1) an annual deductible of at least $1,200 for an individual or $2,400 for a family and (2) a limit on annual out-of-pocket expenses (including deductibles and copays) of $5,950 for an individual or $11,900 for a family, with certain exceptions.[2]

Cost limitations

The plan must not increase the cost of providing health insurance to state employees and state elected officials. Additionally, the state's contribution for the premium or cost of coverage for individuals or families under the plan must not exceed the state's current contribution for a standard deductible health care plan.[3]

Required health savings account

The bill requires any individual who selects a high deductible health care plan offered by the state to establish a health savings account that complies with federal requirements.[4]

Definition of health savings account

A health savings account is a tax-exempt trust or custodial account created to pay or reimburse qualified medical expenses.[5] Qualified medical expenses include amounts paid for doctors' fees, prescription medicines, and necessary hospital expenses not paid for by insurance.[6] An individual may establish a health savings account with a qualified health savings account trustee or custodian (such as a bank or insurance company) and does not need permission or authorization from the Internal Revenue Service.[7]

Only an "eligible individual" may establish a health savings account. An "eligible individual" is an individual who satisfies all of the following requirements:

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[2] U.S. Internal Revenue Service, Publication 969: *Health Savings Accounts and Other Tax-Favored Health Plans* (last visited May 24, 2011), available at <http://www.irs.gov/publications/p969/ar02.html#d0e115>; 26 United States Code 223(c)(2).

[3] R.C. 124.824.

[4] Section 223 of the Internal Revenue Code.

[5] U.S. Internal Revenue Service, Publication 969.

[6] *See* U.S. Internal Revenue Service, Publication 502: *Medical and Dental Expenses (Including the Health Coverage Tax Credit)* (last visited May 24, 2011), available at <http://www.irs.gov/pub/irs-pdf/p502.pdf>.

[7] U.S. Internal Revenue Service, Publication 969.

(1) The individual has a high deductible health plan on the first day of the month that the account is established.[8]

(2) The individual has no other health insurance coverage, with limited exceptions for (a) liabilities incurred under workers' compensation laws, tort liabilities, or liabilities related to the ownership or use of property, (b) a specific disease or illness, or (c) a fixed amount per day (or other period) of hospitalization.[9] Individuals may also continue to have coverage for accidents, disability, dental care, vision care, and long-term care.[10]

(3) The individual is not enrolled in Medicare.[11]

(4) The individual cannot be claimed as a dependent on another's tax return.[12]

An eligible individual, the individual's employer, or both may make contributions to the individual's health savings account. Generally, an individual's annual contribution is capped at $3,050 for individual health coverage or $6,150 for family health coverage.[13]

Required account contributions by the state

The bill requires the state to make a monthly deposit into the individual's health savings account. The amount of this deposit must equal 80% of the difference between (1) the state's contribution for a standard deductible health care plan and (2) the state's contribution for a high deductible health care plan.[14]

HISTORY

ACTION	DATE
Introduced	02-10-11
Reported, H. Health & Aging	05-18-11

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[8] 26 U.S.C. 223(c)(2).

[9] 26 U.S.C. 223(c)(3).

[10] U.S. Internal Revenue Service, Publication 969.

[11] 26 U.S.C. 223(b)(7).

[12] 26 U.S.C. 223(b)(6).

[13] U.S. Internal Revenue Service, Publication 969.

[14] R.C. 124.824.