

1 **SHB 2098 - H AMDS 000461 BEYOND SCOPE & OBJECT OF BILL 4-17-93**

2 By Representatives Padden and Dyer

3 On page 17, after line 12, insert the following:

4 "NEW SECTION. Sec. 15. A new section is added to Title 48 RCW
5 to read as follows:

6 (1) The individual medical account act program is established
7 for state and school district employees. The state insurance
8 commissioner shall administer this program and shall promulgate
9 necessary rules pursuant to chapter 34.05 RCW. State and school
10 district employees shall have the option of participating in the
11 individual medical account program.

12 (2) For the purposes of this section the following
13 definitions apply:

14 (a) "Account holder" means the individual on whose behalf the
15 individual medical account is established.

16 (b) "Dependent child" means any person under the age of
17 twenty-one years or any person who is legally entitled or subject
18 to a court order for the provision of proper and necessary
19 subsistence, education, medical care, chiropractic care, or any
20 other care necessary for their health, guidance, or well-being, and
21 who is not otherwise emancipated, married or a member of the armed
22 forces of the United States, or who is so mentally or physically
23 incapacitated.

24 (c) "Individual medical account" means a trust created or
25 organized to pay the eligible medical, chiropractic, dental, and
26 long-term care expenses of the account holder.

27 (d) "Trustee" means a chartered state bank, savings and loan
28 association or trust company authorized to act as a fiduciary; a
29 national banking association or savings and loan association
30 authorized to act as a fiduciary; or an insurance company.

1 (e) "Employee" means a state employee or school district
2 employee.

3 (3) (a) For taxable years beginning on or after the effective
4 date of this act, an employee shall be allowed to deposit
5 contributions to an individual medical account. The amount of
6 deposit for the first taxable year subsequent to the effective date
7 of the act shall not exceed:

8 (i) Two thousand dollars for the account holder;

9 (ii) Two thousand dollars for the account holder and two
10 thousand dollars for the spouse of the account holder;

11 (iii) Two thousand dollars for the account holder, two
12 thousand dollars for the spouse of the account holder, and one
13 thousand dollars for each dependent child of the account holder; or

14 (iv) Two thousand dollars for the account holder and one
15 thousand dollars for each dependent child of the account holder.

16 (b) The maximum allowable amount of deposit for subsequent
17 years shall be increased annually by a percentage equal to the
18 previous year's increase in the national consumer price index.

19 (c) Upon agreement between an employer and employee, an
20 employer may contribute to the employee's individual medical
21 account or continue to make contributions under the employee's
22 existing health insurance policy or program, subject, however, to
23 the restrictions in subsection (e)(i) of this section.

24 (d) The individual medical account shall be established as a
25 trust under the laws of this state and placed with a trustee. The
26 trustee shall:

27 (i) Purchase long-term care coverage for each account holder
28 to cover all medical, chiropractic, dental, and long-term care
29 expenses in excess of ten thousand dollars; and

30 (ii) Utilize the trust assets solely for the purpose of paying
31 the medical, chiropractic, dental, and long-term care expenses of
32 the account holder.

1 (e) Individual medical account funds may be withdrawn by the
2 account holder at any time for any purpose, subject to the
3 following restrictions and penalties:

4 (i) There shall be a distribution penalty for withdrawal of
5 individual medical account funds by the account holder. Such
6 penalty shall be 10 percent of the amount of interest earned as of
7 the date of withdrawal on the account.

8 (ii) After an account holder reaches 60 years of age,
9 withdrawals shall be permitted for medical, chiropractic, dental or
10 long-term care expenses only, and may be withdrawn without penalty.

11 (f) Upon the death of the account holder, the account
12 principle, as well as any interest accumulated thereon, shall be
13 distributed to the decedent's estate as part of the estate."

14 On page 17, line 13, strike "**Sec. 15.** This act is" and insert
15 "**Sec. 16.** Sections 1 through 14 of this act are"

EFFECT: Creates the individual medical account program and
authorizes individual state and school district employees to
participate in the program.

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