

103<sup>D</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 2367

To amend the Internal Revenue Code of 1986 to restore the deduction for the health insurance costs of self-employed individuals, to provide incentives for certain medical practitioners to practice in rural areas, to provide for the creation of medical savings accounts, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 10, 1993

Mr. BAKER of Louisiana introduced the following bill; which was referred jointly to the Committees on Ways and Means, Energy and Commerce, and the Judiciary

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## A BILL

To amend the Internal Revenue Code of 1986 to restore the deduction for the health insurance costs of self-employed individuals, to provide incentives for certain medical practitioners to practice in rural areas, to provide for the creation of medical savings accounts, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Health Care Accessibil-  
5 ity Expansion Act of 1993”.

1 **SEC. 2. FULL DEDUCTION FOR HEALTH INSURANCE COSTS**  
2 **OF SELF-EMPLOYED INDIVIDUALS.**

3 (a) DEDUCTION MADE PERMANENT.—

4 (1) IN GENERAL.—Subsection (l) of section 162  
5 of the Internal Revenue Code of 1986 (relating to  
6 special rules for health insurance costs of self-em-  
7 ployed individuals) is amended by striking paragraph  
8 (6).

9 (2) CONFORMING AMENDMENT.—Subsection (a)  
10 of section 110 of the Tax Extension Act of 1991 is  
11 amended by striking paragraph (2).

12 (3) EFFECTIVE DATE.—The amendments made  
13 by this subsection shall apply to taxable years begin-  
14 ning after December 31, 1991.

15 (b) DEDUCTION INCREASED TO 100 PERCENT.—

16 (1) IN GENERAL.—Paragraph (1) of section  
17 162(l) of such Code is amended by striking “25 per-  
18 cent” and inserting “100 percent”.

19 (2) EFFECTIVE DATE.—The amendment made  
20 by paragraph (1) shall apply to taxable years begin-  
21 ning after December 31, 1993.

22 **SEC. 3. CREDIT FOR MEDICAL PRACTITIONERS COMMENC-**  
23 **ING MEDICAL PRACTICE IN RURAL AREAS.**

24 (a) IN GENERAL.—Subpart A of part IV of sub-  
25 chapter A of chapter 1 of the Internal Revenue Code of  
26 1986 (relating to nonrefundable personal credits) is

1 amended by inserting after section 22 the following new  
2 section:

3 **“SEC. 23. CERTAIN MEDICAL PRACTITIONERS COMMENC-**  
4 **ING MEDICAL PRACTICE IN RURAL AREAS.**

5 “(a) ALLOWANCE OF CREDIT.—In the case of an eli-  
6 gible medical practitioner who commences a medical prac-  
7 tice in a rural area, there is allowed as a credit against  
8 the tax imposed by this subtitle for the taxable year during  
9 which such commencement occurs, and for each of the 4  
10 succeeding taxable years, an amount equal to \$5,000.

11 “(b) LIMITATION.—No credit shall be allowed under  
12 subsection (a) with respect to any taxable year in which  
13 the taxpayer practices a medical practice in the rural area  
14 for less than 9 months or ceases to practice a medical  
15 practice in the rural area.

16 “(c) DEFINITIONS.—For purposes of this section—

17 “(1) ELIGIBLE MEDICAL PRACTITIONER.—The  
18 term ‘eligible medical practitioner’ means any physi-  
19 cian, nurse practitioner, or certified physician assist-  
20 ant.

21 “(2) PHYSICIAN.—The term ‘physician’ means  
22 a doctor of medicine or osteopathy legally authorized  
23 to practice medicine and surgery by the State in  
24 which such individual performs such function or ac-  
25 tion.

1           “(3) COMMENCES PRACTICE.—The term ‘com-  
2           mences practice’ means the location or relocation of  
3           an eligible medical practitioner’s principal place of  
4           medical practice to a rural area. Such term does not  
5           include the relocation of a practitioner’s medical  
6           practice from 1 rural area to another rural area.

7           “(4) RURAL AREA.—The term ‘rural area’  
8           means any area that is not within any metropolitan  
9           statistical area (as defined by the Secretary of Com-  
10          merce).

11          “(d) RECAPTURE OF CREDIT.—

12           “(1) IN GENERAL.—If, a taxpayer who is al-  
13          lowed a credit under subsection (a) ceases medical  
14          practice in a rural area during any taxable year,  
15          then the tax of the taxpayer under this chapter for  
16          such taxable year shall be increased by an amount  
17          equal to the sum of the credits allowed under sub-  
18          section (a) for the 5 preceding taxable years.

19           “(2) NO CREDITS AGAINST TAX.—Any increase  
20          in tax under this subsection shall not be treated as  
21          a tax imposed by this chapter for purposes of deter-  
22          mining—

23                   “(A) the amount of any credit under this  
24                   part, or

1                   “(B) the amount of the tax under section  
2                   55.”

