

Sanchez, Linda T.
Schakowsky
Shadegg
Slaughter
Smith (MI)
Stark
Stenholm

Strickland
Stupak
Sweeney
Taylor (MS)
Thompson (CA)
Thompson (MS)
Toomey
Towns

Udall (NM)
Visclosky
Waters
Weller
Wicker
Wu

NOT VOTING—9

Brown-Waite, Gonzalez Smith (WA)
Ginny Jefferson Wynn
Edwards McInnis
Gephardt Petri

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (during the vote). Members are advised there are 2 minutes remaining.

□ 1711

So the Journal was approved.

The result of the vote was announced as above recorded.

FURTHER MESSAGE FROM THE SENATE

A further message from the Senate by Mr. Monahan, one of its clerks, announced that the Senate has passed a bill of the following title in which the concurrence of the House is requested:

S. 312. An act to amend title XXI of the Social Security Act to extend the availability of allotments for fiscal years 1998 through 2001 under the State Children's Health Insurance Program.

MAKING IN ORDER ON TUESDAY, JULY 8, 2003, CONSIDERATION OF DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, 2004

Mr. LEWIS of California. Mr. Speaker, I ask unanimous consent that it be in order on Tuesday, July 8, 2003, for the Speaker, as though pursuant to clause 2(b) of rule XVIII, to declare the House resolved into the Committee of the Whole House on the State of the Union for consideration of a bill reported pursuant to section 6 of House Resolution 299 making appropriations for the Department of Defense for the fiscal year ending September 30, 2004, and for other purposes, which shall proceed according to the following order:

The first reading of the bill shall be dispensed with.

All points of order against consideration of the bill are waived.

General debate shall be confined to the bill and shall not exceed 1 hour equally divided and controlled by the chairman and ranking minority member of the Committee on Appropriations.

After general debate, the bill shall be considered for amendment under the 5-minute rule.

Points of order against provisions in the bill for failure to comply with clause 2 of rule XXI are waived.

During consideration of the bill for amendment, the Chairman of the Committee of the Whole may accord priority in recognition on the basis of whether the Member offering an amendment has caused it to be printed in the portion of the CONGRESSIONAL RECORD designated for that purpose in

clause 8 of rule XVIII. Amendments so printed shall be considered as read.

At the conclusion of consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted. The previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit with or without instructions.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

HEALTH SAVINGS AND AFFORDABILITY ACT OF 2003

Mr. THOMAS. Mr. Speaker, pursuant to House Resolution 299, I call up the bill (H.R. 2596) to amend the Internal Revenue Code of 1986 to allow a deduction to individuals for amounts contributed to health savings security accounts and health savings accounts, to provide for the disposition of unused health benefits in cafeteria plans and flexible spending arrangements, and for other purposes, and ask for its immediate consideration.

The Clerk read the title of the bill.

The text of H.R. 2596 is as follows:

H.R. 2596

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Health Savings and Affordability Act of 2003".

SEC. 2. HEALTH SAVINGS SECURITY ACCOUNTS AND HEALTH SAVINGS ACCOUNTS.

(a) IN GENERAL.—Part VII of subchapter B of chapter 1 of the Internal Revenue Code of 1986 (relating to additional itemized deductions for individuals) is amended by redesignating section 223 as section 225 and by inserting after section 222 the following new sections:

"SEC. 223. HEALTH SAVINGS SECURITY ACCOUNTS.

"(a) DEDUCTION ALLOWED.—In the case of an individual who is an eligible individual for any month during the taxable year, there shall be allowed as a deduction for the taxable year an amount equal to the aggregate amount paid in cash during such taxable year by such individual to a health savings security account of such individual.

"(b) LIMITATIONS.—

"(1) IN GENERAL.—The amount allowable as a deduction under subsection (a) to an individual for the taxable year shall not exceed the sum of the monthly limitations for months during such taxable year that the individual is an eligible individual.

