

106TH CONGRESS
1ST SESSION

S. 1274

To amend the Internal Revenue Code of 1986 to increase the accessibility to and affordability of health care, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 24, 1999

Mr. GRAMS (for himself, Mr. ROTH, Mr. ABRAHAM, Mr. ASHCROFT, Mr. BURNS, Mr. DEWINE, Mr. FRIST, Mr. GORTON, Mrs. HUTCHISON, Mr. SANTORUM, Mr. THOMAS, Mr. NICKLES, Mr. MACK, Mr. CRAIG, Mr. COVERDELL, Mr. McCONNELL, Mr. INHOFE, and Mr. BUNNING) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to increase the accessibility to and affordability of health care, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Health Care Access
5 and Equity Act of 1999”.

1 **SEC. 2. DEDUCTION FOR HEALTH INSURANCE COSTS FOR**
 2 **INDIVIDUALS NOT ELIGIBLE TO PARTICI-**
 3 **PATE IN EMPLOYER-SUBSIDIZED HEALTH**
 4 **PLANS.**

5 (a) IN GENERAL.—Part VII of subchapter B of chap-
 6 ter 1 of the Internal Revenue Code of 1986 (relating to
 7 additional itemized deductions) is amended by redesign-
 8 nating section 222 as section 223 and by inserting after
 9 section 221 the following:

10 **“SEC. 222. HEALTH INSURANCE COSTS.**

11 “(a) IN GENERAL.—In the case of an individual,
 12 there shall be allowed as a deduction an amount equal to
 13 100 percent of the amount paid during the taxable year
 14 for insurance which constitutes medical care for the tax-
 15 payer, his spouse, and dependents.

16 “(b) LIMITATIONS.—

17 “(1) DEDUCTION NOT AVAILABLE TO INDIVID-
 18 UALS ELIGIBLE FOR EMPLOYER-SUBSIDIZED COV-
 19 ERAGE.—

20 “(A) IN GENERAL.—Except as provided in
 21 subparagraphs (B) and (C), subsection (a) shall
 22 not apply to any taxpayer for any calendar
 23 month for which the taxpayer is eligible to par-
 24 ticipate in any subsidized health plan main-
 25 tained by any employer (or former employer) of
 26 the taxpayer or of the spouse of the taxpayer.

1 The preceding sentence shall be applied sepa-
 2 rately with respect to—

3 “(i) plans which include coverage for
 4 qualified long-term care services (as de-
 5 fined in section 7702B(c)) or are qualified
 6 long-term care insurance contracts (as de-
 7 fined in section 7702B(b)), and

8 “(ii) coverage under the plans which
 9 do not include such coverage and are not
 10 such contracts.

11 “(B) CERTAIN COVERAGE DIS-
 12 REGARDED.—Subparagraph (A) shall not apply
 13 if the subsidized health plan is limited to—

14 “(i) coverage for accidents, disability,
 15 dental care, vision care, or a specified ill-
 16 ness, or

17 “(ii) making payments of a fixed
 18 amount per day (or other period) of hos-
 19 pitalization.

20 “(C) CONTINUATION COVERAGE.—Cov-
 21 erage shall not be treated as subsidized for pur-
 22 poses of this paragraph if—

23 “(i) such coverage is continuation cov-
 24 erage (within the meaning of section

1 4980B(f)) required to be provided by the
2 employer, and

3 “(ii) the taxpayer or the taxpayer’s
4 spouse is required to pay a premium for
5 such coverage in an amount not less than
6 100 percent of the applicable premium
7 (within the meaning of section
8 4980B(f)(4)) for the period of such cov-
9 erage.

10 “(2) LIMITATION ON LONG-TERM CARE PRE-
11 MIUMS.—In the case of a qualified long-term care
12 insurance contract (as defined in section 7702B(b)),
13 only eligible long-term care premiums (as defined in
14 section 213(d)(10)) shall be taken into account
15 under subsection (a).

16 “(3) DEDUCTION NOT AVAILABLE FOR PAY-
17 MENT OF CERTAIN PREMIUMS.—The following
18 amounts shall not be taken into account under sub-
19 section (a):

20 “(A) MEDICARE PREMIUMS.—Any amount
21 paid as a premium—

22 “(i) under part A, B, or C of title
23 XVIII of the Social Security Act, and

1 “(ii) for any medicare supplemental
2 policy described in section 1882 of such
3 Act.

4 “(B) ANCILLARY COVERAGE PREMIUMS.—
5 Any amount paid as a premium for insurance
6 which provides for—

7 “(i) coverage for accidents, disability,
8 dental care, vision care, or a specified ill-
9 ness, or

10 “(ii) making payments of a fixed
11 amount per day (or other period) of hos-
12 pitalization.

