

116TH CONGRESS
2D SESSION

H. R. 8473

To amend the Internal Revenue Code of 1986 to consolidate health accounts into Medisave Accounts, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 1, 2020

Mr. GONZALEZ of Ohio (for himself and Mr. WESTERMAN) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Energy and Commerce, 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 consolidate health accounts into Medisave 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 “Family First Medisave
5 Empowerment Act”.

1 **SEC. 2. MEDISAVE ACCOUNTS.**

2 (a) IN GENERAL.—Part VIII of subchapter F of
3 chapter 1 of the Internal Revenue Code of 1986 is amend-
4 ed by adding at the end the following new section:

5 **“SEC. 530A. MEDISAVE ACCOUNTS.**

6 “(a) MEDISAVE ACCOUNT.—For purposes of this sec-
7 tion—

8 “(1) IN GENERAL.—The term ‘Medisave ac-
9 count’ means a trust created or organized in the
10 United States as a Medisave account exclusively for
11 the purpose of paying the qualified medical expenses
12 of the account beneficiary, but only if the written
13 governing instrument creating the trust meets the
14 following requirements:

15 “(A) Except in the case of a rollover con-
16 tribution described in subparagraph (A) or (B)
17 of subsection (e)(5), no contribution will be ac-
18 cepted—

19 “(i) unless it is in cash,

20 “(ii) to the extent such contribution,
21 when added to previous contributions to
22 the trust for the calendar year, exceeds the
23 limitation amount specified in subsection
24 (b)(1), or

25 “(iii) to the extent such contribution,
26 when added to the balance of the account,

1 exceeds the limitation amount specified in
2 subsection (b)(2).

3 “(B) The trustee is a bank (as defined in
4 section 408(n)), an insurance company (as de-
5 fined in section 816), or another person who
6 demonstrates to the satisfaction of the Sec-
7 retary that the manner in which such person
8 will administer the trust will be consistent with
9 the requirements of this section.

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

12 “(D) The assets of the trust will not be
13 commingled with other property except in a
14 common trust fund or common investment
15 fund.

16 “(E) The interest of an individual in the
17 balance in his account is nonforfeitable.

18 “(2) QUALIFIED MEDICAL EXPENSES.—

19 “(A) IN GENERAL.—The term ‘qualified
20 medical expenses’ means, with respect to an ac-
21 count beneficiary, amounts paid by such bene-
22 ficiary for medical care, but only to the extent
23 such amounts are not compensated for by in-
24 surance or otherwise—

25 “(i) for—

1 “(I) such individual,

2 “(II) the spouse of such indi-
3 vidual,

4 “(III) any dependent (as defined
5 in section 152, determined without re-
6 gard to subsections (b)(1), (b)(2), and
7 (d)(1)(B) thereof) of such individual,
8 and

9 “(IV) any individual who bears a
10 relationship to the account beneficiary
11 that is described in subparagraph (C)
12 or (D) of section 152(d) if the ac-
13 count beneficiary is or was a depend-
14 ent of such individual for any taxable
15 year ending before or with the taxable
16 year in which the individual attained
17 18 years of age, and

18 “(ii) if, on the date such medical care
19 was provided, such individual, spouse or
20 dependent to whom such care was provided
21 was covered under the qualified health in-
22 surance of the account beneficiary.

23 “(B) MODIFIED DEFINITION OF MEDICAL
24 CARE.—For purposes of subparagraph (A), the
25 term ‘medical care’ has the meaning given such

1 term by section 213(d), except that such term
2 includes—

3 “(i) direct pay arrangements with pri-
4 mary physicians, and

5 “(ii) predetermined level of access to
6 care from an integrated health plan.

7 “(3) ACCOUNT BENEFICIARY.—The term ‘ac-
8 count beneficiary’ means the individual on whose be-
9 half the Medisave account was established.

10 “(4) CERTAIN RULES TO APPLY.—Rules similar
11 to the following rules shall apply for purposes of this
12 section:

13 “(A) Section 219(d)(2) (relating to no de-
14 duction for rollovers).

15 “(B) Section 219(f)(3) (relating to time
16 when contributions deemed made).

17 “(C) Except as provided in section 106(d),
18 section 219(f)(5) (relating to employer pay-
19 ments).

20 “(D) Section 408(g) (relating to commu-
21 nity property laws).

22 “(E) Section 408(h) (relating to custodial
23 accounts).

24 “(b) LIMITATIONS.—

25 “(1) ANNUAL LIMITATION.—

1 “(A) IN GENERAL.—The limitation amount
2 specified in this paragraph is—

3 “(i) \$10,000 in the case of a qualified
4 health plan with an actuarial value of less
5 than 55 percent,

6 “(ii) \$8,600 in the case of a qualified
7 health plan with an actuarial value that is
8 55 percent or more and less than 65 per-
9 cent, and

10 “(iii) \$7,200 in the case of a qualified
11 health plan with an actuarial value that is
12 65 percent or more.