3           (b) CLERICAL AMENDMENT.—The table of sections  
4 for subpart A of part IV of subchapter A of chapter 1  
5 of such Code is amended by inserting after the item relat-  
6 ing to section 22 the following new item:

                  “Sec. 23. Certain medical practitioners commencing medical prac-  
                  tice in rural areas.”

7           (c) EFFECTIVE DATE.—The amendments made by  
8 this section shall apply to taxable years beginning after  
9 December 31, 1993.

10 **SEC. 4. DEDUCTION FOR MEDICAL SCHOOL EDUCATION**  
11                   **LOAN INTEREST INCURRED BY CERTAIN**  
12                   **MEDICAL PRACTITIONERS SERVING IN**  
13                   **RURAL AREAS.**

14           (a) IN GENERAL.—Paragraph (1) of section 163(h)  
15 of the Internal Revenue Code of 1986 (relating to dis-  
16 allowance of deduction for personal interest) is amended  
17 by striking “and” at the end of subparagraph (D), by re-  
18 designating subparagraph (E) as subparagraph (F), and  
19 by inserting after subparagraph (D) the following new  
20 subparagraph:

21                   “(E) any qualified medical education loan  
22                   interest (within the meaning of paragraph (5)),  
23                   and”.

1 (b) QUALIFIED MEDICAL EDUCATION LOAN INTER-  
2 EST DEFINED.—Subsection (h) of section 163 of such  
3 Code is amended by redesignating paragraph (5) as para-  
4 graph (6) and by inserting after paragraph (4) the follow-  
5 ing new paragraph:

6 “(5) QUALIFIED MEDICAL EDUCATION LOAN IN-  
7 TEREST.—

8 “(A) IN GENERAL.—The term ‘qualified  
9 medical education loan interest’ means inter-  
10 est—

11 “(i) which is on a medical education  
12 loan of an eligible medical practitioner (as  
13 defined in section 23(c)),

14 “(ii) which is paid or accrued by such  
15 practitioner, and

16 “(iii) which accrues during the period  
17 during which the practitioner is eligible to  
18 receive a credit under section 23(c).

19 “(B) MEDICAL EDUCATION LOAN.—The  
20 term ‘medical education loan’ means indebted-  
21 ness incurred to pay the individual’s—

22 “(i) qualified tuition and related ex-  
23 penses (as defined in section 117(b)) in-  
24 curred for the medical education of such  
25 individual, or

1           “(ii) reasonable living expenses while  
2           away from home in order to attend an edu-  
3           cational institution described in section  
4           170(b)(1)(A)(ii) for the medical education  
5           of such individual.

6           “(C) RURAL AREA.—The term ‘rural area’  
7           means any area that is not within any metro-  
8           politan statistical area (as defined by the Sec-  
9           retary of Commerce).”

10       (c) EFFECTIVE DATE.—The amendments made by  
11 this section shall apply to taxable years ending after the  
12 date of the enactment of this Act.

13 **SEC. 5. MEDICAL SAVINGS ACCOUNTS.**

14       (a) IN GENERAL.—Part VII of subchapter B of chap-  
15 ter 1 of the Internal Revenue Code of 1986 (relating to  
16 additional itemized deductions for individuals) is amended  
17 by redesignating section 220 as section 221 and by insert-  
18 ing after section 219 the following new section:

19 **“SEC. 220. MEDICAL SAVINGS ACCOUNTS.**

20       “(a) DEDUCTION ALLOWED.—In the case of an eligi-  
21 ble individual, there shall be allowed as a deduction  
22 amounts paid in cash during the taxable year by or on  
23 behalf of such individual to a medical savings account.

24       “(b) LIMITATION.—

1           “(1) IN GENERAL.—The amount allowable as a  
2           deduction under subsection (a) to an individual for  
3           the taxable year shall not exceed the excess (if any)  
4           of—

5                   “(A) the lesser of—

6                           “(i) the applicable limit, or

7                           “(ii) the compensation (as defined in  
8                           section 219(f)) includible in the individ-  
9                           ual’s gross income for the taxable year,  
10                          over

11                   “(B) the sum of—

12                           “(i) the value of employer-provided  
13                           coverage for the medical expenses of such  
14                           individual, plus

15                           “(ii) the aggregate amount contrib-  
16                           uted to such account during the taxable  
17                           year pursuant to section 125(d)(3).

18           “(2) APPLICABLE LIMIT.—For purposes of  
19           paragraph (1), the applicable limit is the sum of—

20                   “(A) \$4,800, plus

21                   “(B) \$1,000 for each individual who is a  
22                   dependent (as defined in section 152) of the in-  
23                   dividual for whose benefit the account is estab-  
24                   lished.

1       “(c) DEFINITIONS AND SPECIAL RULES.—For pur-  
2 poses of this section—

3           “(1) MEDICAL SAVINGS ACCOUNT.—The term  
4 ‘medical savings account’ means a trust created or  
5 organized in the United States exclusively for the  
6 purpose of paying the qualified medical expenses of  
7 the individual for whose benefit the trust is estab-  
8 lished, but only if the written governing instrument  
9 creating the trust meets the following requirements:

10           “(A) No contribution will be accepted un-  
11 less it is in cash and contributions will not be  
12 accepted for any taxable year in excess of the  
13 applicable limit (as defined in subsection  
14 (b)(2)).

