HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 111 **DATE:** February 15, 2008

Version: Second engrossment

Authors: Loeffler and others

Subject: Preventive care and high deductible health plans

Analyst: Thomas R. Pender, 651-296-1885

Background

A health savings account (HSA), when paired with a high deductible health plan (HDHP), forms a type of consumer driven health plan. A person insured by an HDHP, as individual coverage or employer group coverage, may use an HSA to pay at least part of the deductible and other cost-sharing under the HDHP and also pay for medical expenses not covered by the HDHP, which may include dental care, vision care, long-term care, and cosmetic surgery. The insured person, the employer, or both, may deposit funds into the insured person's HSA up to an annual limit. The funds in the HSA belong to the insured person, and money not spent is carried over to future years, including into retirement. Funds in the HSA may be invested to earn interest, dividends, and capital gains.

Under federal and Minnesota tax law, contributions to the HSA are tax-free (not just tax-deferred), earnings of the HSA are tax-free, and withdrawals to pay medical expenses are tax-free.

To qualify as an HDHP under federal tax law, the HDHP must have in 2008 an annual deductible of at least $1,100 for self-only coverage and at least $2,200 for family coverage. Other cost-sharing, such as copays and coinsurance, may be used in addition to the deductible, up to an annual out-of-pocket limit for 2008 of $5,600 for self-only coverage and $11,200 for family coverage. The premium paid for the coverage does not count toward the deductible or out-of-pocket limit. Federal law does not permit any exceptions to the deductible except for the option of exempting preventive care. The Internal Revenue Service has provided a "safe

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harbor" list of preventive care services that an HDHP may exempt from the deductible without losing status as an HDHP under federal tax law.

This bill would not affect private-sector employer HDHPs that are self-insured, because the federal ERISA law preempts state laws in regard to these self-insured health plans.

1 **Access to provider discounts and preventive care.** Requires HDHPs issued or renewed in Minnesota , when used with an HSA, to cover preventive care without a deductible or other cost-sharing, to the extent permitted under the federal laws governing HDHPs and HSAs. Requires that the scope and frequency of the preventive coverage be specified in the policy, based upon an evidence-based set of preventive care guidelines that address both asymptomatic low-risk individuals and individuals with high risk factors. Permits the specification in the policy to be by reference. Provides that this subdivision does not limit voluntary coverage of more preventive care. Provides a January 1, 2009 , effective date.