13 “(B) ACTUARIAL VALUE OF QUALIFIED
14 HEALTH PLAN.—For purposes of subparagraph
15 (A), the actuarial value of a qualified health
16 plan is the percentage of the total average costs
17 of covered benefits under the health plan.

18 “(2) ACCOUNT ACCUMULATION LIMITATION.—
19 The limitation amount specified in this paragraph is
20 \$50,000.

21 “(3) INDEXING.—

22 “(A) IN GENERAL.—In the case of any
23 taxable year beginning in a calendar year after
24 2020, each dollar amount contained in para-
25 graph (1)(A) shall be increased by the medical

1 care cost adjustment of such amount for such
2 calendar year.

3 “(B) MEDICAL CARE COST ADJUST-
4 MENT.—For purposes of subparagraph (A), the
5 medical care cost adjustment for any calendar
6 year is the percentage (if any) by which—

7 “(i) the medical care component of
8 the C–CPI–U (as defined in section
9 1(f)(6)) for August of the preceding cal-
10 endar year, exceeds

11 “(ii) such component of the C–CPI–U
12 (as so defined) for August of 2019.

13 “(C) ROUNDING.—

14 “(i) ANNUAL LIMITATION.—If any in-
15 crease in a dollar amount contained in
16 paragraph (1)(A) determined under sub-
17 paragraph (A) is not a multiple of \$100,
18 such increase shall be rounded to the near-
19 est multiple of \$100.

20 “(ii) ACCOUNT LIMITATION.—If any
21 increase in the dollar amount contained in
22 paragraph (2) determined under subpara-
23 graph (A) is not a multiple of \$1,000, such
24 increase shall be rounded to the nearest
25 multiple of \$1,000.

1 “(4) COORDINATION WITH OTHER CONTRIBU-
2 TIONS.—The limitation which would (but for this
3 paragraph) apply under paragraphs (1) and (2) to
4 an individual for any taxable year shall be reduced
5 (but not below zero) by the sum of—

6 “(A) the aggregate amount contributed to
7 Medisave accounts of such individual which is
8 excludable from the taxpayer’s gross income for
9 such taxable year under section 106(d), and

10 “(B) the aggregate amount contributed to
11 Medisave accounts of such individual for such
12 taxable year under section 408(d)(9).

13 “(5) DEPOSIT OF ADVANCE PREMIUM TAX
14 CREDIT.—An account beneficiary who is eligible for
15 an advance payment of the premium tax credit may
16 elect to have the Secretary deposit the advance pay-
17 ment into the Medisave account of the account bene-
18 ficiary.

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

21 “(1) ELIGIBLE INDIVIDUAL.—

22 “(A) IN GENERAL.—The term ‘eligible in-
23 dividual’ means, with respect to any month, any
24 individual if such individual is covered under a

1 qualified health plan as of the 1st day of such
2 month.

3 “(B) CERTAIN COVERAGE DIS-
4 REGARDED.—Subparagraph (A) shall be ap-
5 plied without regard to—

6 “(i) coverage for any benefit provided
7 by permitted insurance, and

8 “(ii) coverage (whether through insur-
9 ance or otherwise) for accidents, disability,
10 dental care, vision care, or long-term care.

11 “(C) SPECIAL RULE FOR INDIVIDUALS ELI-
12 GIBLE FOR CERTAIN VETERANS BENEFITS.—An
13 individual shall not fail to be treated as an eli-
14 gible individual for any period merely because
15 the individual receives hospital care or medical
16 services under any law administered by the Sec-
17 retary of Veterans Affairs for a service-con-
18 nected disability (within the meaning of section
19 101(16) of title 38, United States Code).

20 “(2) QUALIFIED HEALTH PLAN.—

21 “(A) IN GENERAL.—The term ‘qualified
22 health plan’ means a health plan that offers
23 health insurance coverage. Such term includes
24 entitlement to benefits under title XVIII or title
25 XIX of the Social Security Act.

1 “(B) EXCLUSION OF CERTAIN PLANS.—
2 Such term does not include a health plan if
3 substantially all of its coverage is disregarded
4 under paragraph (1)(B).

5 “(C) HEALTH INSURANCE COVERAGE.—
6 The term ‘health insurance coverage’ means
7 benefits consisting of medical care (provided di-
8 rectly, through insurance or reimbursement, or
9 otherwise and including items and services paid
10 for as medical care) under any hospital or med-
11 ical service policy or certificate, hospital or
12 medical service plan contract, or health mainte-
13 nance organization contract offered by a health
14 insurance issuer.

15 “(D) HEALTH INSURANCE ISSUER.—The
16 term ‘health insurance issuer’ means an insur-
17 ance company, insurance service, or insurance
18 organization (including a health maintenance
19 organization) which is licensed to engage in the
20 business of insurance in a State and which is
21 subject to State law which regulates insurance
22 (within the meaning of section 514(b)(2) of the
23 Employee Retirement Income Security Act of
24 1974 (29 U.S.C. 1144(b)(2)).

