

104TH CONGRESS
1ST SESSION

S. 1247

To amend the Internal Revenue Code of 1986 to allow a deduction for contributions to a medical savings account by any individual who is covered under a catastrophic coverage health plan.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 15 (legislative day, SEPTEMBER 5), 1995

Mr. GRASSLEY (for himself, Mr. KYL, and Mr. NICKLES) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to allow a deduction for contributions to a medical savings account by any individual who is covered under a catastrophic coverage health plan.

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 Medical Sav-
5 ings and Investment Act of 1995”.

6 **SEC. 2. MEDICAL SAVINGS ACCOUNTS.**

7 (a) IN GENERAL.—Part VII of subchapter B of chap-
8 ter 1 of the Internal Revenue Code of 1986 (relating to

1 additional itemized deductions for individuals) is amended
2 by redesignating section 220 as section 221 and by insert-
3 ing after section 219 the following new section:

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

5 “(a) DEDUCTION ALLOWED.—In the case of an indi-
6 vidual who is an eligible individual for any month during
7 the taxable year, there shall be allowed as a deduction for
8 the taxable year an amount equal to the aggregate amount
9 paid in cash during such taxable year by such individual
10 to a medical savings account of such individual.

11 “(b) LIMITATIONS.—

12 “(1) IN GENERAL.—Except as otherwise pro-
13 vided in this subsection, the amount allowable as a
14 deduction under subsection (a) to an individual for
15 the taxable year shall not exceed the lesser of—

16 “(A) \$2,500, or

17 “(B) the deductible under the catastrophic
18 health plan covering such individual.

19 If the catastrophic health plan covering such individ-
20 ual provides coverage for any other eligible individ-
21 ual who is the spouse or any dependent (as defined
22 in section 152) of the taxpayer, subparagraph (A)
23 shall be applied by substituting ‘\$5,000’ for
24 ‘\$2,500’. The preceding sentence shall not apply if
25 the spouse or any dependent (as so defined) of such

1 individual is covered under any other catastrophic
2 health plan.

3 “(2) PRORATION OF LIMITATION.—

4 “(A) IN GENERAL.—The limitation under
5 paragraph (1) shall be the sum of the monthly
6 limitations for months during the taxable year
7 that the individual is an eligible individual if—

8 “(i) such individual is not an eligible
9 individual for all months of the taxable
10 year,

11 “(ii) the deductible under the cata-
12 strophic health plan covering such individ-
13 ual is not the same throughout such tax-
14 able year, or

15 “(iii) such limitation is determined
16 using the next to the last sentence of para-
17 graph (1) for some but not all months dur-
18 ing such taxable year.

19 “(B) MONTHLY LIMITATION.—The month-
20 ly limitation for any month shall be an amount
21 equal to $\frac{1}{12}$ of the limitation which would (but
22 for this paragraph and paragraph (3)) be deter-
23 mined under paragraph (1) if the facts and cir-
24 cumstances as of the first day of such month
25 that such individual is covered under a cata-

1 catastrophic health plan were true for the entire
2 taxable year.

3 “(3) COORDINATION WITH EXCLUSION FOR EM-
4 PLOYER CONTRIBUTIONS.—No deduction shall be al-
5 lowed under this section for any amount paid for
6 any taxable year to a medical savings account of an
7 individual if—

8 “(A) any amount is paid to any medical
9 savings account of such individual which is ex-
10 cludable from gross income under section
11 106(b) for such year, or

12 “(B) in a case described in paragraph
13 (4)(B), any amount is paid to any medical sav-
14 ings account of either spouse which is so ex-
15 cludable for such year.

16 “(4) SPECIAL RULE FOR MARRIED INDIVID-
17 UALS.—

18 “(A) IN GENERAL.—This subsection shall
19 be applied separately for each married individ-
20 ual.

21 “(B) SPECIAL RULE.—If individuals who
22 are married to each other are covered under the
23 same catastrophic health plan, then the
24 amounts applicable under subparagraphs (A)
25 and (B) of paragraph (1) shall be divided equal-

1 ly between them unless they agree on a dif-
2 ferent division.

3 “(5) DENIAL OF DEDUCTION TO DEPEND-
4 ENTS.—No deduction shall be allowed under this
5 section to any individual with respect to whom a de-
6 duction under section 151 is allowable to another
7 taxpayer for a taxable year beginning in the cal-
8 endar year in which such individual’s taxable year
9 begins.

