

# HOUSE BILL REPORT

## SHB 1805

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### As Passed House

January 23, 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:** By 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 Care: 2/20/97, 3/3/97 [DPS].

#### Floor Activity:

Passed House: 3/13/97, 61-35;

Passed House: 1/23/98, 61-34.

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### HOUSE COMMITTEE ON HEALTH CARE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives Dyer, Chairman; Backlund, Vice Chairman; Skinner, Vice Chairman; Parlette; Sherstad and Zellinsky.

**Minority Report:** Do not pass. Signed by 5 members: Representatives Cody, Ranking Minority Member; Murray, Assistant Ranking Minority Member; Anderson; Conway and Wood.

**Staff:** Bill Hagens (786-7131).

**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 Bill:** The Washington State Health Care Authority (HCA) must: by October 1, 1998 create a four-year health care savings account (HCSA) pilot project to be offered to unsubsidized Basic Health Plan (BHP) enrollees; conduct an evaluation on the project's effectiveness; and report its finding to the appropriate committees of the Legislature by July 1, 2001.

The scope of the program services must be the same as that offered to unsubsidized Basic Health Plan enrollees who are not participating in the program.

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.

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.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** Health Care Savings Accounts will provide more consumer choice, encourage persons to use health care resources wisely, and, potentially, save money.

**Testimony Against:** None.

**Testified:** Steve Barchet, Washington MSA Project (pro); Jesse Malkin, Rand Graduate School; and Dennis Martin, Health Care Authority (neutral).