



**H.B. 210**

123rd General Assembly  
(As Introduced)

**Reps. Netzley, Van Vyven, Boyd, Cates, Jordan, Mead, Mottley, Krebs,  
Taylor, Householder, Trakas, Buchy, James**

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**BILL SUMMARY**

- Requires an employer with 50 or fewer employees that provides health care coverage to its employees to open a medical savings account for an employee on the employee's request.

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**CONTENT AND OPERATION**

**Background**

Medical savings account plans are an alternative to fee-for-service and managed care health insurance plans. Under a medical savings account plan, an employee is covered by a high-deductible health insurance policy, along with a medical savings account in which the employer makes periodic deposits. The funds in a medical savings account are used to cover the employee's out-of-pocket medical expenses and are counted against the deductible amount, while the health insurance policy pays for expenses above the deductible amount. Money left at the end of a year can be carried over to the next year or withdrawn by the employee for purposes other than health care.

Am. Sub. H.B. 179 of the 121st General Assembly established Ohio's medical savings account program. It provided a state income tax deduction for individual taxpayers of up to \$3,000 (R.C. §§ 3924.66 and 5747.01) and created provisions for establishing, operating, and administering medical savings account plans (R.C. §§ 3924.62 to 3924.74). The act contained requirements regarding reimbursement standards; rules governing the withdrawal of funds for nonmedical purposes; designation of an administrator for the medical savings account and the administrator's duties; provisions for closing or transferring a medical savings account when an employee is terminated; designation of beneficiaries; employer loans; enrollment rules; and the coordination of benefits.

Am. Sub. H.B. 212 of the 122nd General Assembly established a medical savings account program for state employees. The act required the Department of Administrative Services to establish a pilot program under which it will offer a medical savings account option to certain state employees and state-elected officials. The Department is not required to offer the medical savings account option to any employee covered under a collective bargaining agreement, but a medical savings account option may be part of a package of health care benefit options offered under future collective bargaining agreements. The Department may limit enrollment in the medical savings account program and may require state employees enrolled in it to contribute to their accounts.

**Establishment of medical savings accounts**

(sec. 3924.62)

Current law provides that a medical savings account may be opened by or on behalf of any natural person, to pay the person's eligible medical expenses and the eligible medical expenses of that person's spouse or dependents. A medical savings account may be opened by or on behalf of a person only if that person participates in a sickness and accident insurance plan, a plan offered by a health insuring corporation, or a self-funded, employer-sponsored health benefit plan. While the medical savings account is open, the account holder must continue to participate in a health care plan. A person who refuses to participate in a policy, plan, or contract of health coverage that is funded by the person's employer, and who receives additional monetary compensation by virtue of refusing that coverage, may not open a medical savings account unless the medical savings account also is sponsored by the person's employer.

The bill provides that if an employer with 50 or fewer employees provides health care coverage to its employees through a sickness and accident insurance plan or a health plan of a health insuring corporation, an employee may request that the employer open a medical savings account to pay the employee's eligible medical expenses and the eligible medical expenses of the employee's spouse or dependents. On receipt of the employee's request, the employer is required by the bill to open a medical savings account on behalf of the employee. The total amount contributed by the employer to the medical savings account, combined with the premiums paid by the employer for health care coverage for the employee, must not be less than 90% of the amount the employer pays for the health insurance premiums of a similar employee without a medical savings account.

**Effective date**

(Section 3)

The bill's provisions first apply to requests for medical savings accounts made by employees on or after January 1, 2001, or, if an employer provides its employees with open enrollment periods for health care coverage enrollment, to those periods of open enrollment beginning on or after January 1, 2001.

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## **COMMENT**

Federal tax law generally treats employer contributions to medical savings accounts as taxable income. Federal legislation authorized a four-year pilot program, which began January 1, 1997, that allows up to 750,000 individuals with medical savings accounts to receive the same federal tax exemption as is available to them for other types of health insurance. This program is limited to self-employed individuals and their spouses, companies with fewer than 50 employees, and the uninsured. Ohio residents who are not in any of these groups must pay federal income tax on the employer's contribution to a medical savings account, but are eligible to take a state income tax deduction of up to \$3,000.

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## **HISTORY**

<b>ACTION</b>	<b>DATE</b>	<b>JOURNAL ENTRY</b>
Introduced	02-24-99	p. 231

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