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

11 “(1) ELIGIBLE INDIVIDUAL.—

12 “(A) IN GENERAL.—The term ‘eligible in-
13 dividual’ means, with respect to any month, any
14 individual—

15 “(i) who is covered under a cata-
16 strophic health plan at any time during
17 such month, and

18 “(ii) who is not, while covered under
19 a catastrophic health plan, covered under
20 any health plan—

21 “(I) which is not a catastrophic
22 health plan, and

23 “(II) which provides coverage for
24 any benefit which is covered under the
25 catastrophic health plan.

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

4 “(i) coverage for any benefit provided
5 by permitted insurance, and

6 “(ii) coverage for accidents, dental
7 care, vision care, or long-term care.

8 “(2) CATASTROPHIC HEALTH PLAN.—The term
9 ‘catastrophic health plan’ means any health plan
10 which provides no compensation for an individual’s
11 expenses covered by the plan for any calendar year
12 to the extent such expenses for such calendar year
13 do not exceed \$1,500 (\$3,000 if the catastrophic
14 health plan covering the taxpayer provides coverage
15 for more than 1 individual) or such higher amounts
16 as may be specified by the plan.

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

19 “(A) Medicare supplemental health insur-
20 ance,

21 “(B) insurance if substantially all of the
22 coverage provided under such insurance relates
23 to—

24 “(i) liabilities incurred under workers’
25 compensation laws,

1 “(ii) tort liabilities,

2 “(iii) liabilities relating to ownership
3 or use of property,

4 “(iv) credit insurance, or

5 “(v) such other similar liabilities as
6 the Secretary may specify by regulations,

7 “(C) insurance for a specified disease or
8 illness, and

9 “(D) a hospital or fixed indemnity policy.

10 “(d) MEDICAL SAVINGS ACCOUNT.—For purposes of
11 this section—

12 “(1) MEDICAL SAVINGS ACCOUNT.—The term
13 ‘medical savings account’ means a trust created or
14 organized in the United States exclusively for the
15 purpose of paying the qualified medical expenses of
16 the account holder, but only if the written governing
17 instrument creating the trust meets the following re-
18 quirements:

19 “(A) Except in the case of a rollover con-
20 tribution described in subsection (f)(4), no con-
21 tribution will be accepted unless it is in cash.

22 “(B) The trustee is a bank (as defined in
23 section 408(n)), an insurance company (as de-
24 fined in section 816), or another person who
25 demonstrates to the satisfaction of the Sec-

1 retary that the manner in which such person
2 will administer the trust will be consistent with
3 the requirements of this section.

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

6 “(D) The assets of the trust will not be
7 commingled with other property except in a
8 common trust fund or common investment
9 fund.

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

12 “(2) QUALIFIED MEDICAL EXPENSES.—

13 “(A) IN GENERAL.—The term ‘qualified
14 medical expenses’ means, with respect to an ac-
15 count holder, amounts paid by such holder—

16 “(i) for medical care (as defined in
17 section 213(d)) for such individual, the
18 spouse of such individual, and any depend-
19 ent (as defined in section 152) of such in-
20 dividual, but only to the extent such
21 amounts are not compensated for by insur-
22 ance or otherwise, or

23 “(ii) for long-term care insurance for
24 such individual, spouse, or dependent.

1 “(B) HEALTH INSURANCE MAY NOT BE
2 PURCHASED FROM ACCOUNT.—Subparagraph
3 (A)(i) shall not apply to amounts paid for in-
4 surance.

5 “(3) ACCOUNT HOLDER.—The term ‘account
6 holder’ means the individual on whose behalf the
7 medical savings account was established.

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

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

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

15 “(C) Except as provided in section 106(b),
16 section 219(f)(5) (relating to employer pay-
17 ments).

18 “(D) Section 408(g) (relating to commu-
19 nity property laws).

20 “(E) Section 408(h) (relating to custodial
21 accounts).

22 “(e) TAX TREATMENT OF ACCOUNTS.—

23 “(1) ACCOUNT TAXED AS GRANTOR TRUST.—

24 “(A) IN GENERAL.—Except as provided in
25 subparagraph (B), the account holder of a med-

1 ical savings account shall be treated for pur-
2 poses of this title as the owner of such account
3 and shall be subject to tax thereon in accord-
4 ance with subpart E of part I of subchapter J
5 of this chapter (relating to grantors and others
6 treated as substantial owners).

