

TAX-RELATED ISSUES IN HEALTH POLICY

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ISSUES

1. Health Savings Accounts
 - Emerging Treasury Guidance
 - Administration's Legislative Proposal
2. Limited FSA Rollovers
3. Retiree Health Proposals
 - RMBA's
 - Portman–Cardin Provisions
4. Administration's Uninsured Proposal



HEALTH SAVINGS ACCOUNTS

1. Priority Issues

- Coverage for Prescription Drugs
- Preventive Care
- Coordination with FSAs and HRAs
- Matching Contributions

2. Outlook

- More guidance between now and June
- Timing difficult for large employers
- Lack of firm preemption rule a serious problem



HEALTH SAVINGS ACCOUNTS

1. Administration's proposal
 - Permit full deductibility of premiums for HSAs by individuals (non-group)
 - Employees have comparable tax treatment through cafeteria plans
 - Proposal limited to premiums for HSAs
2. Rep. Crane introduced Administration's proposal as HR 3901 last month



HEALTH SAVINGS ACCOUNTS

Possible Needs for Additional Changes

1. Preemption rule
2. Use of funds for early retirees
3. Use of funds for Medigap coverage
4. Clarification of preventive care
5. “Permitted insurance” flexibility



FSA's

1. Administration had previously supported \$500 FSA “rollover”
2. Not included in this year’s budget
3. May be inconsistent with emphasis on HSAs
4. Sen. Ensign (R-NV) and Rep. Jim DeMint (R-SC) still pursuing



RETIREE HEALTH

1. Portman-Cardin 2003 Proposals
 - Limited tax free distributions from pension plans or 401(k)'s for retiree health premiums
 - Employer contributions to 401(h) accounts
2. Retiree Medical Benefits Accounts (RMBAs)
 - Allocation of a portion of 401(k) contribution to RMBA
 - Tax free distributions for medical expenses and premiums at retirement
 - May be introduced soon by Sen. Frist



UNINSURED PROPOSALS

1. Administration's tax credit proposal
 - \$1,000 for individuals earning up to \$30,000
 - \$3,000 for families earning up to \$60,000
 - Estimated cost: \$90 billion/10 years
 - Estimate impact: 4-5 million individuals
2. Grassley-Baucus proposal (S. 1693) to extend existing TAA credit to those on unemployment compensation
3. All proposals likely on hold this year – Senate task force recommendations to set stage for 2005