13 “(C) TANGENTIAL COVERAGE PRE-
14 MIUMS.—Any amount paid as a premium for
15 insurance if substantially all of the coverage
16 provided under such insurance relates to—

17 “(i) liabilities incurred under workers’
18 compensation laws,

19 “(ii) tort liabilities,

20 “(iii) liabilities relating to ownership
21 or use of property, or

22 “(iv) such other similar liabilities as
23 the Secretary may specify by regulations.

24 “(c) SPECIAL RULES.—For purposes of this
25 section—

1 “(1) COORDINATION WITH MEDICAL DEDUC-
 2 TION, ETC.—Any amount paid by a taxpayer for in-
 3 surance to which subsection (a) applies shall not be
 4 taken into account in computing the amount allow-
 5 able to the taxpayer as a deduction under section
 6 213(a).

7 “(2) DEDUCTION NOT ALLOWED FOR SELF-EM-
 8 PLOYMENT TAX PURPOSES.—The deduction allow-
 9 able by reason of this section shall not be taken into
 10 account in determining an individual’s net earnings
 11 from self-employment (within the meaning of section
 12 1402(a)) for purposes of chapter 2.”

13 (b) CONFORMING AMENDMENTS.—

14 (1) Subsection (l) of section 162 of the Internal
 15 Revenue Code of 1986 is repealed.

16 (2) Subsection (a) of section 62 of such Code
 17 is amended by inserting after paragraph (17) the
 18 following:

19 “(18) HEALTH INSURANCE COSTS OF CERTAIN
 20 INDIVIDUALS.—The deduction allowed by section
 21 222.”

22 (3) The table of sections for part VII of sub-
 23 chapter B of chapter 1 of such Code is amended by
 24 striking the last item and inserting the following:

 “Sec. 222. Health insurance costs.
 “Sec. 223. Cross reference.”

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to taxable years beginning after
 3 December 31, 1999.

4 **SEC. 3. FULL AVAILABILITY OF MEDICAL SAVINGS AC-**
 5 **COUNTS.**

6 (a) AVAILABILITY NOT LIMITED TO ACCOUNTS FOR
 7 EMPLOYEES OF SMALL EMPLOYERS AND SELF-EM-
 8 PLOYED INDIVIDUALS.—

9 (1) IN GENERAL.—Section 220(c)(1)(A) of the
 10 Internal Revenue Code of 1986 (relating to eligible
 11 individual) is amended to read as follows:

12 “(A) IN GENERAL.—The term ‘eligible in-
 13 dividual’ means, with respect to any month, any
 14 individual if—

15 “(i) such individual is covered under a
 16 high deductible health plan as of the 1st
 17 day of such month, and

18 “(ii) such individual is not, while cov-
 19 ered under a high deductible health plan,
 20 covered under any health plan—

21 “(I) which is not a high deduct-
 22 ible health plan, and

23 “(II) which provides coverage for
 24 any benefit which is covered under the
 25 high deductible health plan.”

1 (2) CONFORMING AMENDMENTS.—

2 (A) Section 220(c)(1) of such Code is
3 amended by striking subparagraphs (C) and
4 (D).

5 (B) Section 220(c) of such Code is amend-
6 ed by striking paragraph (4) (defining small
7 employer) and by redesignating paragraph (5)
8 as paragraph (4).

9 (C) Section 220(b) of such Code is amend-
10 ed by striking paragraph (4) (relating to deduc-
11 tion limited by compensation) and by redesign-
12 ating paragraphs (5), (6), and (7) as para-
13 graphs (4), (5), and (6), respectively.

14 (b) REMOVAL OF LIMITATION ON NUMBER OF TAX-
15 PAYERS HAVING MEDICAL SAVINGS ACCOUNTS.—

16 (1) IN GENERAL.—Section 220 of the Internal
17 Revenue Code of 1986 (relating to medical savings
18 accounts) is amended by striking subsections (i) and
19 (j).

20 (2) MEDICARE+CHOICE.—Section 138 of such
21 Code (relating to Medicare+Choice MSA) is amend-
22 ed by striking subsection (f).

23 (c) REDUCTION IN HIGH DEDUCTIBLE PLAN MIN-
24 IMUM ANNUAL DEDUCTIBLE.—

1 (1) IN GENERAL.—Section 220(c)(2)(A) of the
 2 Internal Revenue Code of 1986 (relating to high de-
 3 ductible health plan) is amended—

4 (A) by striking “\$1,500” in clause (i) and
 5 inserting “\$1,000”, and

6 (B) by striking “\$3,000” in clause (ii) and
 7 inserting “\$2,000”.

8 (2) CONFORMING AMENDMENT.—Subsection (g)
 9 of section 220 of such Code is amended—

10 (A) by striking “1998” and inserting
 11 “1999”; and

12 (B) by striking “1997” and inserting
 13 “1998”.