1 “(E) HEALTH MAINTENANCE ORGANIZA-
2 TION.—The term ‘health maintenance organiza-
3 tion’ means—

4 “(i) a Federally qualified health main-
5 tenance organization (as defined in section
6 1301(a) of the Public Health Service Act
7 (42 U.S.C. 300e(a)),

8 “(ii) an organization recognized under
9 State law as a health maintenance organi-
10 zation, or

11 “(iii) a similar organization regulated
12 under State law for solvency in the same
13 manner and to the same extent as such a
14 health maintenance organization.

15 “(3) PERMITTED INSURANCE.—The term ‘per-
16 mitted insurance’ means—

17 “(A) insurance if substantially all of the
18 coverage provided under such insurance relates
19 to—

20 “(i) liabilities incurred under workers’
21 compensation laws,

22 “(ii) tort liabilities,

23 “(iii) liabilities relating to ownership
24 or use of property, or

1 “(iv) such other similar liabilities as
2 the Secretary may specify by regulations,

3 “(B) insurance for a specified disease or
4 illness, and

5 “(C) insurance paying a fixed amount per
6 day (or other period) of hospitalization.

7 “(4) FAMILY COVERAGE.—The term ‘family
8 coverage’ means any coverage other than self-only
9 coverage.

10 “(d) TAX TREATMENT OF ACCOUNTS.—

11 “(1) IN GENERAL.—A Medisave account is ex-
12 empt from taxation under this subtitle unless such
13 account has ceased to be a Medisave account. Not-
14 withstanding the preceding sentence, any Medisave
15 account is subject to the taxes imposed by section
16 511 (relating to imposition of tax on unrelated busi-
17 ness income of charitable, etc. organizations).

18 “(2) ACCOUNT TERMINATIONS.—Rules similar
19 to the rules of paragraphs (2) and (4) of section
20 408(e) shall apply to Medisave accounts, and any
21 amount treated as distributed under such rules shall
22 be treated as not used to pay qualified medical ex-
23 penses.

24 “(e) TAX TREATMENT OF DISTRIBUTIONS.—

1 “(1) AMOUNTS USED FOR QUALIFIED MEDICAL
2 EXPENSES.—Any amount paid or distributed out of
3 a Medisave account which is used exclusively to pay
4 qualified medical expenses of any account beneficiary
5 shall not be includible in gross income.

6 “(2) INCLUSION OF AMOUNTS NOT USED FOR
7 QUALIFIED MEDICAL EXPENSES.—Any amount paid
8 or distributed out of a Medisave account which is
9 not used exclusively to pay the qualified medical ex-
10 penses of the account beneficiary shall be included in
11 the gross income of such beneficiary.

12 “(3) EXCESS CONTRIBUTIONS RETURNED BE-
13 FORE DUE DATE OF RETURN.—

14 “(A) IN GENERAL.—If any excess con-
15 tribution is contributed for a taxable year to
16 any Medisave account of an individual, para-
17 graph (2) shall not apply to distributions from
18 the Medisave accounts of such individual (to the
19 extent such distributions do not exceed the ag-
20 gregate excess contributions to all such ac-
21 counts of such individual for such year) if—

22 “(i) such distribution is received by
23 the individual on or before the last day
24 prescribed by law (including extensions of

1 time) for filing such individual's return for
2 such taxable year, and

3 “(ii) such distribution is accompanied
4 by the amount of net income attributable
5 to such excess contribution.

6 Any net income described in clause (ii) shall be
7 included in the gross income of the individual
8 for the taxable year in which it is received.

9 “(B) EXCESS CONTRIBUTION.—For pur-
10 poses of subparagraph (A), the term excess con-
11 tribution means any contribution (other than a
12 rollover contribution described in paragraph
13 (5)) which exceeds the limitations specified in
14 subsection (b).

15 “(4) ADDITIONAL TAX ON DISTRIBUTIONS NOT
16 USED FOR QUALIFIED MEDICAL EXPENSES.—

17 “(A) IN GENERAL.—The tax imposed by
18 this chapter on the account beneficiary for any
19 taxable year in which there is a payment or dis-
20 tribution from a Medisave account of such ben-
21 efiary which is includible in gross income
22 under paragraph (2) shall be increased by 20
23 percent of the amount which is so includible.

24 “(B) EXCEPTION FOR DISABILITY OR
25 DEATH.—Subparagraph (A) shall not apply if

1 the payment or distribution is made after the
2 account beneficiary becomes disabled within the
3 meaning of section 72(m)(7) or dies.

4 “(5) ROLLOVER CONTRIBUTION.—

5 “(A) IN GENERAL.—An amount is de-
6 scribed in this subparagraph as a rollover con-
7 tribution if it meets the requirements of clauses
8 (i) and (ii).

9 “(i) IN GENERAL.—Paragraph (2)
10 shall not apply to any amount paid or dis-
11 tributed from a Medisave account to the
12 account beneficiary to the extent the
13 amount received is paid into a Medisave
14 account for the benefit of such beneficiary
15 not later than the 60th day after the day
16 on which the beneficiary receives the pay-
17 ment or distribution.

