

HOUSE BILL REPORT

HB 2875

As Reported by House Committee On:
Health Care & Wellness

Title: An act relating to health savings accounts.

Brief Description: Concerning health savings accounts.

Sponsors: Representatives Ericksen, Cody, Condotta, Hinkle, Herrera, Driscoll, Parker, Bailey, Green, Morrell, Kelley, Wallace, Kessler and Moeller.

Brief History:

Committee Activity:

Health Care & Wellness: 1/28/10, 2/2/10 [DPS].

Brief Summary of Substitute Bill

- Requires the Public Employees Benefit Board to develop and approve a health savings account with a high-deductible health plan as an option for employees.

HOUSE COMMITTEE ON HEALTH CARE & WELLNESS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives Cody, Chair; Driscoll, Vice Chair; Bailey, Campbell, Clibborn, Green, Herrera, Hinkle, Kelley, Moeller, Morrell and Pedersen.

Staff: Dave Knutson (786-7146).

Background:

In 2003, as part of the Medicare Modernization Act, Congress authorized individuals to establish health savings accounts to work with qualifying high-deductible health coverage to help finance medical expenses. Health savings accounts are tax-free accounts set up by individuals or employers. The accounts are held by individuals, even when established and contributed to by employers. Interest earned is not taxed, and unused funds may carry over to the following year. A qualifying high-deductible health plan is one having an annual deductible of at least \$1,000 for individual coverage and at least \$2,000 for family coverage,

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with out-of-pocket costs not to exceed \$5,000 for an individual and \$10,000 for families. Preventive care is not subject to the annual deductible. The Internal Revenue Service rules on high-deductible health plans provide that services such as physicals, immunizations, screenings, prenatal care, and tobacco-cessation programs are covered without imposing any deductible. Preventive care also includes medication taken to prevent a disease or reoccurrence of a disease, such as taking cholesterol-lowering medications to prevent heart disease.

In 2005 the Legislature enacted legislation directing the Public Employees Benefits Board (PEBB) to develop a health savings account with a high-deductible health plan as an option for public employees. As of January 2010, the PEBB has not developed such a plan.

Summary of Substitute Bill:

The PEBB is directed to submit a high-deductible health plan to be offered in conjunction with a health savings account for bid during the 2011 health benefit plan procurement process. The PEBB must report to the Legislature if the PEBB does not approve a high-deductible health plan to be offered in conjunction with a health savings account for the 2011 benefit year.

Substitute Bill Compared to Original Bill:

The substitute bill deletes the requirement that the PEBB develop and approve a health savings account option for public employees by July 1, 2010. It deletes the authority of the PEBB to contract with a third party administrator to operate the health savings account option for public employees if it determines the health care authority does not have the administrative capability to do so.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) Health savings accounts are an attractive health benefit plan for many employees. The state should make health savings accounts available for public employees and let them choose whether that is the right health benefit plan for them. Many other states make this option available to their employees and it is a very popular choice.

(Opposed) The PEBB should not offer anything less than a comprehensive health benefit plan for public employees. The values of health benefit plans available to public employees should not be reduced.

(Other) The Health Care Authority needs specific statutory authority to use the employer share of an employee's health care benefit to fund a health savings account.

Persons Testifying: (In support) Representative Ericksen, prime sponsor; Donna Stewart, Association of Washington Business; and Paul Guppy, Washington Policy Center.

(Opposed) Dennis Eagle, Washington Federation of State Employees.

(Other) Dennis Martin, Health Care Authority.

Persons Signed In To Testify But Not Testifying: None.