



HOUSE BILL No. 4878

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June 22, 1993, Introduced by Reps. London, Martin, Saunders, Varga, Bullard, Joe Young, Jr., McBryde, Hammerstrom, Jamian, DeMars, Fitzgerald, Hill, Dolan, Schroer, Shugars, Griffin, McNutt, Llewellyn, Leland, Bobier, Gustafson, Gernaat, Voorhees, Horton, Goschka and Bodem and referred to the Committee on Insurance.

A bill to permit the establishment and maintenance of medical care savings accounts; to provide penalties and remedies; to exempt contributions from taxation; and to prescribe the requirements of and restrictions on medical care savings accounts.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 1. This act shall be known and may be cited as the  
2 "medical care savings account act".

3       Sec. 2. As used in this act:

4       (a) "Account administrator" means any of the following:

5       (i) A national or state chartered bank, a federal or state  
6 chartered savings and loan association, a federal or state  
7 chartered savings bank, or a federal or state chartered credit  
8 union.

9       (ii) A trust company authorized to act as a fiduciary.

1       (iii) An insurance company authorized to do business in this  
2 state pursuant to the insurance code of 1956, Act No. 218 of the  
3 Public Acts of 1956, being sections 500.100 to 500.8302 or a  
4 health care corporation operating pursuant to the nonprofit  
5 health care corporation reform act, Act No. 350 of the Public  
6 Acts of 1980, being sections 550.1101 to 550.1704 of the Michigan  
7 Compiled Laws.

8       (iv) A broker-dealer, commodity issuer, investment advisor,  
9 or agent registered pursuant to the uniform securities act, Act  
10 No. 265 of the Public Acts of 1964, being sections 451.501 to  
11 451.818 of the Michigan Compiled Laws.

12       (v) A third party administrator with a current certificate  
13 of authority issued pursuant to the third party administrator  
14 act, Act No. 218 of the Public Acts of 1984, being sections  
15 550.901 to 550.962 of the Michigan Compiled Laws.

16       (vi) A certified public accountant licensed to practice in  
17 this state pursuant to article 7 of the occupational code, Act  
18 No. 299 of the Public Acts of 1980, being sections 339.701 to  
19 339.716 of the Michigan Compiled Laws.

20       (vii) An attorney licensed to practice in this state.

21       (viii) An employer if the employer has a self-insured health  
22 plan under ERISA.

23       (b) "Dependent" means the spouse of the employee or a child  
24 of the employee if the child is any of the following:

25       (i) Under 19 years of age, or under 23 years of age and  
26 enrolled as a full-time student at an accredited college or  
27 university.

1 (ii) Legally entitled to the provision of proper or  
2 necessary subsistence, education, medical care, or other care  
3 necessary for his or her health, guidance, or well-being and not  
4 otherwise emancipated, self-supporting, married, or a member of  
5 the armed forces of the United States.

6 (iii) Mentally or physically incapacitated to the extent  
7 that he or she is not self-sufficient.

8 (c) "Domicile" means a place where an individual has his or  
9 her true, fixed, and permanent home and principal establishment,  
10 to which, whenever absent, he or she intends to return. Domicile  
11 continues until another permanent home or principal establishment  
12 is established.

13 (d) "Eligible medical expense" means an expense paid by the  
14 taxpayer for medical care described in section 213(d) of the  
15 internal revenue code.

16 (e) "Employee" means the individual for whose benefit or for  
17 the benefit of whose dependents a medical care savings account is  
18 established.

19 (f) "ERISA" means the employer retirement income security  
20 act of 1974, Public Law 93-406, 88 Stat. 829.

21 (g) "Higher deductible" means a deductible not to exceed  
22 \$3,000.00 for 1993. This maximum shall be adjusted annually to  
23 reflect increases in the general price level as defined in  
24 section 33 of article IX of the state constitution of 1963.

25 (h) "Medical care savings account" means an account estab-  
26 lished in this state pursuant to a medical care savings account

1 program to pay the eligible medical expenses of an employee and  
2 his or her dependents.

3 (i) "Medical care savings account program" means a program  
4 that includes all of the following:

5 (i) The purchase by an employer of a qualified higher  
6 deductible health plan for the benefit of an employee and his or  
7 her dependents.

8 (ii) The payment on behalf of an employee into a medical  
9 care savings account by his or her employer of the premium dif-  
10 ferential realized by the employer based on the purchase of a  
11 qualified higher deductible health plan for the benefit of the  
12 employee.

13 (iii) An account administrator to administer the medical  
14 care savings account from which payment of claims is made.

15 (j) "Qualified higher deductible health plan" means a health  
16 coverage policy, certificate, or contract that provides for pay-  
17 ments for covered benefits that exceed the higher deductible and  
18 that is purchased by an employer for the benefit of an employee  
19 for whom the employer makes deposits into a medical care savings  
20 account.

21 Sec. 3. (1) For tax years beginning after 1992, each  
22 employer may voluntarily offer either of the following programs:

23 (a) Continuation coverage under the employer's existing  
24 health coverage policy, certificate, or contract.

25 (b) Participation in a medical care savings account  
26 program.

1 (2) An employer that did not previously provide a health  
2 coverage policy, certificate, or contract for his or her  
3 employees may participate in a medical care savings account  
4 program.

5 (3) Except as provided in section 5, principal contributed  
6 and interest earned on a medical care savings account and money  
7 reimbursed to an employee for eligible medical expenses are  
8 exempt from taxation under the income tax act of 1967, Act  
9 No. 281 of the Public Acts of 1967, being sections 206.1 to  
10 206.532 of the Michigan Compiled Laws.

11 Sec. 4. (1) The account administrator shall utilize the  
12 funds held in a medical care savings account solely for the pur-  
13 pose of paying the medical expenses of the employee or his or her  
14 dependents or to purchase a health coverage policy, certificate,  
15 or contract if the employee does not otherwise have health insur-  
16 ance coverage.

17 (2) The employee may submit documentation of medical  
18 expenses paid by the employee in the tax year to the account  
19 administrator and the account administrator shall reimburse the  
20 employee for eligible medical expenses.

21 Sec. 5. (1) An employee may withdraw money from his or her  
22 medical care savings account on the last business day of the  
23 account administrator's business year. Money withdrawn pursuant  
24 to this subsection is income for the purposes of the income tax  
25 act of 1967, Act No. 281 of the Public Acts of 1967, being sec-  
26 tions 206.1 to 206.532 of the Michigan Compiled Laws, in the tax  
27 year of the withdrawal.

1 (2) If the employee withdraws money at any other time, all  
2 of the following apply:

3 (a) The amount of the withdrawal is income for the purposes  
4 of Act No. 281 of the Public Acts of 1967 in the tax year of the  
5 withdrawal.

6 (b) The employee shall pay a penalty to the department of  
7 treasury equal to 10% of the amount of the withdrawal.

8 (c) Interest earned on the account during the tax year in  
9 which a withdrawal under this subsection is made is income for  
10 purposes of Act No. 281 of the Public Acts of 1967.

11 (3) Upon the death of the employee, the account administra-  
12 tor shall distribute the principal and accumulated interest of  
13 the medical care savings account to the estate of the employee.

14 Sec. 6. This act shall not take effect unless Senate Bill  
15 No. \_\_\_\_\_ or House Bill No. 4879 (request no. 02963'93 a) of the  
16 87th Legislature is enacted into law.