18 “(ii) LIMITATION.—This paragraph
19 shall not apply to any amount described in
20 clause (i) received by an individual from a
21 Medisave account if, at any time during
22 the 1-year period ending on the day of
23 such receipt, such individual received any
24 other amount described in clause (i) from
25 a Medisave account which was not includ-

1 ible in the individual’s gross income be-
2 cause of the application of this paragraph.

3 “(B) ROLLOVER FROM FSA, ARCHER MSA,
4 AND HSA.—An amount is described in this sub-
5 paragraph for a calendar year as a rollover con-
6 tribution if the amount is the remaining balance
7 in a flexible spending account, Archer MSA, or
8 health savings account that is contributed to
9 the Medisave account for a taxable year ending
10 on or before one year after the date of the en-
11 actment of the Family First Medisave Em-
12 powerment Act.

13 “(6) COORDINATION WITH MEDICAL EXPENSE
14 DEDUCTION.—For purposes of determining the
15 amount of the deduction under section 213, any pay-
16 ment or distribution out of a Medisave account for
17 qualified medical expenses shall not be treated as an
18 expense paid for medical care.

19 “(7) TRANSFER OF ACCOUNT INCIDENT TO DI-
20 VORCE.—The transfer of an individual’s interest in
21 a Medisave account to an individual’s spouse or
22 former spouse under a divorce or separation instru-
23 ment described in clause (i) of section 121(d)(3)(C)
24 shall not be considered a taxable transfer made by
25 such individual notwithstanding any other provision

1 of this subtitle, and such interest shall, after such
2 transfer, be treated as a Medisave account with re-
3 spect to which such spouse is the account bene-
4 ficiary.

5 “(8) TREATMENT AFTER DEATH OF ACCOUNT
6 BENEFICIARY.—

7 “(A) TREATMENT IF DESIGNATED BENE-
8 FICIARY IS SPOUSE.—If the account bene-
9 ficiary’s surviving spouse acquires such bene-
10 ficiary’s interest in a Medisave account by rea-
11 son of being the designated beneficiary of such
12 account at the death of the account beneficiary,
13 such Medisave account shall be treated as if the
14 spouse were the account beneficiary.

15 “(B) OTHER CASES.—

16 “(i) IN GENERAL.—If, by reason of
17 the death of the account beneficiary, any
18 person acquires the account beneficiary’s
19 interest in a Medisave account in a case to
20 which subparagraph (A) does not apply—

21 “(I) such account shall cease to
22 be a Medisave account as of the date
23 of death, and

24 “(II) an amount equal to the fair
25 market value of the assets in such ac-

1 count on such date shall be includible
2 if such person is not the estate of
3 such beneficiary, in such person's
4 gross income for the taxable year
5 which includes such date, or if such
6 person is the estate of such bene-
7 ficiary, in such beneficiary's gross in-
8 come for the last taxable year of such
9 beneficiary.

10 “(ii) SPECIAL RULES.—

11 “(I) REDUCTION OF INCLUSION
12 FOR PREDEATH EXPENSES.—The
13 amount includible in gross income
14 under clause (i) by any person (other
15 than the estate) shall be reduced by
16 the amount of qualified medical ex-
17 penses which were incurred by the de-
18 cedent before the date of the dece-
19 dent's death and paid by such person
20 within 1 year after such date.

21 “(II) DEDUCTION FOR ESTATE
22 TAXES.—An appropriate deduction
23 shall be allowed under section 691(c)
24 to any person (other than the dece-
25 dent or the decedent's spouse) with

1 respect to amounts included in gross
2 income under clause (i) by such per-
3 son.

4 “(f) REPORTS.—The Secretary may require—

5 “(1) the trustee of a Medisave account to make
6 such reports regarding such account to the Secretary
7 and to the account beneficiary with respect to con-
8 tributions, distributions, the return of excess con-
9 tributions, and such other matters as the Secretary
10 determines appropriate, and

11 “(2) any person who provides an individual with
12 a qualified health plan to make such reports to the
13 Secretary and to the account beneficiary with re-
14 spect to such plan as the Secretary determines ap-
15 propriate.

16 The reports required by this subsection shall be filed at
17 such time and in such manner and furnished to such indi-
18 viduals at such time and in such manner as may be re-
19 quired by the Secretary.

20 “(g) REGULATIONS AND GUIDANCE.—For purposes
21 of this section, the Secretary shall prescribe such regula-
22 tions or other guidance as the Secretary determines nec-
23 essary or appropriate to carry out this section, including
24 regulations or guidance on the methods acceptable to the

1 Secretary for determining qualified health plan actuarial
2 value.”.

3 (b) TREATMENT OF EMPLOYER PAYMENTS.—

4 (1) EXCLUSION LIMITED TO SELF-FUNDED
5 MAJOR MEDICAL PLAN OF EMPLOYERS.—Section
6 105(b) of such Code is amended by striking “paid,”
7 and inserting “paid under a self-funded major med-
8 ical plan of the employer”.