15           “(B) The trustee is a bank (as defined in  
16 section 408(n)) or another person who dem-  
17 onstrates to the satisfaction of the Secretary  
18 that the manner in which such person will ad-  
19 minister the trust will be consistent with the re-  
20 quirements of this section.

21           “(C) No part of the trust assets will be in-  
22 vested in life insurance contracts.

23           “(D) The assets of the trust will not be  
24 commingled with other property except in a

1 common trust fund or common investment  
2 fund.

3 “(2) ELIGIBLE INDIVIDUAL.—The term ‘eligible  
4 individual’ means any individual if—

5 “(A) such individual is not covered by any  
6 employer-provided group health plan, or

7 “(B) such individual is covered by an em-  
8 ployer-provided group health plan which is a  
9 qualified catastrophic coverage health plan and  
10 is not covered by any other health plan.

11 “(3) QUALIFIED MEDICAL EXPENSES.—

12 “(A) IN GENERAL.—The term ‘qualified  
13 medical expenses’ means—

14 “(i) medical expenses, and

15 “(ii) amounts paid for qualified long-  
16 term care insurance.

17 “(B) MEDICAL EXPENSES.—The term  
18 ‘medical expenses’ means amounts paid by the  
19 individual for whose benefit the account was es-  
20 tablished for medical care (as defined in section  
21 213) of such individual, the spouse of such indi-  
22 vidual, and any dependent (as defined in section  
23 152) of such individual, but only to the extent  
24 such amounts are not compensated for by in-  
25 surance or otherwise.

1           “(C) QUALIFIED LONG-TERM CARE INSUR-  
2 ANCE.—

3           “(i) IN GENERAL.—Subject to clauses  
4 (i) and (ii), the term ‘qualified long-term  
5 care insurance’ means insurance under a  
6 policy or rider, which is issued by a quali-  
7 fied issuer, which meets standards at least  
8 as stringent as those set forth in the Janu-  
9 ary 1990 Long-Term Care Insurance  
10 Model Regulation of the National Associa-  
11 tion of Insurance Commissioners, and  
12 which is certified by the Secretary of  
13 Health and Human Services (in accord-  
14 ance with procedures similar to the proce-  
15 dures prescribed in section 1882 of the So-  
16 cial Security Act (42 U.S.C. 1385ss) used  
17 in the certification of medicare supple-  
18 mental policies (as defined in subsection  
19 (g)(1) of such section)) to be advertised,  
20 marketed, offered, or designed to provide  
21 coverage—

22           “(I) for not less than 12 consecu-  
23 tive months for each covered person  
24 who has attained age 50,

1 “(II) on an expense incurred, in-  
2 demnity, or prepaid basis,

3 “(III) for 1 or more medically  
4 necessary, diagnostic services, preven-  
5 tive services, therapeutic services, re-  
6 habilitation services, maintenance  
7 services, or personal care services, and

8 “(IV) provided in a setting other  
9 than an acute care unit of a hospital.

10 The requirement of subclause (IV) shall be  
11 met only if at least 1 of the settings in  
12 which such coverage is provided is the pa-  
13 tient’s home.

14 “(ii) COVERAGE SPECIFICALLY EX-  
15 CLUDED.—Such term does not include any  
16 insurance under any policy or rider which  
17 is offered primarily to provide any com-  
18 bination of the following kinds of coverage:

19 “(I) Basic Medicare supplement  
20 coverage.

21 “(II) Basic hospital-based acute  
22 care expense coverage.

23 “(III) Basic medical-surgical ex-  
24 pense coverage.

1           “(IV) Hospital confinement in-  
2 demnity coverage.

3           “(V) Major medical expense cov-  
4 erage.

5           “(VI) Disability income protec-  
6 tion coverage.

7           “(VII) Accident only coverage.

8           “(VIII) Specified disease cov-  
9 erage.

10          “(IX) Specified accident cov-  
11 erage.

12          “(X) Limited benefit health cov-  
13 erage.

14          “(iii) QUALIFIED ISSUER.—For pur-  
15 poses of clause (i), the term ‘qualified is-  
16 suer’ means any of the following:

17           “(I) Private insurance company.

18           “(II) Fraternal benefit society.

19           “(III) Nonprofit health corpora-  
20 tion.

21           “(IV) Nonprofit hospital corpora-  
22 tion.

23           “(V) Nonprofit medical service  
24 corporation.

25           “(VI) Prepaid health plan.

