

AN ACT concerning government.

**Be it enacted by the People of the State of Illinois,
represented in the General Assembly:**

Section 5. The State Employee Health Savings Account Law is amended by changing Sections 10-5 and 10-10 as follows:

(5 ILCS 377/10-5)

Sec. 10-5. Definitions. As used in this Law:

(a) "Deductible" means the total deductible of a high deductible health plan for an eligible individual and all the dependents of that eligible individual for a calendar year.

(b) "Dependent" means a dependent as defined in Section 3 of the State Employees Group Insurance Act of 1971, provided that the dependent meets the definition of "dependent" under Section 152 of the Internal Revenue Code of 1986, determined without regard to subdivisions (b) (1), (b) (2), and (d) (1) (B) of that Section ~~an eligible individual's spouse or child, as defined in Section 152 of the Internal Revenue Code of 1986. "Dependent" includes a party to a civil union, as defined under Section 10 of the Illinois Religious Freedom Protection and Civil Union Act.~~

(c) "Eligible individual" means an employee, as defined in Section 3 of the State Employees Group Insurance Act of 1971, who contributes to health savings accounts on the employees'

behalf, who:

(1) is covered by a high deductible health plan individually or with dependents; ~~and~~

(2) is not covered under any health plan that is not a high deductible health plan, except for:

(i) coverage for accidents;

(ii) workers' compensation insurance;

(iii) insurance for a specified disease or illness;

(iv) insurance paying a fixed amount per day per hospitalization; and

(v) tort liabilities; ~~and~~

(3) establishes a health savings account or on whose behalf the health savings account is established; ~~and~~

(4) is not entitled to Medicare; and

(5) cannot be claimed as a dependent on another person's tax return.

(d) "Employer" means a State agency, department, or other entity that employs an eligible individual.

(e) "Health savings account" or "account" means a trust or custodial account established under a State program exclusively to pay the qualified medical expenses of an eligible individual, or his or her dependents, that meets all of the following requirements:

(1) Except in the case of a rollover contribution, no contribution may be accepted:

(A) unless it is in cash; or

(B) to the extent that the contribution, when added to the previous contributions to the Account for the calendar year, exceeds the ~~lesser of (i) 100% of the eligible individual's deductible or (ii) the~~ contribution level set for that year by the Internal Revenue Service.

(2) The trustee or custodian is a bank, an insurance company, or another person approved by the Director of Insurance.

(3) No part of the trust assets shall be invested in life insurance contracts.

(4) The assets of the account shall not be commingled with other property except as allowed for under Individual Retirement Accounts.

(5) Eligible individual's interest in the account is nonforfeitable.

(f) "Health savings account program" or "program" means a program that includes all of the following:

(1) Participation ~~The purchase~~ by an eligible individual in an employer-sponsored ~~or by an employer of a~~ high deductible health plan.

(2) The contribution into a health savings account by an eligible individual or on behalf of an employee or by his or her employer. The total annual contribution may not exceed the amount ~~of the deductible or the amounts~~ listed

in sub-item (B) of item (1) of subsection (e) ~~(f)~~ of this Section.

(g) "High deductible" means:

(1) In the case of self-only coverage, an annual deductible that is not less than the level set by the Internal Revenue Service and that, when added to the other annual out-of-pocket expenses required to be paid under the plan for covered benefits, does not exceed the maximum level set by the Internal Revenue Service \$5,000; and

(2) In the case of family coverage, an annual deductible of not less than the level set by the Internal Revenue Service and that, when added to the other annual out-of-pocket expenses required to be paid under the plan for covered benefits, does not exceed the maximum level set by the Internal Revenue Service \$10,000.

A plan shall not fail to be treated as a high deductible plan by reason of a failure to have a deductible for preventive care or, in the case of network plans, for having out-of-pocket expenses that exceed these limits on an annual deductible for services that are provided outside the network.

(h) "High deductible health plan" means ~~a~~ health coverage ~~policy, certificate, or contract~~ that provides for payments for covered benefits that exceed the high deductible.

(i) "Qualified medical expense" means an expense paid by the eligible individual for medical care described in Section 213(d) of the Internal Revenue Code of 1986.

(Source: P.A. 97-142, eff. 7-14-11.)

(5 ILCS 377/10-10)

Sec. 10-10. Application; authorized contributions.

(a) Beginning in calendar ~~taxable~~ year 2012 ~~2011~~, each employer shall make available to each eligible individual a health savings account program, if that individual chooses to enroll in the program except that, for an employer who provides coverage pursuant to any one or more of subsections (i) through (n) of Section 10 of the State Employee Group Insurance Act, that employer may make available a health savings account program. An employer who makes a health savings account program available shall annually deposit an amount equal to one-third of the annual deductible ~~\$2,750 annually~~ into an eligible individual's health savings account. Unused funds in a health savings account shall become the property of the account holder at the end of a taxable year.

(b) Beginning in calendar ~~taxable~~ year 2012 ~~2011~~, an eligible individual may deposit contributions into a health savings account in accordance with the restrictions set forth in subsection (e) of Section 10-5. ~~The amount of deposit may not exceed the amount of the deductible for the policy.~~

(Source: P.A. 97-142, eff. 7-14-11.)

Section 99. Effective date. This Act takes effect upon becoming law.