9 (2) EXCLUSION NOT APPLICABLE TO HEALTH
10 REIMBURSEMENT ARRANGEMENTS.—Subsection (h)
11 of such Code is amended to read as follows:

12 “(h) EXCLUSION NOT APPLICABLE TO HEALTH RE-
13 IMBURSEMENT ARRANGEMENTS.—Subsection (b) shall
14 not apply to health reimbursement arrangements.”.

15 (3) REPEAL OF EXCLUSIONS FROM INCOME FOR
16 ARCHER MSAS, FSAS, AND HSAS.—

17 (A) IN GENERAL.—Section 106 of such
18 Code is amended—

19 (i) by striking subsections (b), (d),
20 and (e), and

21 (ii) by redesignating subsections (f)
22 and (g) as subsections (d) and (e), respec-
23 tively.

24 (B) EXCLUSION FROM INCOME FOR
25 MEDISAVE ACCOUNTS.—Section 106 of such

1 Code, as amended by subparagraph (A), is
2 amended by inserting after subsection (a) the
3 following:

4 “(b) CONTRIBUTIONS TO MEDISAVE ACCOUNTS.—

5 “(1) IN GENERAL.—In the case of an employee
6 who is an eligible individual (as defined in section
7 530A(c)(1)), amounts contributed by such employ-
8 ee’s employer to any Medisave account (as defined in
9 section 530A(a)) of such employee shall be treated
10 as employer-provided coverage for medical expenses
11 under an accident or health plan to the extent such
12 amounts do not exceed the limitations specified in
13 clauses (ii) and (iii) of section 530A(a)(1)(A) (deter-
14 mined without regard to this subsection) which is
15 applicable to such employee for such taxable year.

16 “(2) NO CONSTRUCTIVE RECEIPT.—No amount
17 shall be included in the gross income of any em-
18 ployee solely because the employee may choose be-
19 tween the contributions referred to in paragraph (1)
20 and employer contributions to another health plan of
21 the employer.

22 “(3) SPECIAL RULE FOR DEDUCTION OF EM-
23 PLOYER CONTRIBUTIONS.—Any employer contribu-
24 tion to a Medisave account, if otherwise allowable as

1 a deduction under this chapter, shall be allowed only
2 for the taxable year in which paid.

3 “(4) EMPLOYER MEDISAVE ACCOUNT CON-
4 TRIBUTIONS REQUIRED TO BE SHOWN ON RE-
5 TURN.—Every individual required to file a return
6 under section 6012 for the taxable year shall include
7 on such return the aggregate amount contributed by
8 employers to the Medisave accounts of such indi-
9 vidual or such individual’s spouse for such taxable
10 year.

11 “(5) MEDISAVE ACCOUNT CONTRIBUTIONS NOT
12 PART OF COBRA COVERAGE.—Paragraph (1) shall
13 not apply for purposes of section 4980B.

14 “(6) CROSS REFERENCE.—For penalty on fail-
15 ure by employer to make comparable contributions
16 to the Medisave accounts of comparable employees,
17 see section 4980G.”.

18 (4) DISTRIBUTION FROM CERTAIN RETIREMENT
19 ACCOUNTS FOR MEDISAVE ACCOUNT FUNDING.—
20 Section 408(d)(9) of such Code is amended to read
21 as follows:

22 “(9) DISTRIBUTION FOR MEDISAVE ACCOUNT
23 FUNDING.—

24 “(A) IN GENERAL.—In the case of an indi-
25 vidual who is an eligible individual (as defined

1 in section 530A(c)(1)) and who elects the appli-
2 cation of this paragraph for a taxable year,
3 gross income of the individual for the taxable
4 year does not include a qualified Medisave ac-
5 count funding distribution to the extent such
6 distribution is otherwise includible in gross in-
7 come.

8 “(B) QUALIFIED MEDISAVE ACCOUNT
9 FUNDING DISTRIBUTION.—For purposes of this
10 paragraph, the term ‘qualified Medisave ac-
11 count funding distribution’ means a distribution
12 from an individual retirement plan (other than
13 a plan described in subsection (k) or (p)) of the
14 employee to the extent that—

15 “(i) such distribution is contributed to
16 the Medisave account of the individual in
17 a direct trustee-to-trustee transfer, and

18 “(ii) such distribution—

19 “(I) when added to previous con-
20 tributions to the Medisave account for
21 the calendar year does not exceed the
22 limitation amount specified in section
23 530A(b)(1), and

24 “(II) when added to the balance
25 of the Medisave account, exceeds the

1 limitation amount specified in section
2 530A(b)(2).

3 “(C) ONE-TIME TRANSFER.—An individual
4 may make an election under subparagraph (A)
5 only for one qualified Medisave account funding
6 distribution during the lifetime of the indi-
7 vidual. Such an election, once made, shall be ir-
8 revocable.