1           “(4) QUALIFIED CATASTROPHIC COVERAGE  
2 HEALTH PLAN.—The term ‘qualified catastrophic  
3 coverage health plan’ means any health plan which  
4 is certified by the Secretary of Health and Human  
5 Services as a plan—

6           “(A) which provides no compensation for  
7 medical expenses not exceeding \$3,000 during  
8 any year,

9           “(B) which requires the individual to pay  
10 15 percent of such individual’s medical expenses  
11 to the extent they exceed \$3,000 but not  
12 \$9,000 during any year, and

13           “(C) which provides full reimbursement for  
14 medical expenses exceeding \$9,000.

15           “(5) TIME WHEN CONTRIBUTIONS DEEMED  
16 MADE.—A taxpayer shall be deemed to have made a  
17 contribution on the last day of the preceding taxable  
18 year if the contribution is made on account of such  
19 taxable year and is made not later than the time  
20 prescribed by law for filing the return for such tax-  
21 able year (not including extensions thereof).

22           “(d) TAX TREATMENT OF DISTRIBUTIONS.—

23           “(1) IN GENERAL.—Except as otherwise pro-  
24 vided in this subsection, any amount paid or distrib-  
25 uted out of a medical savings account shall be in-

1       cluded in the gross income of the individual for  
2       whose benefit such account was established unless  
3       such amount is used exclusively to pay the qualified  
4       medical expenses of such individual.

5           “(2) EXCESS CONTRIBUTIONS RETURNED BE-  
6       FORE DUE DATE OF RETURN.—Paragraph (1) shall  
7       not apply to the distribution of any contribution paid  
8       during a taxable year to a medical savings account  
9       to the extent that such contribution exceeds the  
10      amount allowable as a deduction under subsection  
11      (a) if—

12           “(A) such distribution is received on or be-  
13      fore the day prescribed by law (including exten-  
14      sions of time) for filing such individual’s return  
15      for such taxable year,

16           “(B) no deduction is allowed under sub-  
17      section (a) with respect to such excess contribu-  
18      tion, and

19           “(C) such distribution is accompanied by  
20      the amount of net income attributable to such  
21      excess contribution.

22      Any net income described in subparagraph (C) shall  
23      be included in the gross income of the individual for  
24      the taxable year in which it is received.

25      “(e) TAX TREATMENT OF ACCOUNTS.—

1           “(1) EXEMPTION FROM TAX.—A medical sav-  
2           ings account is exempt from taxation under this sub-  
3           title unless such account has ceased to be an invest-  
4           ment savings account by reason of paragraph (2).  
5           Notwithstanding the preceding sentence, any such  
6           account is subject to the taxes imposed by section  
7           511 (relating to imposition of tax on unrelated busi-  
8           ness income of charitable, etc. organizations).

9           “(2) LOSS OF EXEMPTION OF ACCOUNT WHERE  
10          INDIVIDUAL ENGAGES IN PROHIBITED TRANS-  
11          ACTION.—

12                 “(A) IN GENERAL.—If, during any taxable  
13                 year of the individual for whose benefit the  
14                 medical savings account was established, such  
15                 individual engages in any transaction prohibited  
16                 by section 4975 with respect to the account, the  
17                 account ceases to be a medical savings account  
18                 as of the first day of that taxable year.

19                 “(B) ACCOUNT TREATED AS DISTRIBUTING  
20                 ALL ITS ASSETS.—In any case in which any ac-  
21                 count ceases to be a medical savings account by  
22                 reason of subparagraph (A) on the first day of  
23                 any taxable year, paragraph (1) of subsection  
24                 (d) applies as if there were a distribution on  
25                 such first day in an amount equal to the fair

1 market value (on such first day) of all assets in  
2 the account (on such first day).

3 “(3) EFFECT OF PLEDGING ACCOUNT AS SECUR-  
4 RITY.—If, during any taxable year, the individual for  
5 whose benefit a medical savings account was estab-  
6 lished uses the account or any portion thereof as se-  
7 curity for a loan, the portion so used is treated as  
8 distributed to that individual.

9 “(f) ADDITIONAL TAX ON CERTAIN AMOUNTS IN-  
10 CLUDED IN GROSS INCOME.—

11 “(1) DISTRIBUTION NOT USED FOR QUALIFIED  
12 MEDICAL EXPENSES.—If a distribution from a medi-  
13 cal savings account is made, and not used to pay the  
14 qualified medical expenses of the individual for  
15 whose benefit the account was established, the tax li-  
16 ability of such individual for the taxable year in  
17 which such distribution is received shall be increased  
18 by an amount equal to 10 percent of the amount of  
19 the distribution which is includible in gross income  
20 for such taxable year.

21 “(2) DISQUALIFICATION CASES.—If an amount  
22 is includible in the gross income of an individual for  
23 a taxable year under subsection (e), his tax under  
24 this chapter for such taxable year shall be increased

1 by an amount equal to 10 percent of such amount  
2 includible in his gross income.

3 “(3) DISABILITY OR DEATH CASES.—Para-  
4 graphs (1) and (2) do not apply if the payment or  
5 distribution is made after the individual for whose  
6 benefit the medical savings account was established  
7 becomes disabled within the meaning of section  
8 72(m)(7) or dies.