14 (d) INCREASE IN CONTRIBUTION LIMIT TO 100 PER-
 15 CENT OF ANNUAL DEDUCTIBLE.—

16 (1) IN GENERAL.—Section 220(b)(2) of the In-
 17 ternal Revenue Code of 1986 (relating to monthly
 18 limitation) is amended to read as follows:

19 “(2) MONTHLY LIMITATION.—The monthly lim-
 20 itation for any month is the amount equal to $\frac{1}{12}$ of
 21 the annual deductible of the high deductible health
 22 plan of the individual.”

23 (2) CONFORMING AMENDMENT.—Section
 24 220(d)(1)(A) of such Code is amended by striking
 25 “75 percent of”.

1 (e) LIMITATION ON ADDITIONAL TAX ON DISTRIBUTIONS NOT USED FOR QUALIFIED MEDICAL EXPENSES.—Section 220(f)(4) of the Internal Revenue Code
 2 of 1986 (relating to additional tax on distributions not
 3 used for qualified medical expenses) is amended by adding
 4 at the end the following:

7 “(D) EXCEPTION IN CASE OF SUFFICIENT
 8 ACCOUNT BALANCE.—Subparagraph (A) shall
 9 only apply to any payment or distribution in
 10 any taxable year to the extent that the fair
 11 market value of the assets of the medical sav-
 12 ings account after such payment or distribution
 13 is less than the annual deductible for the high
 14 deductible health plan of the account holder
 15 (determined as of January 1 of the calendar
 16 year in which the taxable year begins).”

17 (f) EFFECTIVE DATE.—The amendments made by
 18 this section shall apply to taxable years beginning after
 19 December 31, 1999.

20 **SEC. 4. CARRYOVER OF UNUSED BENEFITS FROM CAFETERIA PLANS, FLEXIBLE SPENDING AR-**
 21 **RANGEMENTS, AND HEALTH FLEXIBLE**
 22 **SPENDING ACCOUNTS.**

24 (a) IN GENERAL.—Section 125 of the Internal Revenue Code of 1986 (relating to cafeteria plans) is amended
 25

1 by redesignating subsections (h) and (i) as subsections (i)
 2 and (j) and by inserting after subsection (g) the following:

3 “(h) ALLOWANCE OF CARRYOVERS OF UNUSED BEN-
 4 EFITS TO LATER TAXABLE YEARS.—

5 “(1) IN GENERAL.—For purposes of this title—

6 “(A) notwithstanding subsection (d)(2), a
 7 plan or other arrangement shall not fail to be
 8 treated as a cafeteria plan or flexible spending
 9 or similar arrangement, and

10 “(B) no amount shall be required to be in-
 11 cluded in gross income by reason of this section
 12 or any other provision of this chapter,

13 solely because under such plan or other arrangement
 14 any nontaxable benefit which is unused as of the
 15 close of a taxable year may be carried forward to 1
 16 or more succeeding taxable years.

17 “(2) LIMITATION.—Paragraph (1) shall not
 18 apply to amounts carried from a plan to the extent
 19 such amounts exceed \$500 (applied on an annual
 20 basis). For purposes of this paragraph, all plans and
 21 arrangements maintained by an employer or any re-
 22 lated person shall be treated as 1 plan.

23 “(3) ALLOWANCE OF ROLLOVER.—

24 “(A) IN GENERAL.—In the case of any un-
 25 used benefit described in paragraph (1) which

consists of amounts in a health flexible spending account or dependent care flexible spending account, the plan or arrangement shall provide that a participant may elect, in lieu of such carryover, to have such amounts distributed to the participant.

“(B) AMOUNTS NOT INCLUDED IN INCOME.—Any distribution under subparagraph (A) shall not be included in gross income to the extent that such amount is transferred in a trustee-to-trustee transfer, or is contributed within 60 days of the date of the distribution, to—

“(i) a qualified cash or deferred arrangement described in section 401(k),

“(ii) a plan under which amounts are contributed by an individual’s employer for an annuity contract described in section 403(b),

“(iii) an eligible deferred compensation plan described in section 457, or

“(iv) a medical savings account (within the meaning of section 220).

Any amount rolled over under this subparagraph shall be treated as a rollover contribution

1 for the taxable year from which the unused
2 amount would otherwise be carried.

3 “(C) TREATMENT OF ROLLOVER.—Any
4 amount rolled over under subparagraph (B)
5 shall be treated as an eligible rollover under
6 section 220, 401(k), 403(b), or 457, whichever
7 is applicable, and shall be taken into account in
8 applying any limitation (or participation re-
9 quirement) on employer or employee contribu-
10 tions under such section or any other provision
11 of this chapter for the taxable year of the roll-
12 over.