7 “(B) TREATMENT OF CAPITAL LOSSES.—
8 With respect to assets held in a medical savings
9 account, any capital loss for a taxable year
10 from the sale or exchange of such an asset shall
11 be allowed only to the extent of capital gains
12 from such assets for such taxable year. Any
13 capital loss which is disallowed under the pre-
14 ceding sentence shall be treated as a capital
15 loss from the sale or exchange of such an asset
16 in the next taxable year. For purposes of this
17 subparagraph, all medical savings accounts of
18 the account holder shall be treated as 1 ac-
19 count.

20 “(2) ACCOUNT ASSETS TREATED AS DISTRIB-
21 UTED IN THE CASE OF PROHIBITED TRANSACTIONS
22 OR ACCOUNT PLEDGED AS SECURITY FOR LOAN.—
23 Rules similar to the rules of paragraphs (2) and (4)
24 of section 408(e) shall apply to medical savings ac-
25 counts, and any amount treated as distributed under

1 such rules shall be treated as not used to pay quali-
2 fied medical expenses.

3 “(f) TAX TREATMENT OF DISTRIBUTIONS.—

4 “(1) INCLUSION OF AMOUNTS NOT USED FOR
5 QUALIFIED MEDICAL EXPENSES.—

6 “(A) IN GENERAL.—Any amount paid or
7 distributed out of a medical savings account
8 which is not used exclusively to pay the quali-
9 fied medical expenses of the account holder
10 shall be included in the gross income of such
11 holder to the extent such amount does not ex-
12 ceed the excess of—

13 “(i) the aggregate contributions to
14 such account which were allowed as a de-
15 duction under this section or which were
16 excluded under section 106(b), over

17 “(ii) the aggregate prior payments or
18 distributions from such account which were
19 includible in gross income under this para-
20 graph.

21 “(B) SPECIAL RULES.—For purposes of
22 subparagraph (A)—

23 “(i) all medical savings accounts of
24 the account holder shall be treated as 1 ac-
25 count,

1 “(ii) all payments and distributions
2 during any taxable year shall be treated as
3 1 distribution, and

4 “(iii) any distribution of property
5 shall be taken into account at its fair mar-
6 ket value on the date of the distribution.

7 “(2) PENALTY FOR DISTRIBUTIONS NOT USED
8 FOR QUALIFIED MEDICAL EXPENSES.—

9 “(A) IN GENERAL.—The tax imposed by
10 this chapter for any taxable year in which there
11 is a payment or distribution from a medical
12 savings account which is not used exclusively to
13 pay the qualified medical expenses of the ac-
14 count holder shall be increased by 10 percent of
15 the amount of such payment or distribution
16 which is includible in gross income under para-
17 graph (1).

18 “(B) EXCEPTIONS.—Subparagraph (A)
19 shall not apply if the payment or distribution is
20 made on or after the date the account holder—

21 “(i) attains age 59½,

22 “(ii) becomes disabled within the
23 meaning of section 72(m)(7), or

24 “(iii) dies.

1 “(3) WITHDRAWAL OF EXCESS CONTRIBU-
2 TIONS.—Paragraph (1) shall not apply to the dis-
3 tribution of any contribution paid during a taxable
4 year to a medical savings account if—

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

9 “(B) no deduction is allowed under this
10 section with respect to such contribution, and

11 “(C) such distribution is accompanied by
12 the amount of net income attributable to such
13 contribution.

14 In the case of such a distribution, for purposes of
15 section 61, any net income described in subpara-
16 graph (C) shall be deemed to have been earned and
17 receivable in the taxable year in which such con-
18 tribution is made.

19 “(4) ROLLOVERS.—Paragraph (1) shall not
20 apply to any amount paid or distributed out of a
21 medical savings account to the account holder if the
22 entire amount received (including money and any
23 other property) is paid into another medical savings
24 account for the benefit of such holder not later than

1 the 60th day after the day on which he received the
2 payment or distribution.

3 “(5) COORDINATION WITH MEDICAL EXPENSE
4 DEDUCTION.—For purposes of section 213, any pay-
5 ment or distribution out of a medical savings ac-
6 count for qualified medical expenses shall not be
7 treated as an expense paid for medical care to the
8 extent of the amount of such payment or distribu-
9 tion which is excludable from gross income solely by
10 reason of paragraph (1)(A).