9 “(g) SPECIAL RULES.—

10 “(1) COMMUNITY PROPERTY LAWS.—This sec-  
11 tion shall be applied without regard to any commu-  
12 nity property laws.

13 “(2) CUSTODIAL ACCOUNTS.—For purposes of  
14 this section, a custodial account shall be treated as  
15 a trust if—

16 “(A) the assets of such account are held by  
17 a bank (as defined in section 408(n)) or an-  
18 other person who demonstrates to the satisfac-  
19 tion of the Secretary that the manner in which  
20 he will administer the account will be consistent  
21 with the requirements of this section, and

22 “(B) the custodial account would, except  
23 for the fact that it is not a trust, constitute a  
24 medical savings account described in subsection  
25 (c).

1 For purposes of this title, in the case of a custodial  
2 account treated as a trust by reason of the preceding  
3 sentence, the custodian of such account shall be  
4 treated as the trustee thereof.

5 “(3) DENIAL OF DEDUCTIONS.—No amount  
6 paid or distributed from a medical savings account  
7 shall be taken into account in determining the de-  
8 duction provided by section 213.

9 “(h) INFLATION ADJUSTMENT.—

10 “(1) IN GENERAL.—In the case of any taxable  
11 year beginning in a calendar year after 1994, each  
12 applicable dollar amount shall be increased by an  
13 amount equal to—

14 “(A) such dollar amount, multiplied by

15 “(B) the cost-of-living adjustment for the  
16 calendar year in which the taxable year begins.

17 “(2) COST-OF-LIVING ADJUSTMENT.—For pur-  
18 poses of paragraph (1), the cost-of-living adjustment  
19 for any calendar year is the percentage (if any) by  
20 which—

21 “(A) the deemed average total wages (as  
22 defined in section 209(k) of the Social Security  
23 Act) for the preceding calendar year, exceeds

24 “(B) the deemed average total wages (as  
25 so defined) for calendar year 1993.

1           “(3) APPLICABLE DOLLAR AMOUNT.—For pur-  
2           poses of paragraph (1), the term ‘applicable dollar  
3           amount’ means—

4                   “(A) the \$4,800 and \$1,000 amounts in  
5                   subsection (b), and

6                   “(B) the \$3,000 and \$9,000 amounts in  
7                   subsection (c)(4).

8           “(4) ROUNDING.—If any amount as adjusted  
9           under paragraph (1) is not a multiple of \$10, such  
10          amount shall be rounded to the nearest multiple of  
11          \$10 (or, if such amount is a multiple of \$5 and not  
12          of \$10, such amount shall be rounded to the next  
13          highest multiple of \$10).

14          “(i) REPORTS.—The trustee of a medical savings ac-  
15          count shall make such reports regarding such account to  
16          the Secretary and to the individual for whose benefit the  
17          account is maintained with respect to contributions, dis-  
18          tributions, and such other matters as the Secretary may  
19          require under regulations. The reports required by this  
20          subsection shall be filed at such time and in such manner  
21          and furnished to such individuals at such time and in such  
22          manner as may be required by those regulations.”

23          (b) DEDUCTION ALLOWED IN ARRIVING AT AD-  
24          JUSTED GROSS INCOME.—Paragraph (7) of section 62(a)

1 of such Code (relating to retirement savings) is amend-  
2 ed—

3 (1) by inserting “OR MEDICAL EXPENSE” after  
4 “RETIREMENT” in the heading of such paragraph,  
5 and

6 (2) by inserting before the period at the end  
7 thereof the following: “and the deduction allowed by  
8 section 220 (relating to deduction of certain pay-  
9 ments to medical savings accounts)”.

10 (c) TAX ON EXCESS CONTRIBUTIONS.—Section 4973  
11 of such Code (relating to tax on excess contributions to  
12 individual retirement accounts, certain section 403(b) con-  
13 tracts, and certain individual retirement annuities) is  
14 amended—

15 (1) by inserting “**MEDICAL SAVINGS AC-**  
16 **COUNTS,**” after “**ACCOUNTS,**” in the heading of  
17 such section,

18 (2) by redesignating paragraph (2) of sub-  
19 section (a) as paragraph (3) and by inserting after  
20 paragraph (1) the following:

21 “(2) a medical savings account (within the  
22 meaning of section 220(c)),”,

23 (3) by striking “or” at the end of paragraph  
24 (1) of subsection (a), and

1           (4) by adding at the end thereof the following  
2           new subsection:

3           “(d) EXCESS CONTRIBUTIONS TO MEDICAL SAVINGS  
4 ACCOUNTS.—For purposes of this section, in the case of  
5 a medical savings account, the term ‘excess contributions’  
6 means the amount by which the amount contributed for  
7 the taxable year to the account exceeds the amount allow-  
8 able as a deduction under section 220 for such taxable  
9 year. For purposes of this subsection, any contribution  
10 which is distributed out of the medical savings account  
11 and a distribution to which section 220(d)(2) applies shall  
12 be treated as an amount not contributed.”

