ARCHER-JACOBS FAMILY MEDICAL SAVINGS AND INVESTMENT ACT OF 1995

HON. BILL ARCHER

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 13, 1995

Mr. ARCHER. Mr. Speaker, I am introducing H.R. 1818, the Family Medical Savings and Investment Act of 1995. The American people want health care reform—but not health care reform that relies on one-size-fits-all big Government solutions. Medical savings accounts will allow Americans to find affordable health care tailored to their personal needs. By allowing businesses and individuals to set up tax-free accounts to use for their health care expenses, this bill accomplishes three things. It makes health care more affordable and more accessible, and it promotes savings.

One of the reasons health care costs have skyrocketed is overuse and abuse of the system. By giving patients incentives to purchase health care more carefully, medical savings accounts will reduce the pressures that cause costs to rise.

Medical savings accounts also increase access to health care. If you have your own account, you won't lose your health care if you change jobs or lose your job.

Finally, MSA's promote personal savings. Nearly all of the economists who have come before the Ways and Means Committee agree on one thing: we badly need more savings. MSA's provide a savings-based answer to the health care dilemma.

Last year, the American people were denied meaningful health care reform because the administration took an all-or-nothing big Government approach that left them with nothing. Our incremental approach looks to be just what the doctor—and the American people—ordered.

Medical savings accounts legislation has long been a goal of mine. And now, this is an idea whose time has come. I hope that my colleagues, on both sides of the aisle, will join me in supporting this legislation which will allow Americans to find better quality, more affordable health care.

FAMILY MEDICAL SAVINGS AND INVESTMENT ACT OF 1995

TECHNICAL DESCRIPTION OF THE BILL

IN GENERAL

The bill would permit individuals who are covered by a catastrophic health plan to maintain a medical savings account (MSA) to assist in saving for expenses not covered by the health plan. Within limits, contributions would be excludable from gross income if made by the employer and deductible if made by the individual. In general, the aggregate amount of individual and employer contributions that could be deducted or excluded for a taxable year would be the lesser of (1) the deductible under the catastrophic health plan, or (2) $2,500 if the MSA covers only the individual or $5,000 if the MSA covers the individual and the spouse or a dependent of the individual. Withdrawals from an MSA would be excludable from income if used for medical expenses for the individual and his or her spouse or dependents.

DEDUCTIBLE CONTRIBUTIONS TO MSAS

A deductible contribution could be made to an MSA for any month in which the individual is an eligible individual. In general, a person would be an eligible individual for a month if, at any time during the month, he or she is covered under a catastrophic health plan and (at the same time) is not covered under a health plan other than a plan that provides certain permitted coverage.[1] No deduction would be allowed for a year if employer contributions (including transfers from flexible spending arrangements) are made to an MSA for the individual. (As discussed below, such employer contributions would be excludable from income.)

A catastrophic health plan would be defined as a health plan that has a deductible amount of at least $1,800 (or $3,600 if the plan provides coverage for more than one individual). These dollar limits would be indexed annually for inflation (rounded to the nearest multiple of $50).

The maximum deductible contribution to an MSA would be determined separately for each month based on the individual's status for each month, including whether the individual is an eligible individual, whether or not the MSA covers more than one eligible individual, and the amount of the deductible under the catastrophic health plan.

In general, the maximum annual deductible contribution would be the sum of the following amounts determined separately for each month. 1/12 of the lesser of $2,500 or the deductible under the catastrophic health plan for each month[2] in which the individual is an eligible individual and the MSA covers only the individual, and 1/12 of the lesser of $5,000 or the deductible under the catastrophic health plan for each month in which the individual is an eligible individual and the MSA covers the individual and another eligible individual who is the spouse or dependent of the individual. The maximum annual deduction limit would be reduced by any employer contribution to an MSA and any amounts transferred to an MSA from a flexible spending arrangement (FSA). After 1995, the dollar limits would be indexed for increases in the medical care component of the consumer price index. Such increases would be rounded to the nearest multiple of $50.

