

104TH CONGRESS
1ST SESSION

H. R. 2051

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.

IN THE HOUSE OF REPRESENTATIVES

JULY 18, 1995

Mr. BAKER of Louisiana introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Commerce and the Judiciary, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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,*

1 **SECTION 1. SHORT TITLE.**

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

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

6 (a) DEDUCTION MADE PERMANENT.—

7 (1) IN GENERAL.—Subsection (l) of section 162
8 of the Internal Revenue Code of 1986 (relating to
9 special rules for health insurance costs of self-em-
10 ployed individuals) is amended by striking paragraph
11 (6).

12 (2) CONFORMING AMENDMENT.—Subsection (a)
13 of section 110 of the Tax Extension Act of 1991 is
14 amended by striking paragraph (2).

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

18 (b) DEDUCTION INCREASED TO 100 PERCENT.—

19 (1) IN GENERAL.—Paragraph (1) of section
20 162(l) of such Code is amended by striking “25 per-
21 cent” and inserting “100 percent”.

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

1 **SEC. 3. CREDIT FOR MEDICAL PRACTITIONERS COMMENC-**
2 **ING MEDICAL PRACTICE IN RURAL AREAS.**

3 (a) IN GENERAL.—Subpart A of part IV of sub-
4 chapter A of chapter 1 of the Internal Revenue Code of
5 1986 (relating to nonrefundable personal credits) is
6 amended by inserting after section 22 the following new
7 section:

8 **“SEC. 23. CERTAIN MEDICAL PRACTITIONERS COMMENC-**
9 **ING MEDICAL PRACTICE IN RURAL AREAS.**

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

16 “(b) LIMITATION.—No credit shall be allowed under
17 subsection (a) with respect to any taxable year in which
18 the taxpayer practices a medical practice in the rural area
19 for less than 9 months or ceases to practice a medical
20 practice in the rural area.

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

22 “(1) ELIGIBLE MEDICAL PRACTITIONER.—The
23 term ‘eligible medical practitioner’ means any physi-
24 cian, nurse practitioner, or certified physician assist-
25 ant.

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

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

12 “(4) RURAL AREA.—The term ‘rural area’
13 means any area that is not within any metropolitan
14 statistical area (as defined by the Secretary of Com-
15 merce).

16 “(d) RECAPTURE OF CREDIT.—

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

24 “(2) NO CREDITS AGAINST TAX.—Any increase
25 in tax under this subsection shall not be treated as

1 a tax imposed by this chapter for purposes of deter-
2 mining—

3 “(A) the amount of any credit under this
4 part, or

5 “(B) the amount of the tax under section
6 55.”

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

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

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

14 **SEC. 4. DEDUCTION FOR MEDICAL SCHOOL EDUCATION**
15 **LOAN INTEREST INCURRED BY CERTAIN**
16 **MEDICAL PRACTITIONERS SERVING IN**
17 **RURAL AREAS.**

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

1 “(E) any qualified medical education loan
2 interest (within the meaning of paragraph (5)),
3 and”.

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

9 “(5) QUALIFIED MEDICAL EDUCATION LOAN IN-
10 TEREST.—

11 “(A) IN GENERAL.—The term ‘qualified
12 medical education loan interest’ means inter-
13 est—

14 “(i) which is on a medical education
15 loan of an eligible medical practitioner (as
16 defined in section 23(c)),

17 “(ii) which is paid or accrued by such
18 practitioner, and

19 “(iii) which accrues during the period
20 during which the practitioner is eligible to
21 receive a credit under section 23(c).

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

1 “(i) qualified tuition and related ex-
2 penses (as defined in section 117(b)) in-
3 curred for the medical education of such
4 individual, or

5 “(ii) reasonable living expenses while
6 away from home in order to attend an edu-
7 cational institution described in section
8 170(b)(1)(A)(ii) for the medical education
9 of such individual.

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

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

17 **SEC. 5. MEDICAL SAVINGS ACCOUNTS.**

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

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

24 “(a) DEDUCTION ALLOWED.—In the case of an eligi-
25 ble individual, there shall be allowed as a deduction

1 amounts paid in cash during the taxable year by or on
2 behalf of such individual to a medical savings account.

3 “(b) LIMITATION.—

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

8 “(A) the lesser of—

9 “(i) the applicable limit, or

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

14 “(B) the sum of—

15 “(i) the value of employer-provided
16 coverage for the medical expenses of such
17 individual, plus

18 “(ii) the aggregate amount contrib-
19 uted to such account during the taxable
20 year pursuant to section 125(d)(3).