13           (d) TAX ON PROHIBITED TRANSACTIONS.—Section  
14 4975 of such Code (relating to prohibited transactions)  
15 is amended—

16           (1) by adding at the end of subsection (c) the  
17           following new paragraph:

18           “(4) SPECIAL RULE FOR MEDICAL SAVINGS AC-  
19 COUNTS.—An individual for whose benefit a medical  
20 savings account is established shall be exempt from  
21 the tax imposed by this section with respect to any  
22 transaction concerning such account (which would  
23 otherwise be taxable under this section) if, with re-  
24 spect to such transaction, the account ceases to be

1 a medical savings account by reason of the applica-  
2 tion of section 220(e)(2)(A) to such account.”, and

3 (2) by inserting “or a medical savings account  
4 described in section 220(c)” in subsection (e)(1)  
5 after “described in section 408(a)”.

6 (e) FAILURE TO PROVIDE REPORTS ON MEDICAL  
7 SAVINGS ACCOUNTS.—Section 6693 of such Code (relat-  
8 ing to failure to provide reports on individual retirement  
9 account or annuities) is amended—

10 (1) by inserting “**OR ON MEDICAL SAVINGS**  
11 **ACCOUNTS**” after “**ANNUITIES**” in the heading of  
12 such section, and

13 (2) by adding at the end of subsection (a) the  
14 following: “The person required by section 220(i) to  
15 file a report regarding a medical savings account at  
16 the time and in the manner required by such section  
17 shall pay a penalty of \$50 for each failure unless it  
18 is shown that such failure is due to reasonable  
19 cause.”

20 (f) CLERICAL AMENDMENTS.—

21 (1) The table of sections for part VII of sub-  
22 chapter B of chapter 1 of such Code is amended by  
23 striking the item relating to section 220 and insert-  
24 ing the following:

“Sec. 220. Medical savings accounts.  
“Sec. 221. Cross reference.”

1           (2) The table of sections for chapter 43 of such  
2 Code is amended by striking the item relating to sec-  
3 tion 4973 and inserting the following:

          “Sec. 4973. Tax on excess contributions to individual retirement  
          accounts, medical savings accounts, certain 403(b)  
          contracts, and certain individual retirement annu-  
          ities.”

4           (3) The table of sections for subchapter B of  
5 chapter 68 of such Code is amended by inserting “or  
6 on medical savings accounts” after “annuities” in  
7 the item relating to section 6693.

8           (g) EFFECTIVE DATE.—The amendments made by  
9 this section shall apply to taxable years beginning after  
10 December 31, 1993.

11 **SEC. 6. UNUSED AMOUNTS IN FLEXIBLE SPENDING AC-**  
12 **COUNTS TRANSFERABLE TO MEDICAL SAV-**  
13 **INGS ACCOUNTS.**

14           (a) IN GENERAL.—Subsection (d) of section 125 of  
15 the Internal Revenue Code of 1986 (relating to cafeteria  
16 plans) is amended by adding at the end thereof the follow-  
17 ing new paragraph:

18           “(3) UNUSED AMOUNTS TRANSFERABLE TO  
19 MEDICAL SAVINGS ACCOUNTS.—

20           “(A) IN GENERAL.—Subsection (a) shall  
21 not fail to apply to a participant in a plan, and  
22 a plan shall not fail to be treated as a cafeteria  
23 plan, solely because under the plan amounts not

1           paid out as reimbursements under a flexible  
2           spending arrangement for health and disability  
3           for the benefit of an individual are contributed  
4           to a medical savings account (as defined in sec-  
5           tion 220(c)) for the benefit of such individual.

6           “(B) SPECIAL RULES.—

7                   “(i) TIMING OF CONTRIBUTIONS.—

8           Contributions made under this paragraph  
9           shall be made on the last day of the plan  
10          year of the cafeteria plan.

11                   “(ii) AVAILABILITY REQUIREMENT.—

12          Subparagraph (A) shall apply only if the  
13          plan is available to at least 80 percent of  
14          the employees of the employer. For pur-  
15          poses of the preceding sentence, there shall  
16          be excluded employees who are excluded  
17          under section 414(q)(8) or who would be  
18          so excluded if ‘30’ were substituted for  
19          ‘17½’ in subparagraph (B) thereof.”

20          (b) TREATMENT OF AMOUNTS RECEIVED BY QUALI-  
21          FIED CASH OR DEFERRED ARRANGEMENT.—

22                  (1) Paragraph (2) of section 401(k) of such  
23          Code is amended by striking “and” at the end of  
24          subparagraph (C), by striking the period at the end  
25          of subparagraph (D) and inserting “, and”, and by

1 adding at the end thereof the following new sub-  
2 paragraph:

3 “(E) which provides that, with respect to  
4 amounts held by the trust which are attrib-  
5 utable to contributions made to the trust pursu-  
6 ant to section 125(d)(3)—

7 “(i) an employee’s right to such  
8 amounts is nonforfeitable, and

9 “(ii) such amounts may be used only  
10 to pay expenses (not compensated for by  
11 insurance or otherwise) for the medical  
12 care (as defined in section 213) of the em-  
13 ployee, the spouse of the employee, or any  
14 dependent (as defined in section 152) of  
15 the employee.”