"(2) MONTHLY LIMITATION.—The monthly limitation for any month is 1/2 of—

"(A) \$2,000, in the case of an eligible individual who—

"(i) has self-only coverage under a minimum deductible plan as of the first day of such month, or

"(ii) is uninsured as of the first day of such month and is not described in subparagraph (B)(ii) with respect to the taxable year which includes such month,

"(B) \$4,000, in the case of an eligible individual who—

"(i) has family coverage under a minimum deductible plan as of the first day of such month, or

"(ii) is uninsured as of the first day of such month and, with respect to the taxable year which includes such month—

"(I) is entitled to a deduction for a dependent under section 151(c) (or would be so entitled but for paragraph (2) or (4) of section 152(e)), or

"(II) files a joint return, and

"(C) zero in any other case.

"(3) ADDITIONAL CONTRIBUTIONS FOR INDIVIDUALS 55 OR OLDER.—

"(A) IN GENERAL.—In the case of an individual who has attained the age of 55 before the close of the taxable year, paragraph (2) shall be applied by increasing the \$2,000 amount in paragraph (2)(A) and the \$4,000 amount in paragraph (2)(B) by the additional contribution amount.

"(B) ADDITIONAL CONTRIBUTION AMOUNT.—

For purposes of this section, the additional contribution amount is the amount determined in accordance with the following table:

"For taxable years beginning in:	The additional contribution amount is:
2004	\$500
2005	\$600
2006	\$700
2007	\$800
2008	\$900
2009 and thereafter	\$1,000.

"(4) LIMITATION BASED ON ADJUSTED GROSS INCOME.—

"(A) SELF-ONLY COVERAGE.—The dollar amount in paragraph (2)(A) (as increased under paragraph (3)) shall be reduced (but not below zero) by an amount which bears the same ratio to such dollar amount as—

"(i) the amount (if any) by which the taxpayer's adjusted gross income for such taxable year exceeds \$75,000 (\$150,000 in the case of a joint return), bears to

"(ii) \$10,000 (\$20,000 in the case of a joint return).

"(B) FAMILY COVERAGE.—The dollar amount in paragraph (2)(B) (as increased under paragraph (3)) shall be reduced (but not below zero) by an amount which bears the same ratio to such dollar amount as—

"(i) the amount (if any) by which the taxpayer's adjusted gross income for such taxable year exceeds \$150,000, bears to

"(ii) \$20,000.

"(C) NO REDUCTION BELOW \$200 UNTIL COMPLETE PHASE-OUT.—No dollar amount shall be reduced below \$200 under subparagraph (A) or (B) unless (without regard to this subparagraph) such limitation is reduced to zero.

"(D) ROUNDING.—Any amount determined under this paragraph which is not a multiple of \$10 shall be rounded to the next lowest \$10.

"(E) ADJUSTED GROSS INCOME.—For purposes of this paragraph, adjusted gross income shall be determined—

"(i) without regard to this section or section 911, and

"(ii) after application of sections 86, 135, 137, 219, 221, 222, and 469.

"(5) COORDINATION WITH OTHER CONTRIBUTIONS.—The limitation which would (but for this paragraph) apply under this subsection to the taxpayer for any taxable year shall be reduced (but not below zero) by the sum of—

"(A) the aggregate amount paid during such taxable year to Archer MSAs of such individual,

"(B) the aggregate amount paid during such taxable year to health savings accounts of such individual, and

"(C) the aggregate amount paid during such taxable year to health savings security accounts of such individual by persons other than such individual.

"(6) SPECIAL RULES FOR MARRIED INDIVIDUALS, DEPENDENTS, AND MEDICARE ELIGIBLE INDIVIDUALS.—Rules similar to the rules of

paragraphs (3), (6), and (7) of section 220(b) shall apply for purposes of this section.

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

“(1) ELIGIBLE INDIVIDUAL.—

“(A) IN GENERAL.—The term ‘eligible individual’ means, with respect to any month, any individual unless such individual is covered, as of the first day of such month, under any health plan which is not a minimum deductible plan.

“(B) CERTAIN COVERAGE DISREGARDED.—Subparagraph (A) shall be applied without regard to—

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

“(ii) coverage (whether through insurance or otherwise) for accidents, disability, dental care, vision care, or long-term care.

“(2) MINIMUM DEDUCTIBLE PLAN.—

“(A) IN GENERAL.—The term ‘minimum deductible plan’ means a health plan—

“(i) in the case of self-only coverage, which has an annual deductible which is not less than \$500, and

“(ii) in the case of family coverage, which has an annual deductible which is not less than twice the dollar amount in clause (i) (as increased under subparagraph (B)).

