



97TH GENERAL ASSEMBLY

State of Illinois

2011 and 2012

HB2944

Introduced 2/23/2011, by Rep. Jim Watson

SYNOPSIS AS INTRODUCED:

New Act

Creates the State Employee Health Savings Account Act. Provides that "eligible individual" has the same meaning as "employee" as that term is defined in the State Employees Group Insurance Act of 1971. Provides that, beginning in taxable year 2011, each employer shall make available to each eligible individual a health savings account program. Provides that an employer shall deposit \$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. Provides that a trustee or custodian must use the funds held in a health savings account solely (i) for the purpose of paying the qualified medical expenses of the eligible individual or his or her dependents, (ii) to purchase a health coverage policy, certificate, or contract or (iii) to pay for health insurance other than a Medicare supplemental policy for those who are Medicare eligible. Makes other changes.

LRB097 05491 RPM 45551 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning health savings accounts.

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

4 Section 1. Short title. This Act may be cited as the State
5 Employee Health Savings Account Act.

6 Section 5. Definitions. As used in this Act:

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

10 (b) "Dependent" means an eligible individual's spouse or
11 child, as defined in Section 152 of the Internal Revenue Code
12 of 1986.

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

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

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

21 (i) coverage for accidents;

22 (ii) workers' compensation insurance;

23 (iii) insurance for a specified disease or

1 illness;

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

4 (v) tort liabilities; and

5 (3) establishes a health savings account or on whose
6 behalf the health savings account is established.

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

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

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

16 (A) unless it is in cash; or

17 (B) to the extent that the contribution, when added
18 to the previous contributions to the Account for the
19 calendar year, exceeds the lesser of (i) 100% of the
20 eligible individual's deductible or (ii) \$2,600 for an
21 individual or \$5,150 per family.

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

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

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

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

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

8 (1) The purchase by an eligible individual or by an
9 employer of a high deductible health plan.

10 (2) The contribution into a health savings account by
11 an eligible individual or on behalf of an employee or by
12 his or her employer. The total annual contribution may not
13 exceed the amount of the deductible or the amounts listed
14 in sub-item (B) of item (1) of subsection (f) of this
15 Section.

16 (g) "High deductible" means:

17 (1) In the case of self-only coverage, an annual
18 deductible that is not less than \$1,000 and that, when
19 added to the other annual out-of-pocket expenses required
20 to be paid under the plan for covered benefits, does not
21 exceed \$5,000; and

22 (2) In the case of family coverage, an annual
23 deductible of not less than \$2,000 and that, when added to
24 the other annual out-of-pocket expenses required to be paid
25 under the plan for covered benefits, does not exceed
26 \$10,000.

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

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

9 (i) "Qualified medical expense" means an expense paid by
10 the eligible individual for medical care described in Section
11 213(d) of the Internal Revenue Code of 1986.

12 Section 10. Application; authorized contributions.

13 (a) Beginning in taxable year 2011, each employer shall
14 make available to each eligible individual a health savings
15 account program. An employer shall deposit \$2,750 annually into
16 an eligible individual's health savings account. Unused funds
17 in a health savings account shall become the property of the
18 account holder at the end of a taxable year.

19 (b) Beginning in taxable year 2011, an eligible individual
20 may deposit contributions into a health savings account. The
21 amount of deposit may not exceed the amount of the deductible
22 for the policy.

23 Section 15. Use of funds.

24 (a) The trustee or custodian must use the funds held in a

1 health savings account solely (i) for the purpose of paying the
2 qualified medical expenses of the eligible individual or his or
3 her dependents, (ii) to purchase a health coverage policy,
4 certificate, or contract, or (iii) to pay for health insurance
5 other than a Medicare supplemental policy for those who are
6 Medicare eligible.

7 (b) Funds held in a health savings account may not be used
8 to cover expenses of the eligible individual or his or her
9 dependents that are otherwise covered, including, but not
10 limited to, medical expense covered under an automobile
11 insurance policy, worker's compensation insurance policy or
12 self-insured plan, or another employer-funded health coverage
13 policy, certificate, or contract.