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

23 “(A) \$4,800, plus

24 “(B) \$1,000 for each individual who is a
25 dependent (as defined in section 152) of the in-

1 dividual for whose benefit the account is estab-
2 lished.

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

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

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

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

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

1 “(D) The assets of the trust will not be
2 commingled with other property except in a
3 common trust fund or common investment
4 fund.

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

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

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

13 “(3) QUALIFIED MEDICAL EXPENSES.—

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

16 “(i) medical expenses, and

17 “(ii) amounts paid for qualified long-
18 term care insurance.

19 “(B) MEDICAL EXPENSES.—The term
20 ‘medical expenses’ means amounts paid by the
21 individual for whose benefit the account was es-
22 tablished for medical care (as defined in section
23 213) of such individual, the spouse of such indi-
24 vidual, and any dependent (as defined in section
25 152) of such individual, but only to the extent

1 such amounts are not compensated for by in-
2 surance or otherwise.

3 “(C) QUALIFIED LONG-TERM CARE INSUR-
4 ANCE.—

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

1 “(I) for not less than 12 consecu-
2 tive months for each covered person
3 who has attained age 50,

4 “(II) on an expense incurred, in-
5 demnity, or prepaid basis,

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

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

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

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

22 “(I) Basic Medicare supplement
23 coverage.

24 “(II) Basic hospital-based acute
25 care expense coverage.

1 “(III) Basic medical-surgical ex-
2 pense coverage.

3 “(IV) Hospital confinement in-
4 demnity coverage.

5 “(V) Major medical expense cov-
6 erage.

7 “(VI) Disability income protec-
8 tion coverage.

9 “(VII) Accident only coverage.

10 “(VIII) Specified disease cov-
11 erage.

12 “(IX) Specified accident cov-
13 erage.

14 “(X) Limited benefit health cov-
15 erage.

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

19 “(I) Private insurance company.

20 “(II) Fraternal benefit society.

21 “(III) Nonprofit health corpora-
22 tion.

23 “(IV) Nonprofit hospital corpora-
24 tion.

1 “(V) Nonprofit medical service
2 corporation.

3 “(VI) Prepaid health plan.

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

9 “(A) which provides no compensation for
10 medical expenses not exceeding \$3,000 during
11 any year,

12 “(B) which requires the individual to pay
13 15 percent of such individual’s medical expenses
14 to the extent they exceed \$3,000 but not
15 \$9,000 during any year, and

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

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

25 “(d) TAX TREATMENT OF DISTRIBUTIONS.—

1 “(1) IN GENERAL.—Except as otherwise pro-
2 vided in this subsection, any amount paid or distrib-
3 uted out of a medical savings account shall be in-
4 cluded in the gross income of the individual for
5 whose benefit such account was established unless
6 such amount is used exclusively to pay the qualified
7 medical expenses of such individual.

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

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

19 “(B) no deduction is allowed under sub-
20 section (a) with respect to such excess contribu-
21 tion, and

22 “(C) such distribution is accompanied by
23 the amount of net income attributable to such
24 excess contribution.

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

4 “(e) TAX TREATMENT OF ACCOUNTS.—

5 “(1) EXEMPTION FROM TAX.—A medical sav-
6 ings account is exempt from taxation under this sub-
7 title unless such account has ceased to be an invest-
8 ment savings account by reason of paragraph (2).
9 Notwithstanding the preceding sentence, any such
10 account is subject to the taxes imposed by section
11 511 (relating to imposition of tax on unrelated busi-
12 ness income of charitable, etc. organizations).

13 “(2) LOSS OF EXEMPTION OF ACCOUNT WHERE
14 INDIVIDUAL ENGAGES IN PROHIBITED TRANS-
15 ACTION.—

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

23 “(B) ACCOUNT TREATED AS DISTRIBUTING
24 ALL ITS ASSETS.—In any case in which any ac-
25 count ceases to be a medical savings account by

1 reason of subparagraph (A) on the first day of
2 any taxable year, paragraph (1) of subsection
3 (d) applies as if there were a distribution on
4 such first day in an amount equal to the fair
5 market value (on such first day) of all assets in
6 the account (on such first day).

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

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

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

1 “(2) DISQUALIFICATION CASES.—If an amount
2 is includible in the gross income of an individual for
3 a taxable year under subsection (e), his tax under
4 this chapter for such taxable year shall be increased
5 by an amount equal to 10 percent of such amount
6 includible in his gross income.

