

SB 810 STAFF MEASURE SUMMARY

Senate Committee On Health Care

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Sub-Referral To: Senate Committee On Finance and Revenue

Meeting Dates: 3/28

WHAT THE MEASURE DOES:

Requires the State Treasurer to establish the Oregon Health Savings Account (HSA) program. Allows Oregon taxpayers to pay for qualified medical expenses using pre-tax dollars deposited in their HSA. Requires the State Department of Revenue to adopt a formula to determine withhold amounts for individual health savings accounts. Takes effect on 91st day following sine die.

REVENUE: May have revenue impact, but no statement yet issued.

FISCAL: May have fiscal impact, but no statement yet issued.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

In 2003, Congress passed the Medicaid Prescription Drug Improvement and Modernization Act, which established Health Savings Accounts (HSAs) in federal law. The National Conference of State Legislators refers to the HSAs as “expansion and evolution of Medical Savings Accounts (MSAs),” which was a federal pilot program started in the mid-1990s. Health Savings Accounts are personal savings accounts funded with pre-tax dollars designed to help individuals pay for out-of-pocket medical costs. An individual with an HSA can allow pretax dollars to grow tax-free in the account, and use available funds to cover qualified medical expenses, even if the costs are incurred in prior years. Employers can contribute to an HSA, but the individual or employee owns the account.

Health Savings Accounts, often referred to as “consumer-driven health plans,” apply cost controls to the demand side of health care by increasing consumers’ exposure to the actual cost of care. Consumers with a qualified HSA use the tax-deferred money to help pay for medical expenses that can include medical expenses not covered by traditional health insurance. Examples are eye care, dental care, acupuncture, qualified long-term care services, among other services. The underlying concept is that consumer cost sharing can reduce the use of unnecessary services.

The Employee Benefit Research Institute (EBRI) estimates that in 2015 approximately 20-22 million individuals and their dependents were enrolled in high-deductible, HSA health plans. A high-deductible health plan reduces a health plan’s monthly premium while increasing the amount an individual or employer will pay for health services before an insurance plan pays for covered benefits. The federal allowable maximum amount a person can put into an HSA in 2016 is \$3,350 for single coverage and \$6,750 for family coverage.

In Oregon, approximately 130,000 individuals were enrolled in an HSA in 2015 (American’s Health Insurance Plans 2015 report). Senate Bill 810 creates a statewide HSA program operated by the State Treasurer. The program would allow individuals to reduce their taxable income by contributing directly to a health savings account.