9 “(D) APPLICATION OF SECTION 72.—Not-
10 withstanding section 72, in determining the ex-
11 tent to which an amount is treated as otherwise
12 includible in gross income for purposes of sub-
13 paragraph (A), the aggregate amount distrib-
14 uted from an individual retirement plan shall be
15 treated as includible in gross income to the ex-
16 tent that such amount does not exceed the ag-
17 gregate amount which would have been so in-
18 cludible if all amounts from all individual retire-
19 ment plans were distributed. Proper adjust-
20 ments shall be made in applying section 72 to
21 other distributions in such taxable year and
22 subsequent taxable years.”.

23 (5) FAILURE OF EMPLOYER TO MAKE COM-
24 PARABLE CONTRIBUTIONS.—

1 (A) Section 4980G(a) of such Code is
2 amended by striking “health savings account”
3 and inserting “Medisave account”.

4 (B) Section 4980G(c) of such Code is
5 amended by striking “Archer MSAs and health
6 savings accounts” and inserting “Medisave ac-
7 counts”.

8 (6) W-2 STATEMENTS.—Section 6051(a) of
9 such Code is amended—

10 (A) by striking paragraph (11) and redesi-
11 gnating paragraphs (12) through (17) as para-
12 graphs (11) through (16), respectively, and

13 (B) by amending paragraph (11), as so re-
14 designated, to read as follows:

15 “(11) the amount contributed to any Medisave
16 account (as defined in section 530A) of such em-
17 ployee or such employee’s spouse,”.

18 (c) OTHER CONFORMING AMENDMENTS.—

19 (1) ARCHER MSAS.—Section 220(a) of such
20 Code is amended by adding at the end the following:
21 “No amount is allowed as a deduction under the
22 preceding sentence for any taxable year beginning
23 after one year after the date of the enactment of
24 Family First Medisave Empowerment Act.”.

1 (2) HEALTH SAVINGS ACCOUNTS.—Section
2 223(a) of such Code is amended by adding at the
3 end the following: “No amount is allowed as a de-
4 duction under the preceding sentence for any taxable
5 year beginning after one year after the date of the
6 enactment of the Family First Medisave Empower-
7 ment Act.”.

8 (d) ROLLOVER OF FSA, ARCHER MSA, HSA TO
9 MEDISAVE ACCOUNT.—Notwithstanding any other provi-
10 sion of law, if the remaining balance in a health flexible
11 spending arrangement, Archer MSA, or Health Savings
12 Account is transferred to a Medisave account before the
13 end of any taxable year ending on or before one year after
14 the date of the enactment of the Family First Medisave
15 Empowerment Act, such transfer shall be treated as a roll-
16 over to the Medisave account under section 530A(e)(5)(B)
17 of the Internal Revenue Code of 1986 and the distribution
18 from the health flexible spending arrangement, Archer
19 MSA, or Health Savings Account shall not be includible
20 in gross income.

21 (e) CLERICAL AMENDMENTS.—The table of sections
22 for part VIII of subchapter F of chapter 1 of such Code
23 is amended by adding at the end the following new item:

“Sec. 530A. Medisave Accounts.”.

1 (f) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 one year after the date of the enactment of this Act.

4 **SEC. 3. TAX CREDIT FOR CONTRIBUTIONS TO MEDISAVE**
5 **ACCOUNT DURING FIRST YEAR.**

6 (a) IN GENERAL.—In the case of an individual who
7 makes a contribution to a Medisave account before the end
8 of the 1-year period beginning on the date of the enact-
9 ment of this Act, there shall be allowed as a credit against
10 the tax imposed by subtitle A of the Internal Revenue
11 Code of 1986 for the taxable year in which the contribu-
12 tion is made an amount equal to the aggregate of \$1 for
13 every \$3 contributed to the account (other than a rollover
14 contribution under section 530A(e)(5) of such Code) for
15 such taxable year.

16 (b) LIMITATION.—The aggregate amount allowed to
17 an individual as a credit under subsection (a) for all tax-
18 able years shall not exceed \$1,000.

19 (c) PORTION OF CREDIT REFUNDABLE.—For pur-
20 poses of this section—

21 (1) IN GENERAL.—For purposes of the Internal
22 Revenue Code of 1986, in the case of an eligible in-
23 dividual—

24 (A) INCREASE IN CREDIT RATE.—Sub-
25 section (a) shall be applied by substituting “\$1

1 for every \$1 contributed” for “\$1 for every \$3
2 contributed”.

3 (B) CREDIT REFUNDABLE.—The credit al-
4 lowed under this section shall be treated in the
5 same manner as a credit allowed under subpart
6 C of part IV of subchapter A of chapter 1 of
7 such Code.

8 (2) ELIGIBLE INDIVIDUAL.—

9 (A) IN GENERAL.—The term “eligible indi-
10 vidual” means, with respect to any taxable year,
11 a taxpayer whose household income for the tax-
12 able year does not exceeds 400 percent of an
13 amount equal to the poverty line for a family of
14 the size involved.