7 “(3) DISABILITY OR DEATH CASES.—Para-
8 graphs (1) and (2) do not apply if the payment or
9 distribution is made after the individual for whose
10 benefit the medical savings account was established
11 becomes disabled within the meaning of section
12 72(m)(7) or dies.

13 “(g) SPECIAL RULES.—

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

17 “(2) CUSTODIAL ACCOUNTS.—For purposes of
18 this section, a custodial account shall be treated as
19 a trust if—

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

1 “(B) the custodial account would, except
2 for the fact that it is not a trust, constitute a
3 medical savings account described in subsection
4 (c).

5 For purposes of this title, in the case of a custodial
6 account treated as a trust by reason of the preceding
7 sentence, the custodian of such account shall be
8 treated as the trustee thereof.

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

13 “(h) INFLATION ADJUSTMENT.—

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

18 “(A) such dollar amount, multiplied by

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

21 “(2) COST-OF-LIVING ADJUSTMENT.—For pur-
22 poses of paragraph (1), the cost-of-living adjustment
23 for any calendar year is the percentage (if any) by
24 which—

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

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

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

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

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

13 “(4) ROUNDING.—If any amount as adjusted
14 under paragraph (1) is not a multiple of \$10, such
15 amount shall be rounded to the nearest multiple of
16 \$10 (or, if such amount is a multiple of \$5 and not
17 of \$10, such amount shall be rounded to the next
18 highest multiple of \$10).

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

1 and furnished to such individuals at such time and in such
2 manner as may be required by those regulations.”

3 (b) DEDUCTION ALLOWED IN ARRIVING AT AD-
4 JUSTED GROSS INCOME.—Paragraph (7) of section 62(a)
5 of such Code (relating to retirement savings) is amend-
6 ed—

7 (1) by inserting “OR MEDICAL EXPENSE” after
8 “RETIREMENT” in the heading of such paragraph,
9 and

10 (2) by inserting before the period at the end
11 thereof the following: “and the deduction allowed by
12 section 220 (relating to deduction of certain pay-
13 ments to medical savings accounts)”.

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

19 (1) by inserting “**MEDICAL SAVINGS AC-**
20 **COUNTS,**” after “**ACCOUNTS,**” in the heading of
21 such section,

22 (2) by redesignating paragraph (2) of sub-
23 section (a) as paragraph (3) and by inserting after
24 paragraph (1) the following:

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

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

5 (4) by adding at the end thereof the following
6 new subsection:

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

17 (d) TAX ON PROHIBITED TRANSACTIONS.—Section
18 4975 of such Code (relating to prohibited transactions)
19 is amended—

20 (1) by adding at the end of subsection (c) the
21 following new paragraph:

22 “(4) SPECIAL RULE FOR MEDICAL SAVINGS AC-
23 COUNTS.—An individual for whose benefit a medical
24 savings account is established shall be exempt from
25 the tax imposed by this section with respect to any

1 transaction concerning such account (which would
2 otherwise be taxable under this section) if, with re-
3 spect to such transaction, the account ceases to be
4 a medical savings account by reason of the applica-
5 tion of section 220(e)(2)(A) to such account.”, and

6 (2) by inserting “or a medical savings account
7 described in section 220(c)” in subsection (e)(1)
8 after “described in section 408(a)”.

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

13 (1) by inserting “**OR ON MEDICAL SAVINGS**
14 **ACCOUNTS**” after “**ANNUITIES**” in the heading of
15 such section, and

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

23 (f) CLERICAL AMENDMENTS.—

24 (1) The table of sections for part VII of sub-
25 chapter B of chapter 1 of such Code is amended by

1 striking the item relating to section 220 and insert-
2 ing the following:

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

3 (2) The table of sections for chapter 43 of such
4 Code is amended by striking the item relating to sec-
5 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.”

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

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

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

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

20 “(3) UNUSED AMOUNTS TRANSFERABLE TO
21 MEDICAL SAVINGS ACCOUNTS.—

1 “(A) IN GENERAL.—Subsection (a) shall
2 not fail to apply to a participant in a plan, and
3 a plan shall not fail to be treated as a cafeteria
4 plan, solely because under the plan amounts not
5 paid out as reimbursements under a flexible
6 spending arrangement for health and disability
7 for the benefit of an individual are contributed
8 to a medical savings account (as defined in sec-
9 tion 220(c)) for the benefit of such individual.

10 “(B) SPECIAL RULES.—

11 “(i) TIMING OF CONTRIBUTIONS.—
12 Contributions made under this paragraph
13 shall be made on the last day of the plan
14 year of the cafeteria plan.