The deduction limit generally would be determined separately for each spouse of a married couple. If both spouses are covered under the same catastrophic health plan, then the deduction limit generally would be divided equally between the spouses unless they agree on a different division in the time and manner prescribed by the Secretary of the Treasury.

Example: Individual A, who has compensation of $50,000 a year, is covered by a catastrophic health plan with a deductible of $2,400 for individual coverage and $4,800 in the case of family coverage (and no other health plan) for all of 1996. Individual A is single at the beginning of 1996, but marries in July 1996. A's spouse is also covered by the same catastrophic health plan as A (and no other health plan). The maximum deduction limit for A is calculated as follows. For each of the months January through June of 1996, the contribution limit is $200 and for each of the months July through December of 1996, the contribution limit is $400. Thus, the maximum limit for the entire year is $3,800.

The deduction for contributions to an MSA would be taken in arriving at adjusted gross income (i.e., ''above the line''). No deduction would be allowed to an individual if any other individual is entitled to a personal exemption for such individual.

Contributions to an MSA for a taxable year could be made until the due date for filing the individual's tax return for the year (determined without regard to extensions).

EMPLOYER CONTRIBUTIONS TO AN MSA

Employe contributions to an MSA on behalf of an eligible individual would be excludable from gross income and wages for employment tax purposes. The amount excludable could not exceed the deduction limit applicable to the individual (determined without regard to the employer contributions).

DEFINITION AND TAX TREATMENT OF MEDICAL SAVINGS ACCOUNTS

In general, an MSA would be a trust created exclusively for the purpose of paying the qualified medical expenses of the MSA holder (or his or her spouse or dependents) that meets requirements similar to those applicable to individual retirement arrangements (IRAs) The trustee of an MSA could be a bank, insurance company, or other person that demonstrates to the satisfaction of the Secretary that the manner in which such person will administer the trust will be consistent with applicable requirements.

MSAs generally would be taxable under the rules relating to grantor trusts. Any capital loss for a taxable year from an asset held in an MSA would be allowed only to the extent of capital gains from such assets for the taxable year.

An MSA trustee would be required to make such reports as may be required by the Secretary.

TAX TREATMENT OF DISTRIBUTIONS

Distributions used to pay the qualified medical expenses (not reimbursed by insurance or otherwise) of the individual or the individual's spouse or dependents would be excludable from gross income. Qualified medical expenses would be defined as under the rules relating to the itemized deduction for medical expenses (sec. 213), except that for this purpose medical expenses would not include insurance premiums other than premiums for a catastrophic health plan and would include premiums for long-term care insurance.

Distributions from an MSA that are excludable from gross income could not be taken into account for purposes of the itemized deduction for medical expenses.

Amounts not used for qualified medical expenses would be included in gross income to the extent such distributions do not exceed the excess of (1) the aggregate contributions to such account which were deductible or excludable from gross income, over (2) the aggregate prior payments from such account which were includable in gross income. An additional tax of 10 percent of the amount includable in income would also apply unless the distribution is made after the individual dies or becomes disabled.

FLEXIBLE SPENDING ARRANGEMENTS

The bill would provide that amounts in a health FSA could be transferred to an MSA for an eligible individual. A health FSA would not fail to be such merely because it permits such transfers. Such transfers would be excludable from gross income and would reduce the otherwise applicable contribution limit to an MSA.

An FSA generally would be defined as a benefit program which provides employees with coverage under which specified incurred medical expenses may be reimbursed (subject to reimbursement maximums and other reasonable conditions) and the maximum amount of reimbursement which is reasonably available to a participant for such coverage is less than 500 percent of the cost of such coverage. In the case of an insured plan, the maximum amount reasonably available would be determined on the basis of the underlying coverage.

EFFECTIVE DATE

The bill would be effective with respect to taxable years beginning after December 31, 1995.

