Fiscal Note & Local Impact Statement

126 th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **Am. Sub. H.B. 46**   DATE: **March 29, 2006**

STATUS: **As Enacted – Effective August 17, 2006**   SPONSOR: **Rep. Schaffer**

LOCAL IMPACT STATEMENT REQUIRED: **Yes**   **Local impact was in As Introduced version**

CONTENTS: **Permits a political subdivision to establish a health savings account program and permits public moneys to be used to pay for certain federally qualified high deductible health plans**

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2006	FY 2007	FUTURE YEARS
Counties, Municipalities, Townships, and school districts			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Potential decrease	Potential decrease

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- The bill permits an additional option for political subdivisions to provide health benefits to employees. The new option, using health savings accounts (HSAs) linked to high deductible health plans, may allow them to provide health benefits at lower cost.

Detailed Fiscal Analysis

Am. Sub. H.B. 46 would permit political subdivisions to offer health savings accounts (HSAs) to employees and would permit public moneys to be used to make contributions to HSAs or to pay for federally qualified high deductible health plans that are linked to HSAs.

Background

Health saving accounts as authorized by section 223 of the Internal Revenue Code are described in IRS Publication 969. They are tax-exempt trusts or custodial accounts that the taxpayer sets up with a qualified HSA trustee. No permission is required from the IRS to establish a HSA; however, to be eligible for the tax benefits a taxpayer must have a "high deductible health plan" and no other health coverage.[7] A "high deductible health plan" means that the plan's minimum annual deductible is $1,000 for individual coverage and $2,000 for family coverage, and that the plan has a specified maximum limit on the sum of the annual deductible and out-of-pocket expenses for covered medical services. The maximums for tax year 2005 are $5,100 for individual coverage and $10,200 for family coverage.

Fiscal effect

By permitting political subdivisions an additional option for providing health benefits to employees, the bill may reduce the cost of providing such health benefits. LSC staff do not have data with which to estimate the potential magnitude of savings.

LSC fiscal staff: Ross Miller, Senior Economist

[7] There are a few limited exceptions to the latter eligibility requirement.