

SENATE BILL REPORT

SHB 1805

As Reported By Senate Committee On:
Health & Long-Term Care, February 24, 1998
Ways & Means, March 2, 1998

Title: An act relating to health care savings accounts under the basic health plan.

Brief Description: Requiring the health care authority to offer health care savings accounts to unsubsidized basic health plan enrollees.

Sponsors: House Committee on Health Care (originally sponsored by Representatives Backlund, Dyer, L. Thomas, Sump, Crouse, Smith, Sherstad, Zellinsky, Talcott, Lambert, Bush, Mulliken, Thompson, Johnson, Buck, Skinner, Boldt, D. Schmidt, Sterk, Clements, Hickel, Koster, Cooke, Mastin and Carrell).

Brief History:

Committee Activity: Health & Long-Term Care: 3/27/97, 3/28/97 [DP-WM]; 2/24/98 [DPA-WM].

Ways & Means: 4/4/97, 4/7/97 [DP]; 2/26/98, 2/27/98, 3/2/98 [DPA (HEA), DNP].

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: Do pass as amended and be referred to Committee on Ways & Means. Signed by Senators Deccio, Chair; Wood, Vice Chair; Benton and Strannigan.

Staff: Jonathan Seib (786-7427)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended by Committee on Health & Long-Term Care.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Hochstatter, Long, McDonald, Rossi, Schow, Swecker, Winsley and Zarelli.

Minority Report: Do not pass.

Signed by Senators Fraser and Spanel.

Staff: Tim Yowell (786-7435)

Background: A medical savings account (MSA) is a prefunded account owned by an individual. Money deposited in an MSA by an employer or an individual may be used by the account holder to pay directly for less costly, routine and often discretionary health care. An MSA is usually, but not necessarily, coupled with higher deductible health plans. Of 23 states with MSA statutes, 18 exempt qualified MSA contributions from state income taxes. Since Washington does not have an income tax, such a deduction is not possible.

The federal Kassebaum-Kennedy Act authorized a four-year national demonstration project whereby eligible employees of firms with 50 or less employees, self-employed and certain uninsured persons may establish federal income tax favored MSAs if coupled with qualified high deductible health insurance. Effective January 1, 1997, this demonstration is limited to 750,000 subscribers. This law established MSA program requirements and limitations for individual eligibility, employer and fiduciary participation, MSA contributions and earnings deductibility, health plan qualifications, MSA deposits and withdrawals, and federal agency oversight.

In 1993, the Washington Legislature authorized medical savings accounts (referred to in Washington law as health care savings accounts); however, at present, there is no uniform MSA insurance product available.

Summary of Amended Bill: A four-year health care savings account (HCSA) and catastrophic insurance pilot project is to be administered by the state Health Care Authority (HCA). The pilot project is generally exempt from state laws governing insurance. Requirements on eligibility, enrollee financial participation, and account management may be similar to the provisions of the Kassebaum-Kennedy Act.

In designing the pilot project, the HCA must contract with an actuarial firm that has extensive knowledge of HCSA operations. By January 31, 1999, the HCA administrator must submit a status report to the Legislature detailing the actuarial firm's findings.

The pilot project is to be offered no later than October 1, 1999. The administrator of HCA is to evaluate the project and report to the Legislature by December 31, 2002.

Except for start-up funding, the full cost of the program must be incurred by enrollee premiums with no additional costs to be incurred by the state.

Amended Bill Compared to Substitute Bill: The amendment makes several technical changes and adds the following: the requirement that the HCA submit an interim status report to the Legislature; and the provisions exempting the pilot project from state laws governing insurance.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For (Health & Long-Term Care): None.

Testimony Against (Health & Long-Term Care): None.

Testified (Health & Long-Term Care): No one.

Testimony For (Ways & Means): Benefit structure under the pilot project would be similar to that authorized under the Kennedy-Kassebaum Act at the federal level, which specifies a \$1,500 minimum deductible level.

Testimony Against (Ways & Means): None.

Testified (Ways & Means): Dennis Martin, Health Care Authority (pro).