15 (B) MARRIED COUPLES MUST FILE JOINT
16 RETURN.—If the taxpayer is married (within
17 the meaning of section 7703 of such Code) at
18 the close of the taxable year—

19 (i) the taxpayer shall be treated as an
20 eligible individual only if the taxpayer and
21 the taxpayer’s spouse file a joint return for
22 the taxable year, and

23 (ii) paragraph (1) shall be applied
24 separately to each spouse.

1 (3) FAMILY SIZE, HOUSEHOLD INCOME, MODI-
2 FIED ADJUSTED GROSS INCOME, POVERTY LINE.—
3 The terms “family size”, “household income”,
4 “modified adjusted gross income”, and “poverty
5 line” have the meaning given such terms by section
6 36B(d) of such Code.

7 (d) DENIAL OF CREDIT TO DEPENDENTS.—No cred-
8 it shall be allowed under this section to any individual with
9 respect to whom a deduction under section 151 is allow-
10 able to another taxpayer for a taxable year beginning in
11 the calendar year in which such individual’s taxable year
12 begins.

13 **SEC. 4. ALTERNATIVE WAIVER FOR STATE INNOVATION;**
14 **COST-SHARING REDUCTION PAYMENTS.**

15 (a) ALTERNATIVE WAIVER FOR STATE INNOVA-
16 TION.—Section 1332 of the Patient Protection and Af-
17 fordable Care Act (42 U.S.C. 18052) is amended by add-
18 ing at the end the following new subsection:

19 “(f) ALTERNATIVE WAIVER FOR STATE INNOVA-
20 TION.—

21 “(1) IN GENERAL.—Notwithstanding any pre-
22 ceding provision of this section, a State may apply
23 to the Secretary for the waiver of any requirement
24 of subsection (a)(2) with respect to health insurance
25 coverage within that State for plan years beginning

1 on or after January 1, 2022, if instead of complying
2 with section 1402 the State provides for the dis-
3 tribution of funding received under paragraph (2) to
4 Medisave accounts of qualifying individuals with re-
5 spect to such State. Such application shall be filed
6 at such time and in such manner as the Secretary
7 may require, and shall include such information as
8 the Secretary may require (including a 10-year
9 budget plan for such plan that is budget neutral for
10 the Federal Government).

11 “(2) PASS-THROUGH FUNDING.—With respect
12 to a State waiver under paragraph (1), under which,
13 due to the structure of such waiver, individuals in
14 the State would not qualify for cost-sharing reduc-
15 tions under section 1402 for which they would other-
16 wise be eligible, the Secretary shall provide for an al-
17 ternative means by which an amount is transferred
18 to the State equal to the aggregate amount of such
19 reductions that would have been paid on behalf of
20 the participants in the Exchanges established under
21 this title—

22 “(A) had the State not received such waiv-
23 er;

1 “(B) had references to ‘eligible insureds’
2 under section 1402 referred to ‘qualifying in-
3 sureds (as defined in section 1332(f))’; and

4 “(C) had, after application of clause (ii), in
5 the case of a qualifying insured enrolled in the
6 bronze level of coverage—

7 “(i) the percentages specified in sub-
8 clauses (I), (II), and (III) of section
9 1402(c)(1)(B) were references to 84 per-
10 cent, 77 percent, and 63 percent, respec-
11 tively; and

12 “(ii) the references in subparagraphs
13 (A), (B), and (C) of section 1402(c)(2) to
14 94 percent, 87 percent, and 73 percent, re-
15 spectively, were references to 84 percent,
16 77 percent, and 63 percent, respectively.

17 The amount transferred pursuant to the previous
18 sentence shall be determined annually by the Sec-
19 retary, taking into consideration the experience of
20 other States with respect to participation in an Ex-
21 change and reductions provided under such provi-
22 sions to residents of the other States, and shall be
23 paid to the State for purposes of implementing such
24 waiver.

1 “(3) WAIVER CONSIDERATION AND TRANS-
2 PARENCY.—The provisions of paragraph (4) of sub-
3 section (a) shall apply to an application for a waiver
4 under paragraph (1) in the same manner as such
5 provisions apply with respect to an application for a
6 waiver under subsection (a)(1), except that, for pur-
7 poses of this paragraph, the provisions of subsection
8 (a)(4)(B)(ii) shall not apply.

9 “(4) DETERMINATIONS; TERM OF WAIVER.—
10 The provisions of subsections (d) and (e) shall apply
11 with respect to a determination with respect to an
12 application under paragraph (1), and with respect to
13 the term of a waiver under such paragraph, in the
14 same manner as such provisions apply with respect
15 to a determination with respect to an application
16 under subsection (a)(1), and with respect to the
17 term of a waiver under such subsection.

18 “(5) DEFINITIONS.—For purposes of this sub-
19 section:

20 “(A) MEDISAVE ACCOUNT.—The term
21 ‘Medisave account’ has the meaning given such
22 term in section 530A(a) of the Internal Rev-
23 enue Code of 1986.