16 (2) Subsection (k) of section 401 of such Code  
17 is amended by adding at the end thereof the follow-  
18 ing new paragraph:

19 “(11) TREATMENT OF AMOUNTS RECEIVED  
20 FROM MEDICAL SAVINGS ARRANGEMENTS.—Con-  
21 tributions made to a trust by reason of section  
22 125(d)(3) shall not be taken into account under  
23 paragraph (3)(A)(ii), and subsection (l) shall not  
24 apply to such contributions.”

1 (c) EFFECTIVE DATE.—The amendment made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 1993.

4 **SEC. 7. VOUCHERS FOR INDIVIDUALS ELIGIBLE TO PAR-**  
5 **TICIPATE IN MEDICAL SAVINGS ACCOUNTS.**

6 (a) IN GENERAL.—

7 (1) ESTABLISHMENT OF PROGRAM.—The Sec-  
8 retary of the Treasury shall establish a program  
9 under which eligible individuals may obtain health  
10 insurance vouchers to be used during such taxable  
11 year to make payments for qualified medical ex-  
12 penses.

13 (2) DEFINITIONS.—In this section, the terms  
14 “eligible individuals” and “qualified medical ex-  
15 penses” have the meaning given such terms in sec-  
16 tion 220(c) of the Internal Revenue Code of 1986  
17 (as added by section 5(a)).

18 (b) USE OF DESIGNATED STATE AGENCIES.—Under  
19 the program established pursuant to subsection (a), each  
20 State shall enter into an agreement with the Secretary of  
21 the Treasury under which an agency designated by the  
22 State shall—

23 (1) receive applications from individuals resid-  
24 ing in the State for vouchers described in subsection

25 (a);

1           (2) using forms provided by the Secretary, de-  
2           termine whether the individual is likely to be consid-  
3           ered an eligible individual under such subsection;

4           (3) if the agency determines that an individual  
5           is likely to be considered such an eligible individual  
6           for such taxable year, issue the individual a health  
7           insurance voucher the value of which is equal to 50  
8           percent of the agency's best estimate of the total  
9           contributions to the individual's medical savings ac-  
10          count (as described in section 220 of the Internal  
11          Revenue Code of 1986) that will be available for  
12          payments for qualified medical expenses for such  
13          taxable year; and

14          (4) submit regular reports notifying the Sec-  
15          retary of those individuals in the State to whom  
16          such health insurance vouchers are issued during the  
17          year and the value of such vouchers.

18          (c) APPLICATION PROCESS.—Each individual may  
19          apply for 2 health insurance vouchers for a taxable year,  
20          at 6-month intervals (or at such other intervals as may  
21          be prescribed). In order to obtain a health insurance  
22          voucher, an individual shall submit to the designated agen-  
23          cy of the State in which the individual resides an applica-  
24          tion (at such time and in such form as the State and the

1 Secretary may require) containing such information and  
2 assurances as the State and the Secretary may require.

3 (d) APPLICATION AGAINST COSTS OF QUALIFIED  
4 MEDICAL EXPENSES.—A health insurance voucher issued  
5 to an individual pursuant to this section for a year may  
6 be presented to an entity in full or partial payment of the  
7 entity's charges for the individual for qualified medical ex-  
8 penses during the year. If an individual presents the entity  
9 with such a voucher, the entity shall accept the voucher  
10 toward payment of the entity's charges for the individual  
11 for the year.

12 (e) PAYMENT TO PROVIDERS.—

13 (1) AMOUNT.—Except as otherwise provided in  
14 this paragraph, an entity providing services for  
15 which an eligible individual incurs qualified medical  
16 expenses shall be entitled, upon presentation to the  
17 Secretary (or his designee) of an individual's voucher  
18 and of information used by the entity to determine  
19 the individual's applicable charges, to payment in  
20 the amount of the voucher.

21 (2) CHARGES LESS THAN VOUCHER AMOUNT.—

22 If the amount of a voucher issued to an individual  
23 pursuant to this subsection is greater than the  
24 amount of the individual's applicable charges, the  
25 entity shall be entitled to payment under paragraph

1 (1) only in the amount of the individual's applicable  
2 charges.

3 (3) OFFSETTING PAYMENTS.—If an entity has  
4 received prepayment of an individual's applicable  
5 charges for any period for which the individual's  
6 voucher is in effect, the amount of the payment to  
7 which the entity is otherwise entitled under para-  
8 graph (1) shall be reduced to the extent of such  
9 charges paid.