11 “(g) COST-OF-LIVING ADJUSTMENT.—

12 “(1) IN GENERAL.—In the case of any taxable
13 year beginning in a calendar year after 1996, each
14 dollar amount in subsection (b)(1) or in subsection
15 (c)(2) shall be increased by an amount equal to—

16 “(A) such dollar amount, multiplied by

17 “(B) the medical care cost adjustment for
18 such calendar year.

19 If any increase under the preceding sentence is not
20 a multiple of \$50, such increase shall be rounded to
21 the nearest multiple of \$50.

22 “(2) MEDICAL CARE COST ADJUSTMENT.—For
23 purposes of paragraph (1), the medical care cost ad-
24 justment for any calendar year is the percentage (if
25 any) by which—

1 “(A) the medical care component of the
2 Consumer Price Index (as defined in section
3 1(f)(5)) for August of the preceding calendar
4 year, exceeds

5 “(B) such component for August of 1995.

6 “(h) REPORTS.—The trustee of a medical savings ac-
7 count shall make such reports regarding such account to
8 the Secretary and to the account holder with respect to
9 contributions, distributions, and such other matters as the
10 Secretary may require under regulations. The reports re-
11 quired by this subsection shall be filed at such time and
12 in such manner and furnished to such individuals at such
13 time and in such manner as may be required by those reg-
14 ulations.”

15 (b) DEDUCTION ALLOWED WHETHER OR NOT INDI-
16 VIDUAL ITEMIZES OTHER DEDUCTIONS.—Subsection (a)
17 of section 62 of such Code is amended by inserting after
18 paragraph (15) the following new paragraph:

19 “(16) MEDICAL SAVINGS ACCOUNTS.—The de-
20 duction allowed by section 220.”

21 (c) EXCLUSIONS FOR EMPLOYER CONTRIBUTIONS TO
22 MEDICAL SAVINGS ACCOUNTS.—

23 (1) EXCLUSION FROM INCOME TAX.—The text
24 of section 106 of such Code (relating to contribu-

1 tions by employer to accident and health plans) is
2 amended to read as follows:

3 “(a) GENERAL RULE.—Gross income of an employee
4 does not include employer-provided coverage under an ac-
5 cident or health plan.

6 “(b) CONTRIBUTIONS TO MEDICAL SAVINGS AC-
7 COUNTS.—

8 “(1) IN GENERAL.—In the case of an employee
9 who is an eligible individual, gross income does not
10 include amounts contributed by such employee’s em-
11 ployer to any medical savings account of such em-
12 ployee.

13 “(2) COORDINATION WITH DEDUCTION LIMITA-
14 TION.—The amount excluded from the gross income
15 of an employee under this subsection for any taxable
16 year shall not exceed the limitation under section
17 220(b)(1) (determined without regard to this sub-
18 section) which is applicable to such employee for
19 such taxable year.”

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

1 “(4) SPECIAL RULE FOR DEDUCTION OF EM-
2 PLOYER CONTRIBUTIONS.—Any employer contribu-
3 tion to a medical savings account, if otherwise allow-
4 able as a deduction under this chapter, shall be al-
5 lowed only for the taxable year in which paid.

6 “(5) DEFINITIONS.—For purposes of this sub-
7 section, the terms ‘eligible individual’ and ‘medical
8 savings account’ have the respective meanings given
9 to such terms by section 220.”

10 (2) EXCLUSION FROM EMPLOYMENT TAXES.—

11 (A) SOCIAL SECURITY TAXES.—

12 (i) Subsection (a) of section 3121 of
13 such Code is amended by striking “or” at
14 the end of paragraph (20), by striking the
15 period at the end of paragraph (21) and
16 inserting “; or”, and by inserting after
17 paragraph (21) the following new para-
18 graph:

19 “(22) any payment made to or for the benefit
20 of an employee if at the time of such payment it is
21 reasonable to believe that the employee will be able
22 to exclude such payment from income under section
23 106(b).”