13 “(4) COST-OF-LIVING ADJUSTMENT.—In the
14 case of any taxable year beginning in a calendar
15 year after 1999, the \$500 amount under paragraph
16 (2) shall be adjusted at the same time and in the
17 same manner as under section 415(d)(2), except
18 that the base period taken into account shall be the
19 calendar quarter beginning October 1, 1998, and
20 any increase which is not a multiple of \$50 shall be
21 rounded to the next lowest multiple of \$50.”

22 (b) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to taxable years beginning after
24 December 31, 1999.

1 **SEC. 5. PERMITTING CONTRIBUTION TOWARDS MEDICAL**
2 **SAVINGS ACCOUNT THROUGH FEDERAL EM-**
3 **PLOYEES HEALTH BENEFITS PROGRAM**
4 **(FEHBP).**

5 (a) GOVERNMENT CONTRIBUTION TO MEDICAL SAV-
6 INGS ACCOUNT.—

7 (1) IN GENERAL.—Section 8906 of title 5,
8 United States Code, is amended by adding at the
9 end the following:

10 “(j)(1) In the case of an employee or annuitant who
11 is enrolled in a catastrophic plan described by section
12 8903(5), there shall be a Government contribution under
13 this subsection to a medical savings account established
14 or maintained for the benefit of the individual. The con-
15 tribution under this subsection shall be in addition to the
16 Government contribution under subsection (b).

17 “(2) The amount of the Government contribution
18 under this subsection with respect to an individual is equal
19 to the amount by which—

20 “(A) the maximum contribution allowed under
21 subsection (b)(1) with respect to any employee or
22 annuitant, exceeds

23 “(B) the amount of the Government contribu-
24 tion actually made with respect to the individual
25 under subsection (b) for coverage under the cata-
26 strophic plan.

1 “(3) The Government contributions under this sub-
 2 section shall be paid into a medical savings account (des-
 3 ignated by the individual involved) in a manner that is
 4 specified by the Office and consistent with the timing of
 5 contributions under subsection (b).

6 “(4) Subsections (f) and (g) shall apply to contribu-
 7 tions under this section in the same manner as they apply
 8 to contributions under subsection (b).

9 “(5) For the purpose of this subsection, the term
 10 ‘medical savings account’ has the meaning given such term
 11 by section 220(d) of the Internal Revenue Code of 1986.”

12 (2) ALLOWING PAYMENT OF FULL AMOUNT OF
 13 CHARGE FOR CATASTROPHIC PLAN.—Section
 14 8906(b)(2) of such title is amended by inserting “(or
 15 100 percent of the subscription charge in the case
 16 of a catastrophic plan)” after “75 percent of the
 17 subscription charge”.

18 (b) OFFERING OF CATASTROPHIC PLANS.—

19 (1) IN GENERAL.—Section 8903 of title 5,
 20 United States Code, is amended by adding at the
 21 end the following:

22 “(5) CATASTROPHIC PLANS.—One or more
 23 plans described in paragraph (1), (2), or (3), but
 24 which provide benefits of the types referred to by
 25 paragraph (5) of section 8904(a), instead of the

1 types referred to in paragraphs (1), (2), and (3) of
2 such section.”

3 (2) TYPES OF BENEFITS.—Section 8904(a) of
4 such title is amended by inserting after paragraph
5 (4) the following:

6 “(5) CATASTROPHIC PLANS.—Benefits of the
7 types named under paragraph (1) or (2) of this sub-
8 section or both, to the extent expenses covered by
9 the plan exceed \$500.”

10 (3) DETERMINING LEVEL OF GOVERNMENT
11 CONTRIBUTIONS.—Section 8906(b) of such title is
12 amended by adding at the end the following: “Sub-
13 scription charges for medical savings accounts shall
14 be deemed to be the amount of Government con-
15 tributions made under subsection (j)(2).”

16 (c) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to contract terms beginning on or
18 after January 1, 2000.

19 **SEC. 6. INCLUSION OF QUALIFIED LONG-TERM CARE IN-**
20 **SURANCE CONTRACTS IN CAFETERIA PLANS,**
21 **FLEXIBLE SPENDING ARRANGEMENTS, AND**
22 **HEALTH FLEXIBLE SPENDING ACCOUNTS.**

23 (a) IN GENERAL.—Section 125(f) of the Internal
24 Revenue Code of 1986 (defining qualified benefits) is
25 amended by striking the last sentence and inserting the

1 following: “Such term includes any qualified long-term
2 care insurance contract.”

3 (b) EFFECTIVE DATE.—The amendment made by
4 this section shall apply to taxable years beginning after
5 December 31, 1999.