“(B) COST-OF-LIVING ADJUSTMENT FOR ANNUAL DEDUCTIBLES.—

“(i) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2004, the \$500 amount in subparagraph (A)(i) shall be increased by an amount equal to—

“(I) such dollar amount, multiplied by

“(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which such taxable year begins by substituting ‘calendar year 2003’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(ii) ROUNDING.—If any increase under clause (i) is not a multiple of \$50, such increase shall be rounded to the nearest multiple of \$50.

“(C) SPECIAL RULES.—

“(i) EXCLUSION OF CERTAIN PLANS.—Such term does not include a health plan if substantially all of its coverage is coverage described in paragraph (1)(B).

“(ii) SAFE HARBOR FOR ABSENCE OF PREVENTIVE CARE DEDUCTIBLE.—A plan shall not fail to be treated as a minimum deductible plan by reason of failing to have a deductible for preventive care.

“(3) UNINSURED.—An individual shall be treated as uninsured if such individual is not covered by insurance which constitutes medical care. The preceding sentence shall be applied without regard to the coverage described in paragraph (1)(B).

“(4) PERMITTED INSURANCE.—The term ‘permitted insurance’ has the meaning given such term in section 220(c)(3).

“(5) FAMILY COVERAGE.—The term ‘family coverage’ has the meaning given such term in section 220(c)(5).

“(6) ARCHER MSA.—The term ‘Archer MSA’ has the meaning given such term in section 220(d).

“(7) HEALTH SAVINGS ACCOUNT.—The term ‘health savings account’ has the meaning given such term in section 224(d).

“(d) HEALTH SAVINGS SECURITY ACCOUNT.—For purposes of this section—

“(1) IN GENERAL.—The term ‘health savings security account’ means a trust created or organized in the United States as a health savings security account exclusively for the purpose of paying the qualified medical expenses of the account beneficiary, but only if the written governing instrument creating the trust meets the following requirements:

“(A) Except in the case of a rollover contribution from an Archer MSA, or a health savings security account, which is not includible in gross income, no contribution will be accepted—

“(i) unless it is in cash and is contributed by—

“(I) the account beneficiary,

“(II) a member of the family of the account beneficiary, or

“(III) an employer of the account beneficiary, and

“(ii) to the extent such contribution, when added to previous contributions to the trust for the calendar year, exceeds the highest annual limitation which could apply to an individual under subsection (b) for a taxable year beginning in such calendar year.

“(B) The trustee is a bank (as defined in section 408(n)), an insurance company (as defined in section 816), or another person who demonstrates to the satisfaction of the Secretary that the manner in which such person will administer the trust will be consistent with the requirements of this section.

“(C) No part of the trust assets will be invested in life insurance contracts.

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

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

“(2) MEMBER OF THE FAMILY.—The term ‘member of the family’ has the meaning given such term in section 2032A(e)(2).

“(3) QUALIFIED MEDICAL EXPENSES.—The term ‘qualified medical expenses’ has the meaning given such term in section 220(d)(2), except that—

“(A) subparagraph (B)(i) thereof shall not apply to—

“(i) insurance which constitutes a minimum deductible plan if no portion of the cost of such insurance is paid by an employer or former employer of the account beneficiary or the spouse of such beneficiary, and

“(ii) any health insurance (other than health insurance substantially all of its coverage is coverage described in subsection (c)(1)(B)) if the account beneficiary has attained age 65, and

“(B) subparagraph (C) thereof shall not apply for purposes of this section.

“(4) ACCOUNT BENEFICIARY.—The term ‘account beneficiary’ means the individual on whose behalf the health savings security account was established.

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

“(A) Section 219(d)(2) (relating to no deduction for rollovers).

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

“(C) Except as provided in section 106(d), section 219(f)(5) (relating to employer payments).

“(D) Section 408(g) (relating to community property laws).

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

“(6) CONTRIBUTIONS FROM FLEXIBLE SPENDING ACCOUNTS TREATED AS MADE BY THE EMPLOYER.—Any contribution from a flexible spending account to a health savings security account which is not includible in the gross income of the employee by reason of section 125(h) shall be treated as a contribution made by the employer for purposes of this section.