FOOTNOTES

[1] The following types of coverage would be permitted coverage and therefore would not preclude an individual from being eligible to contribute to an MSA: (1) coverage only for accidents, dental care, vision care, disability income, or long-term care; (2) Medicare supplemental health insurance; (3) coverage issued as a supplement to liability insurance; (4) liability insurance, including general liability insurance and automobile liability insurance; (5) worker's compensation or similar insurance; (6) automobile medical-payment insurance; (7) coverage for a specified disease or illness; and (8) a hospital or fixed indemnity policy. Other types of coverage, e.g., a flexible spending arrangement, would not be permitted coverage.

[2] If the individual is covered under different catastrophic plans at different times during the month, the limit would be the lowest deductible under such plans.

CONGRATULATIONS TO DR. DIXIE MELILLO

HON. KEN BENTSEN

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 13, 1995

Mr. BENTSEN. Mr. Speaker, I want to highlight the accomplishments of Dr. Dixie Melillo, a distinguished physician who has selflessly helped women with breast cancer in southeast Texas. In fact. Dr. Melillo is a wonderful healer for both the families and the patients with breast cancer. Dr. Melillo provides the latest medical treatments as well as emotional support for her patients. Every patient receives her home phone number so they can contact her at any time and discuss their case. Dr. Melillo is a good example of an extraordinary woman and professional who gives her time and effort to her community.

Dr. Melillo founded The Rose, a nonprofit organization for breast cancer screening. The Rose provides mammograms below cost or at no cost to women who otherwise would not receive these screenings. With these screenings, women have a much better chance of survival and receive appropriate medical treatment before their tumors have spread. As of December 1994, The Rose has provided low-cost mammograms to over 45,000 women, including 4,700 sponsored patients. In addition, The Rose is located in three locations so it is convenient for women to schedule their appointments.

Dr. Melillo is a tireless volunteer for The Rose, and serves as its medical director. In her capacity as medical director, Dr. Melillo has organized five different breast cancer support groups, and regularly attends each of these meetings. Her most recent accomplishment was to organize a metastatic support group for patients with a recurrence. Patients, spouses, and families all join in these important gatherings. Last year, Dr. Melillo consulted with more than 300 women.

In many cases, she will treat patients who cannot afford followup care, at no cost. She has never turned down an opportunity to help her fellow woman. Roughly 20 percent of her practice has been dedicated to charity care.

Dr. Melillo is a well recognized and dedicated physician. Dr. Melillo completed her medical studies at the University of Texas Medical Branch in Galveston, TX. A general surgeon in private practice in Pasadena, Dr. Melillo currently serves as the chairperson of the Southeast Harris County Task Force of the American Cancer Society. In 1986 she served as the Chairman of The Department of Surgery at Bayshore Medical Center.

Dr. Melillo works hard for her community. She currently serves on the board of directors at Texas Commerce Bank, Pasadena Branch. Since 1993, Dr. Melillo has served on the board of directors at Bayshore Medical Center, where she still practices. From 1986 to 1990, Dr. Melillo served as the chairman of the Pasadena Chamber of Commerce, Medical Services Committee. In addition, Dr. Melillo has served as the alternative delegate for the Texas Medical Association. In 1988, Dr. Melillo received the Mayor's Volunteer of the Year Award in the health category for her dedicated service to the Houston community.

IN RECOGNITION OF COL. PIERCE ALBERT RUSHTON, JR., DIRECTOR OF ADMISSIONS AT THE U.S. MILITARY ACADEMY IN WEST POINT, NY

HON. SUE W. KELLY

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 13, 1995

Mrs. KELLY. Mr. Speaker, Col. Pierce Albert Rushton, Jr., Director of Admissions at the U.S. Military Academy which is located in my District in West Point, New York, is retiring this year. He has a long and distinguished career of service to his country and the continued development of its future leaders.

At this point Mr. Speaker, I would ask that the attached statement be inserted into the RECORD for my colleagues review:

Colonel Rushton will retire from active military service in September 1995. Colonel Rushton's long and distinguished career as a soldier began in 1959 with his graduation from West Point and has spanned over 36 years. Colonel Rushton has made immeasurable contributions to the U.S. Army and to the U.S. Military Academy. Throughout his career he has distinguished himself as an exceptional leader, who fostered and upheld the timeless and honorable traditions of the U.S. Army.