24 (ii) Subsection (a) of section 209 of
25 the Social Security Act is amended by

1 striking “or” at the end of paragraph (17),
2 by striking the period at the end of para-
3 graph (18) and inserting “; or”, and by in-
4 serting after paragraph (18) the following
5 new paragraph:

6 “(19) any payment made to or for the benefit
7 of an employee if at the time of such payment it is
8 reasonable to believe that the employee will be able
9 to exclude such payment from income under section
10 106(b) of the Internal Revenue Code of 1986.”

11 (B) RAILROAD RETIREMENT TAX.—Sub-
12 section (e) of section 3231 of such Code is
13 amended by adding at the end the following
14 new paragraph:

15 “(10) MEDICAL SAVINGS ACCOUNT CONTRIBU-
16 TIONS.—The term ‘compensation’ shall not include
17 any payment made to or for the benefit of an em-
18 ployee if at the time of such payment it is reason-
19 able to believe that the employee will be able to ex-
20 clude such payment from income under section
21 106(b).”

22 (C) UNEMPLOYMENT TAX.—Subsection (b)
23 of section 3306 of such Code is amended by
24 striking “or” at the end of paragraph (15), by
25 striking the period at the end of paragraph (16)

1 and inserting “; or”, and by inserting after
2 paragraph (16) the following new paragraph:

3 “(17) any payment made to or for the benefit
4 of an employee if at the time of such payment it is
5 reasonable to believe that the employee will be able
6 to exclude such payment from income under section
7 106(b).”

8 (D) WITHHOLDING TAX.—Subsection (a)
9 of section 3401 of such Code is amended by
10 striking “or” at the end of paragraph (19), by
11 striking the period at the end of paragraph (20)
12 and inserting “; or”, and by inserting after
13 paragraph (20) the following new paragraph:

14 “(21) any payment made to or for the benefit
15 of an employee if at the time of such payment it is
16 reasonable to believe that the employee will be able
17 to exclude such payment from income under section
18 106(b).”

19 (d) MEDICAL SAVINGS ACCOUNT CONTRIBUTIONS
20 NOT AVAILABLE UNDER CAFETERIA PLANS.—Subsection
21 (f) of section 125 of such Code is amended by inserting
22 “106(b),” before “117”.

23 (e) TAX ON PROHIBITED TRANSACTIONS.—Section
24 4975 of such Code (relating to tax on prohibited trans-
25 actions) is amended—

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

3 “(4) SPECIAL RULE FOR MEDICAL SAVINGS AC-
4 COUNTS.—An individual for whose benefit a medical
5 savings account (within the meaning of section
6 220(d)) is established shall be exempt from the tax
7 imposed by this section with respect to any trans-
8 action concerning such account (which would other-
9 wise be taxable under this section) if, with respect
10 to such transaction, the account ceases to be a medi-
11 cal savings account by reason of the application of
12 section 220(e)(2) to such account.”, and

13 (2) by inserting “or a medical savings account
14 described in section 220(d)” in subsection (e)(1)
15 after “described in section 408(a)”.

16 (f) FAILURE TO PROVIDE REPORTS ON MEDICAL
17 SAVINGS ACCOUNTS.—Section 6693 of such Code (relat-
18 ing to failure to provide reports on individual retirement
19 accounts or annuities) is amended—

20 (1) by inserting “**OR ON MEDICAL SAVINGS**
21 **ACCOUNTS**” after “**ANNUITIES**” in the heading of
22 such section, and

23 (2) by adding at the end of subsection (a) the
24 following: “The person required by section 220(h) to
25 file a report regarding a medical savings account at

1 the time and in the manner required by such section
2 shall pay a penalty of \$50 for each failure to so file
3 unless it is shown that such failure is due to reason-
4 able cause.”

5 (g) CLERICAL AMENDMENTS.—

6 (1) The table of sections for part VII of sub-
7 chapter B of chapter 1 of such Code is amended by
8 striking the last item and inserting the following:

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

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

13 (h) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to taxable years beginning after
15 December 31, 1995.

16 **SEC. 3. PERMITTING GOVERNMENT CONTRIBUTIONS TO BE**
17 **MADE UNDER THE FEDERAL EMPLOYEES**
18 **HEALTH BENEFITS PROGRAM FOR MEDICAL**
19 **SAVINGS ACCOUNTS AND CATASTROPHIC**
20 **HEALTH PLANS.**

21 (a) OFFERING OF CATASTROPHIC HEALTH PLANS.—

22 (1) IN GENERAL.—Section 8903 of title 5,
23 United States Code (relating to health benefits

1 plans) is amended by adding at the end the following
2 new paragraph:

3 “(5) CATASTROPHIC HEALTH PLANS.—One or
4 more plans described in paragraph (1), (2), or (3),
5 but which provide benefits of the types referred to
6 in paragraph (5) (rather than paragraph (1), (2), or
7 (3)) of section 8904(a).”