1 “(B) QUALIFYING INSURED.—The term
2 ‘qualifying insured’ means, with respect to a
3 State and a year, an individual—

4 “(i) who is enrolled in a Medisave ac-
5 count;

6 “(ii) who is enrolled for such year in
7 a silver level or bronze level coverage of-
8 fered through an Exchange; and

9 “(iii) whose household income is not
10 less than 100 percent but not more than
11 250 percent of the Federal poverty line for
12 a family of the size involved.”.

13 (b) CONFORMING AMENDMENTS.—Section 1332 of
14 the Patient Protection and Affordable Care Act (42
15 U.S.C. 18052), as amended by subsection (a), is further
16 amended in subsection (a)(4)—

17 (1) in subparagraph (A) by striking the period
18 and inserting “, except in the case of a waiver de-
19 scribed in subsection (f).”; and

20 (2) in subparagraph (B)(ii) by inserting after
21 “an application” the following: “(except in the case
22 of a waiver described in subsection (f))”.

23 (c) APPROPRIATION FOR COST-SHARING PAY-
24 MENTS.—Section 1402 of the Patient Protection and Af-

1 affordable Care Act (42 U.S.C. 18071) is amended by add-
2 ing at the end the following new subsection:

3 “(g) FUNDING.—

4 “(1) APPROPRIATIONS.—Out of any funds in
5 the Treasury not otherwise appropriated, there is
6 appropriated such sums as may be necessary to,
7 subject to paragraph (2), provide health benefits
8 coverage through payment to issuers (under this sec-
9 tion or through advance payment by the Secretary
10 of the Treasury under section 1412(c)(3)) of the
11 amounts computed under this section for each of
12 plan years 2022 through 2026.

13 “(2) ADJUSTMENTS.—Notwithstanding any
14 other provision of law, payments and other actions
15 for adjustments to obligations incurred prior to De-
16 cember 31, 2022, may be made through December
17 31, 2022.

18 “(3) LIMITATION.—Amounts appropriated
19 under paragraph (1) for each of plan years 2022
20 through 2026 are subject to the requirements and
21 limitations under sections 506 and 507 of division H
22 of Public Law 115–31 in the same manner and to
23 the same extent as if such amounts for each such
24 year were appropriated under such division.”.

1 **SEC. 5. GRANTS FOR MEDISAVE ASSISTANCE AND OUT-**
2 **REACH.**

3 (a) IN GENERAL.—The Administrator shall establish
4 a grant program to provide assistance to eligible entities
5 to carry out the activities described in subsection (c).

6 (b) APPLICATION.—An eligible entity shall submit an
7 application to the Administrator in such time and in such
8 manner as the Administrator may require, providing that
9 such application requires a demonstration of the existence
10 of a relationship with, or the ability to establish a relation-
11 ship with, an employer, employee, self-employed indi-
12 vidual, or consumer eligible to enroll in a Medisave ac-
13 count.

14 (c) USE OF FUNDS.—An eligible entity receiving a
15 grant under this section shall use such funds to—

16 (1) distribute fair and impartial information to
17 consumers about Medisave accounts, including the
18 availability of such accounts and how such accounts
19 may be utilized;

20 (2) conduct activities to raise public awareness
21 of Medisave accounts;

22 (3) facilitate enrollment in Medisave accounts;
23 and

24 (4) refer individuals enrolled in a Medisave ac-
25 count to the appropriate official, organization, or
26 State agency for the purpose of addressing a com-

1 plaint, grievance, or other question with respect to
2 such Medisave account.

3 (d) AMOUNT.—The Administrator may distribute up
4 to \$5,000,000 annually to be divided among grant recipi-
5 ents under this section.

6 (e) REPORT.—Not later than one year after the date
7 on which the last of the grant periods awarded under this
8 section ends, the Administrator shall submit a report to
9 the Congress on the effectiveness of the grants provided
10 under this section.

11 (f) DEFINITIONS.—In this section:

12 (1) ADMINISTRATOR.—The term “Adminis-
13 trator” means the Administrator of the Centers for
14 Medicare & Medicaid Services.

15 (2) CONSUMER.—The term “consumer” means
16 an individual enrolled in, or seeking to enroll in, a
17 Medisave account.

18 (3) ELIGIBLE ENTITY.—The term “eligible enti-
19 ty” includes the following:

20 (A) A State.

21 (B) Trade.

22 (C) Industry.

23 (D) Professional associations.

24 (E) Commercial fishing industry organiza-
25 tions.

1 (F) Ranching and farming organizations.

2 (G) Community and consumer-focused
3 nonprofit groups.

4 (H) Chambers of commerce.

5 (I) Unions.

6 (J) Small business development centers (as
7 defined in section 21 of the Small Business Act
8 (15 U.S.C. 648)).

9 (K) Other entities capable of carrying out
10 the activities described under subsection (b).

11 (4) MEDISAVE ACCOUNT.—The term “Medisave
12 account” has the meaning given such term in section
13 530A(a) of the Internal Revenue Code of 1986 (as
14 added by section 2(a)).

15 (5) STATE.—The term “State” means each of
16 the several States, the District of Columbia, each
17 territory and possession of the United States, and
18 each federally recognized Indian Tribe.

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