As a soldier, Colonel Rushton served the nation in Germany, Vietnam, Korea, and the United States. He commanded a battalion and four different companies. Among these were command of the Command Operations Company of the 1st Infantry Division during the height of the Vietnam conflict, and command of the 142d Signal Battalion, 2d Armored Division, Fort Hood, TX, during the era of vital division testing. He served as battalion executive officer of the largest signal battalion in the Army in Korea, on the Department of the Army Staff in Washington, DC, and with TRADOC Combined Arms Test Agency at Fort Hood. He is a graduate of the Air War College, Montgomery, AL and the U.S. Army Command and General Staff College, Fort Leavenworth, KS.

Colonel Rushton holds a master of science degree in management from the University of Alabama and was elected to Beta Gamma Sigma academic fraternity. His first assignment to the West Point staff and faculty was from 1972–1975 as Associate Director of Admissions. In 1979, Colonel Rushton returned to West Point as the Deputy Director of Admissions. In 1985 he was appointed by President Reagan as the U.S. Military Academy Director of Admissions. During his tenure in admissions, Colonel Rushton developed and implemented a number of impressive initiatives. Some of the more important and far-reaching actions for West Point have been the development of comprehensive admissions tracking and trend analysis; the first use of student search programs for the Military Academy; the development of a state-of-the-art training and assessment program for newly assigned admissions officers; the opening of field offices in California and Texas, and the establishment of the West Point Spotlight School Program and Annual USMA Admissions Distinguished Service Award. During Colonel Rushton's admissions service, the U.S. Military Academy has enrolled 87 percent of the women and 77 percent of the African-American graduates in its history.

Colonel Rushton serves as a member and secretary of the U.S.M.A. Academic Board and as a member of the superintendent's policy board. He has been directly involved in enrolling 20 West Point classes or approximately 34 percent of the total graduates of West Point. As a result of Colonel Rushton's dedicated leadership in attracting and admitting the best young people our Nation has to offer, West Point has retained its position as one of the country's finest institutions of higher learning and the premier leader development institution in the world.

Colonel Rushton and his wife, Charlene have two children, Stephanie Patelli of Fort Irwin, CA and Cheryl Neuburger of Katonah, NY.

Colonel Rushton's many friends, fellow soldiers, and the Corps of Cadets join together on this day, to wish him the best of health and happiness and continued success.

RETAIN OUR SERVICE ACADEMIES

HON. BILL BAKER

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 14, 1995

Mr. BAKER of California. Mr. Speaker, as is well known, I believe in a limited, efficient Federal Government that spends taxpayers' money wisely and frugally. Yet there is no wisdom in discarding the crown jewels of America's military: the academies in West Point, Annapolis, and Colorado Springs.

Critics charge that the cost of a service academy education is simply too high. This charge rests on a faulty evaluation of the numbers. Comparing the costs to taxpayers for ROTC graduates and military academy graduates is like comparing apples and oranges. Statistics used to show greater cost efficiency in the ROTC Program fail to note that ROTC costs are in addition to the normal cost of an education. For example, when college tuition and ROTC training are combined, the cost for an ROTC graduate is $214,000 over 4 years of study, while for a graduate of the Naval Academy, it is $203,000. The cost at West Point is higher—$268,000—but consider the following: A 4-year education at Stanford is $290,000, at MIT it is $254,000, and at Cal Tech, in my home State of California, it is $426,000. Much of this money is taxpayer-subsidized, and in the context of these expenses, the cost of service academy educations seem a bargain.

And let's not forget that consistently, the Naval, Army, and Air Force Academies rank among the top universities in the United States.

Further, the service retention rate of academy-trained officers is much higher than those trained in ROTC courses. Twenty year retention rates for Naval Academy graduates are