10 (4) ACCEPTANCE OF CERTAIN IMPROPER  
11 VOUCHERS.—The Secretary may not deny payment  
12 under paragraph (1) to an entity because a voucher  
13 presented for payment was erroneously issued, im-  
14 properly transferred, forged, counterfeited, or other-  
15 wise invalid, unless the entity had knowledge of such  
16 invalidity at the time of its acceptance of the vouch-  
17 er.

18 (f) REFUNDABLE CREDIT TO PROVIDERS.—Subpart  
19 C of part IV of subchapter A of chapter 1 of such Code  
20 (relating to refundable credits) is amended by redesignat-  
21 ing section 35 as section 36 and by inserting after section  
22 34 the following new section:

23 **“SEC. 35. HEALTH INSURANCE VOUCHERS.**

24 “There shall be allowed as a credit against the tax  
25 imposed by this subtitle an amount equal to the aggregate

1 amount of vouchers received during the taxable year pur-  
2 suant to section 7(a) of the Health Care Accessibility Ex-  
3 pansion Act of 1993 as payment for providing services for  
4 which individuals incur qualified medical expenses (as  
5 such terms are defined under such section).”.

6 **SEC. 8. JOINT USE OF HIGH TECHNOLOGY EQUIPMENT AND**  
7 **SERVICES BY HOSPITALS.**

8 (a) WAIVER OF ANTITRUST LAWS.—

9 (1) IN GENERAL.—Notwithstanding any provi-  
10 sion of the antitrust laws, it shall not be considered  
11 a violation of the antitrust laws for hospitals to  
12 jointly undertake, in the provision of care, the pur-  
13 chasing, contracting for, or sharing of high tech-  
14 nology equipment and services.

15 (2) ANTITRUST LAWS DEFINED.—For purposes  
16 of this subsection, the term “antitrust laws”  
17 means—

18 (A) the Act entitled “An Act to protect  
19 trade and commerce against unlawful restraints  
20 and monopolies”, approved July 2, 1890, com-  
21 monly known as the “Sherman Act” (26 Stat.  
22 209; chapter 647; 15 U.S.C. 1 et seq.);

23 (B) the Federal Trade Commission Act,  
24 approved September 26, 1914 (38 Stat. 717;  
25 chapter 311; 15 U.S.C. 41 et seq.);

1 (C) the Act entitled “An Act to supple-  
2 ment existing laws against unlawful restraints  
3 and monopolies, and for other purposes”, ap-  
4 proved October 15, 1914, commonly known as  
5 the “Clayton Act” (38 Stat. 730; chapter 323;  
6 15 U.S.C. 12 et seq.; 18 U.S.C. 402, 660,  
7 3285, 3691; 29 U.S.C. 52, 53); and

8 (D) any State antitrust laws that would  
9 prohibit the activities described in subsection  
10 (a).

11 (b) GRANTS.—Title VI of the Public Health Service  
12 Act (42 U.S.C. 291 et seq.) is amended—

13 (1) by redesignating part D as part E; and

14 (2) by inserting after section 633 the following  
15 new part:

16 “PART D—EQUIPMENT AND SERVICES

17 “**SEC. 637. HIGH TECHNOLOGY EQUIPMENT AND SERVICES.**

18 “(a) ESTABLISHMENT.—The Secretary shall estab-  
19 lish and carry out demonstration projects to assist hos-  
20 pitals in acquiring and sharing high technology equipment  
21 and services. In carrying out the demonstration projects,  
22 the Secretary shall make grants to States for the purpose  
23 of paying the Federal share of the costs of assisting hos-  
24 pitals to jointly purchase, contract for, or share high tech-

1 nology equipment and services in order to eliminate unnec-  
2 essary duplication of the equipment and services.

3 “(b) AWARD OF GRANTS.—The Secretary shall allo-  
4 cate grants under this section in accordance with criteria  
5 prescribed by the Secretary.

6 “(c) DURATION OF GRANTS.—Grants made under  
7 this section may be made for periods not to exceed 3 years.

8 “(d) APPLICATION.—To be eligible to receive a grant  
9 under this section, a State, acting through the appropriate  
10 State health authority, shall submit an application at such  
11 time, in such manner, and containing such agreements,  
12 assurances, and information as the Secretary determines  
13 necessary to carry out this section. At a minimum, the  
14 application shall include—

15 “(1) a State plan that describes the manner in  
16 which the State health authority will assist hospitals  
17 in undertaking the joint activities described in sub-  
18 section (a);

19 “(2) a description of the criteria and procedures  
20 the State health authority will use to select hospitals  
21 to be assisted under this section; and

22 “(3) an assurance that the State will provide 50  
23 percent of the cost of the demonstration project  
24 from non-Federal funds.

1       “(e) FEDERAL SHARE.—The Federal share of the  
2 cost of carrying out any State plan under this section shall  
3 be 50 percent.

4       “(f) AUTHORIZATION OF APPROPRIATIONS.—There  
5 are authorized to be appropriated to carry out this section  
6 such sums as may be necessary for each of the 1993  
7 through 1996 fiscal years.”.

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