15 “(ii) AVAILABILITY REQUIREMENT.—
16 Subparagraph (A) shall apply only if the
17 plan is available to at least 80 percent of
18 the employees of the employer. For pur-
19 poses of the preceding sentence, there shall
20 be excluded employees who are excluded
21 under section 414(q)(8) or who would be
22 so excluded if ‘30’ were substituted for
23 ‘17½’ in subparagraph (B) thereof.”

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

1 (1) Paragraph (2) of section 401(k) of such
2 Code is amended by striking “and” at the end of
3 subparagraph (C), by striking the period at the end
4 of subparagraph (D) and inserting “, and”, and by
5 adding at the end thereof the following new sub-
6 paragraph:

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

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

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

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

23 “(11) TREATMENT OF AMOUNTS RECEIVED
24 FROM MEDICAL SAVINGS ARRANGEMENTS.—Con-
25 tributions made to a trust by reason of section

1 125(d)(3) shall not be taken into account under
2 paragraph (3)(A)(ii), and subsection (l) shall not
3 apply to such contributions.”

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

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

9 (a) IN GENERAL.—

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

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

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

1 (1) receive applications from individuals resid-
2 ing in the State for vouchers described in subsection
3 (a);

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

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

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

21 (c) APPLICATION PROCESS.—Each individual may
22 apply for 2 health insurance vouchers for a taxable year,
23 at 6-month intervals (or at such other intervals as may
24 be prescribed). In order to obtain a health insurance
25 voucher, an individual shall submit to the designated agen-

1 cy of the State in which the individual resides an applica-
2 tion (at such time and in such form as the State and the
3 Secretary may require) containing such information and
4 assurances as the State and the Secretary may require.

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

14 (e) PAYMENT TO PROVIDERS.—

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

23 (2) CHARGES LESS THAN VOUCHER AMOUNT.—

24 If the amount of a voucher issued to an individual
25 pursuant to this subsection is greater than the

1 amount of the individual's applicable charges, the
2 entity shall be entitled to payment under paragraph
3 (1) only in the amount of the individual's applicable
4 charges.

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

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

20 (f) REFUNDABLE CREDIT TO PROVIDERS.—Subpart
21 C of part IV of subchapter A of chapter 1 of such Code
22 (relating to refundable credits) is amended by redesignat-
23 ing section 35 as section 36 and by inserting after section
24 34 the following new section:

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

2 “There shall be allowed as a credit against the tax
3 imposed by this subtitle an amount equal to the aggregate
4 amount of vouchers received during the taxable year pur-
5 suant to section 7(a) of the Health Care Accessibility Ex-
6 pansion Act of 1993 as payment for providing services for
7 which individuals incur qualified medical expenses (as
8 such terms are defined under such section).”.

9 **SEC. 8. JOINT USE OF HIGH TECHNOLOGY EQUIPMENT AND**
10 **SERVICES BY HOSPITALS.**

11 (a) **WAIVER OF ANTITRUST LAWS.—**

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

18 (2) **ANTITRUST LAWS DEFINED.—**For purposes
19 of this subsection, the term “antitrust laws”
20 means—

21 (A) the Act entitled “An Act to protect
22 trade and commerce against unlawful restraints
23 and monopolies”, approved July 2, 1890, com-
24 monly known as the “Sherman Act” (26 Stat.
25 209; chapter 647; 15 U.S.C. 1 et seq.);

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

4 (C) the Act entitled “An Act to supple-
5 ment existing laws against unlawful restraints
6 and monopolies, and for other purposes”, ap-
7 proved October 15, 1914, commonly known as
8 the “Clayton Act” (38 Stat. 730; chapter 323;
9 15 U.S.C. 12 et seq.; 18 U.S.C. 402, 660,
10 3285, 3691; 29 U.S.C. 52, 53); and

11 (D) any State antitrust laws that would
12 prohibit the activities described in subsection
13 (a).

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

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

17 (2) by inserting after section 633 the following
18 new part:

19 “PART D—EQUIPMENT AND SERVICES

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

21 “(a) ESTABLISHMENT.—The Secretary shall estab-
22 lish and carry out demonstration projects to assist hos-
23 pitals in acquiring and sharing high technology equipment
24 and services. In carrying out the demonstration projects,
25 the Secretary shall make grants to States for the purpose

1 of paying the Federal share of the costs of assisting hos-
2 pitals to jointly purchase, contract for, or share high tech-
3 nology equipment and services in order to eliminate unnec-
4 essary duplication of the equipment and services.

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

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

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

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

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

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

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

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

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