8 (2) TYPES OF BENEFITS.—Subsection (a) of
9 section 8904 of such title (relating to types of bene-
10 fits) is amended by inserting after paragraph (4) the
11 following new paragraph:

12 “(5) CATASTROPHIC HEALTH PLANS.—Benefits
13 of the types named under paragraph (1) or (2) of
14 this subsection or both, but only to the extent ex-
15 penses covered by the plan exceed the dollar amount
16 applicable under 220(c)(2) of the Internal Revenue
17 Code of 1986.”

18 (b) GOVERNMENT CONTRIBUTION.—

19 (1) CONTRIBUTION TO MEDICAL SAVINGS AC-
20 COUNT.—Section 8906 of such title (relating to con-
21 tributions) is amended by adding at the end the fol-
22 lowing new subsection:

23 “(j)(1) In the case of an employee or annuitant who
24 is enrolled in a catastrophic health plan described by sec-
25 tion 8903(5), in addition to the Government contribution

1 under the preceding provisions of this section, there shall
2 be made a Government contribution under this subsection
3 to a medical savings account for which the employee or
4 annuitant is an account holder.

5 “(2) The amount of the Government contribution
6 under this subsection with respect to an employee or annu-
7 itant is equal to the amount by which—

8 “(A) the maximum Government contribution
9 under the preceding provisions of this section, as de-
10 termined under subsection (b) (but disregarding the
11 limitation under paragraph (2) thereof); exceeds

12 “(B) the amount of the Government contribu-
13 tion made with respect to such employee or annu-
14 itant under the preceding provisions of this section.

15 “(3) The Office shall prescribe regulations under
16 which Government contributions under this subsection
17 shall be paid into a medical savings account. Such regula-
18 tions—

19 “(A) shall specify the time, form, and manner
20 in which an individual must provide any information
21 necessary in order to receive contributions under this
22 subsection, including, if feasible, an opportunity to
23 provide such information not later than 60 days
24 after becoming enrolled in a catastrophic health plan
25 described by section 8903(5); and

1 “(B) shall permit an individual who is an ac-
2 count holder of more than one medical savings ac-
3 count to elect the account to which contributions
4 under this subsection shall be made.

5 “(4)(A) Government contributions under this sub-
6 section shall be made on the same biweekly or other basis
7 as applies with respect to the Government contributions
8 under the preceding provisions of this section.

9 “(B) Subsections (f) and (g) shall apply with respect
10 to Government contributions under this subsection in the
11 same manner as they apply with respect to Government
12 contributions under the preceding provisions of this sec-
13 tion.

14 “(5) Government contributions under this sub-
15 section—

16 “(A) shall not be payable in the case of any in-
17 dividual who is ineligible for Government contribu-
18 tions under the preceding provisions of this section;
19 and

20 “(B) shall not be taken into account in deter-
21 mining the amount that any individual referred to in
22 subparagraph (A) is required to pay into the Em-
23 ployees Health Benefits Fund for coverage under
24 this chapter.

1 “(6) For the purpose of this subsection, the term
2 ‘medical savings account’ has the meaning given such term
3 by section 220(d) of the Internal Revenue Code of 1986.”

4 (2) CATASTROPHIC HEALTH PLANS NOT TO BE
5 TAKEN INTO ACCOUNT IN DETERMINING LEVEL OF
6 GOVERNMENT CONTRIBUTIONS GENERALLY.—Sec-
7 tion 8906(a)(3) of such title is amended by inserting
8 “described by section 8903(3) or 8903a” after
9 “plans”.

10 (3) RETROACTIVE CONTRIBUTIONS FOR EM-
11 PLOYEES WHO ENROLL PURSUANT TO REINSTATE-
12 MENT AFTER A WRONGFUL SUSPENSION OR RE-
13 MOVAL.—See 5 U.S.C. 8908(a).

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to contract terms beginning after
16 December 31, 1995.

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S 1247 IS—2