

MAINE STATE LEGISLATURE

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L.D. 1554

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BANKING AND INSURANCE

MINORITY

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
120TH LEGISLATURE
SECOND REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 1151, L.D. 1554, Bill, "An Act to Allow Health Insurance Premiums to be Eligible for Medical Savings Accounts"

Amend the bill by striking out the title and substituting the following:

'An Act to Encourage Individual Medical Savings Accounts'

Further amend the bill by striking out everything after the enacting clause and before the summary and inserting in its place the following:

'Sec. 1. 24-A MRSA c. 33-A is enacted to read:

CHAPTER 33-A

INDIVIDUAL MEDICAL SAVINGS ACCOUNT

§2761. Short title

This chapter may be known and cited as the "Individual Medical Savings Account Act."

§2762. Definitions

As used in this chapter, unless the context otherwise indicates, the following terms have the following meanings.

1. Account administrator. "Account administrator" means any of the following entities permitted as trustees of medical savings accounts pursuant to 26 United States Code, Section 220:

R.O.S.

COMMITTEE AMENDMENT "A" to H.P. 1151, L.D. 1554

- 2 A. A financial institution authorized to do business in
this State as defined in Title 9-B, section 131, subsection
17-A;
- 4
- 6 B. An insurance company, health maintenance organization or
3rd-party administrator authorized to do business in this
State pursuant to this Title; or
- 8
- 10 C. A nonprofit hospital and medical service organization
authorized to do business in this State pursuant to Title 24.

12 2. Account holder. "Account holder" means an individual
who has established an individual medical savings account.

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16 3. Eligible medical expenses. "Eligible medical expenses"
means expenses paid by an account holder for medical care that
are described in 26 United States Code, Section 213(d).

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20 4. Individual medical savings account. "Individual medical
savings account" or "account" means a trust created or organized
to pay eligible medical expenses.

22 **§2763. Establishment and procedures**

24

26 Individual medical savings accounts may be established
subject to the following procedures.

28 1. Health insurance coverage. Before establishing an
individual medical savings account, the prospective account
holder must obtain or have a high deductible health plan that
meets the following conditions.

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34 A. For individual coverage, the health insurance policy
must have an annual deductible of not less than \$1,500 and
not more than \$2,550.

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38 B. For family coverage, the health insurance policy must
have an annual deductible of not less than \$3,000 and not
more than \$4,500.

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42 C. The annual out-of-pocket expenses, other than for
premiums, for covered benefits may not exceed \$3,000 for
individual coverage or \$5,500 for family coverage.

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46 D. The annual deductible and annual limit on out-of-pocket
expenses may be adjusted to conform to any cost-of-living
adjustment made pursuant to 26 United States Code, Section
48 220.

2 of 3

2 2. Account establishment. An account holder may establish
3 an individual medical savings account for taxable years beginning
4 after December 31, 2002. The account must be established as a
5 trust under the laws of this State and must be placed with an
6 account administrator. At the time of establishment, the account
7 administrator shall notify the account holder of potential
8 federal income tax liability that may be associated with the
9 account.

10 3. Payment of eligible medical expenses. The account
11 administrator may use the funds in an account solely to pay
12 eligible medical expenses of the account holder and members of
13 the account holder's household that are not otherwise covered
14 under the account holder's existing health insurance coverage.
15 Funds held in an account may not be used to cover medical
16 expenses of the account holder or members of the account holder's
17 household that are otherwise covered, including, but not limited
18 to, medical expenses covered pursuant to an automobile insurance
19 policy, a workers' compensation insurance policy or a
20 self-insured workers' compensation plan. If the account holder
21 submits appropriate documentation to the account administrator,
22 the account administrator may reimburse the account holder from
23 account funds for eligible medical expenses paid directly by the
24 account holder during the taxable year.

25 4. Limits. In each taxable year, the total deposits that
26 may be made to an account by an account holder are limited in
27 accordance with 26 United States Code, Section 220 to:

28 A. Sixty-five percent of the annual deductible for
29 individual coverage; and

30 B. Seventy-five percent of the annual deductible for family
31 coverage.

32 5. Conformity with federal law. An individual medical
33 savings account must meet the requirements of this chapter and
34 the requirements of 26 United States Code, Section 220,
35 including, but not limited to, requirements for tax treatment of
36 contributions and distributions and for account terminations.

37 6. Technical assistance. The bureau shall provide
38 technical assistance within existing resources to account
39 administrators that offer individual medical savings accounts.

40 **§2764. Rulemaking**

41 The superintendent may adopt rules as necessary to carry out
42 the purposes of this chapter. Rules adopted pursuant to this

chapter are routine technical rules as defined in Title 5,
chapter 375, subchapter II-A.

§2765. Contingent repeal

This chapter is repealed upon the repeal of federal
legislation authorizing medical savings accounts, 26 United
States Code, Section 220.'

Further amend the bill by inserting at the end before the
summary the following:

FISCAL NOTE

The additional costs associated with providing technical
assistance to certain companies can be absorbed by the Bureau of
Insurance within the Department of Professional and Financial
Regulation utilizing existing budgeted resources.'

SUMMARY

This amendment is the minority report of the committee and
replaces the bill. It provides enabling legislation for health
insurance carriers to offer medical savings accounts in
conjunction with health insurance for policyholders in the
individual health insurance market. Medical savings accounts
must conform to the requirements for the accounts under federal
law. Individuals with medical savings accounts are eligible for
a federal tax deduction for contributions to the accounts and are
not taxed for withdrawals to pay qualified medical expenses. The
amendment does not provide any state income tax deduction or
exemption for contributions or qualified withdrawals from medical
savings accounts. The amendment also requires the Department of
Professional and Financial Regulation, Bureau of Insurance to
provide technical assistance to those companies that offer
medical savings accounts in conjunction with individual health
insurance policies within the bureau's existing resources. The
legislation is repealed upon the repeal of federal legislation
authorizing medical savings accounts.

The amendment also adds a fiscal note to the bill.