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ALERT: *Immediate Release* COMPLIANCE OBSERVER

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House Passes Enhanced HSA Bills

In late July the House of Representatives adopted two healthcare bills that, among other things, allow for more flexibility surrounding how healthcare consumers can spend their savings for medical related expenses, including expanding how Health Savings Accounts (HSAs) may be used and increasing the maximum contribution limits to these accounts.

The bills, H.R. 6199 and H.R. 6311, expand tax-advantage health care accounts, inclusive of HSAs, Flexible Spending Accounts (FSAs), and Health Reimbursement Arrangements (HRAs). These bills are broader than the versions passed by the House Ways and Means Committee recently, as they also include aspects of other bills that had been previously approved by the Committee. The bills presented also received significant democratic support. Below is a breakdown of the two bills as passed by the House.

The Restoring Access to Medication and Modernizing Health Savings Accounts Act, H.R. 6199, was passed by a margin of 277 to 142. This bill would allow:

- Individuals to purchase over-the-counter medical products by reversing the Affordable Care Act's (ACA's) prohibition on using tax-favored health accounts. Additionally, prescriptions would not be required for eligibility purposes.
- Menstrual care products to be treated as qualified medical expenses by all tax-advantaged health care accounts.
- Certain sports and fitness expenses, including gym memberships and costs associated with participation in certain physical exercise programs, to be recognized as qualified medical expenses up to a limit of $500 per year for individuals and $1,000 per year for a family.
- High Deductible Health Plan (HDHP) coverage up to $250 for individuals and $500 for families on an annual basis for non-preventive services not currently covered as pre-deductible. Limited coverage outside the deductible would be allowed, e.g., for chronic condition treatments and telehealth services.
- Individuals with HSA-qualifying family coverage to make contributions to an HSA if their spouse is enrolled in a medical FSA, which is currently not permitted.

- The use of employer-sponsored onsite medical clinics and other employment-related health services without imposing a risk to HSA eligibility, as long as significant benefits are not provided.
- Direct primary care (DPC) provider fees to be covered by HSAs (capped monthly at $150 per individual and $300 per family).
- HSA-eligible individuals who participate in a DPC to remain HSA eligible.

The Increasing Access to Lower Premium Plans and Expanding Health Savings Accounts Act, H.R. 6311, passed by a margin of 242 to 176. This bill would allow the ACA's premium tax credit to apply for low and moderate earners when buying lower-premium, "catastrophic" copper plans. The bill would also allow individuals over the age of 30 to buy copper plans, and allow copper and bronze-level individual and small-group market plans to qualify for HSA contributions. The bill also addresses certain tax modifications for tax-advantaged accounts, including:

- Increasing the HSA 2018 annual contribution to $6,650 for individuals and $13,300 for families. This represents the 2018 combined annual limit on out-of-pocket and deductible expenses under an HSA qualified insurance plan.
- Allowing HSAs to cover qualified medical expenses at the start of the HDHP coverage if accounts are opened within 60 days after coverage under an HDHP begins. This proposal includes a reasonable grace period between the timeframe the HDHP coverage starts and the set-up of the HSA.
- Allowing employees with an FSA or an HRA who enroll in a qualifying HDHP with an HSA to transfer balances from their FSA or HRA to their HSA. Transfers would be capped at $2,650 for individuals and $5,300 for families. This option is offered at the employer's discretion.
- Allowing for health FSA balances to carry over to the following plan year. The carry over option could not exceed 3 times the annual FSA contribution limit.
- Allowing for spouses 55 years of age and older (currently only available for account holders) to make an annual catch-up contribution to an HSA that's linked to a health plan providing family level coverage. The extra contribution amount cannot exceed $1,000.
- Permitting working seniors who participate in Medicare Part A and are covered by a qualifying HDHP to contribute to an HSA.

What to expect next?

Senate approval is needed by year-end for both bills to become law. Analysts predict the likelihood of that happening to be challenging. Additionally, in September 2018, the House is expected to vote on several other ACA related measures that were previously passed by the Ways and Means Committee. These bills include H.R. 4616, which is designed to delay the Cadillac Tax until 2021 and suspend the ACA employer mandate penalties for plan years through 2018.

For additional information, visit:

GovTrack - H.R. 6199 & H.R. 6311
Congress.gov - H.R. 6311 & H.R. 6199

Source: ***AP Benefit Advisors***

Should you have any questions or concerns please contact a member of the AssuredPartners' Employee Benefits Team