“(e) TAX TREATMENT OF ACCOUNTS.—

“(1) IN GENERAL.—A health savings security account is exempt from taxation under this subtitle unless such account has ceased to be a health savings security account. Notwithstanding the preceding sentence, any such account is subject to the taxes imposed by section 511 (relating to imposition of tax on unrelated business income of charitable, etc. organizations).

“(2) ACCOUNT TERMINATIONS.—Rules similar to the rules of paragraphs (2) and (4) of sec-

tion 408(e) shall apply to health savings security accounts, and any amount treated as distributed under such similar rules shall be treated as not used to pay qualified medical expenses.

“(f) TAX TREATMENT OF DISTRIBUTIONS.—

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

“(2) INCLUSION OF AMOUNTS NOT USED FOR QUALIFIED MEDICAL EXPENSES.—

“(A) IN GENERAL.—Any amount paid or distributed out of a health savings security account which is not used exclusively to pay the qualified medical expenses of the account beneficiary shall be included in the gross income of such beneficiary in the manner provided under section 72.

“(B) SPECIAL RULES FOR APPLYING SECTION 72.—For purposes of applying section 72 to any amount described in subparagraph (A)—

“(i) all health savings security accounts shall be treated as 1 contract,

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

“(iii) the value of the contract, income on the contract, and investment in the contract shall be computed as of the close of the calendar year in which the taxable year begins, and

“(iv) such distributions shall be treated as made from contributions from members of the family of the account beneficiary to the extent that such distribution, when added to all previous distributions from the health savings security account taken into account under this clause, do not exceed the aggregate contributions from members of such family.

“(3) EXCESS CONTRIBUTIONS RETURNED BEFORE DUE DATE OF RETURN.—

“(A) IN GENERAL.—If any excess contribution is contributed for a taxable year to any health savings security account of an individual, paragraph (2) shall not apply to distributions from the health savings security accounts of such individual (to the extent such distributions do not exceed the aggregate excess contributions to all such accounts of such individual for such year) if—

“(i) such distribution is made on or before the last day prescribed by law (including extensions of time) for filing the account beneficiary’s return for such taxable year,

“(ii) no deduction is allowed under this section with respect to such contribution,

“(iii) such distribution is accompanied by the amount of net income attributable to such excess contribution, and

“(iv) such distribution satisfies the requirements of subparagraph (B).

“(B) RULES RELATED TO ORDERING.—

“(i) DISTRIBUTIONS LIMITED TO CONTRIBUTIONS.—Subparagraph (A) shall apply to distributions to a person only to the extent of the contributions of such person to such accounts during such taxable year.

“(ii) CLASSES OF CONTRIBUTORS.—Subparagraph (A) shall apply only to distributions of such contributions which are made in the following order:

“(I) first, to members of the family of the account beneficiary,

“(II) second, to the account beneficiary,

“(III) third, to employers of the account beneficiary with respect to contributions under section 125(h), and

“(IV) fourth, to employers of the account beneficiary with respect to contributions under section 106(d).

“(iii) LAST-IN FIRST-OUT.—If distributions could be made to more than one person under any subclause of clause (ii), subparagraph (A) shall not apply to any such distribution unless such distribution is of the

most recent excess contribution which has not been distributed to the contributor.

“(C) TREATMENT OF NET INCOME.—Any net income described in subparagraph (A)(iii) shall be included in the gross income of the person receiving the distribution for the taxable year in which received.

“(D) EXCESS CONTRIBUTION.—For purposes of subparagraph (A), the term ‘excess contribution’ means any contribution (other than a rollover contribution from another health savings security account, or from an Archer MSA, which is not includible in gross income) to the extent such contribution results in the aggregate contributions to health savings security accounts of the account beneficiary for the taxable year to be in excess of the limitation under subsection (b) (determined without regard to paragraph (5)(C) thereof) which applies to such beneficiary for such year.

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

“(A) IN GENERAL.—The tax imposed by this chapter on the account beneficiary for any taxable year in which there is a payment or distribution from a health savings security account of such beneficiary which is includible in gross income under paragraph (2) shall be increased by 15 percent of the amount which is so includible.

“(B) EXCEPTION FOR DISABILITY OR DEATH.—Subparagraph (A) shall not apply if the payment or distribution is made after the account beneficiary becomes disabled within the meaning of section 72(m)(7) or dies.

“(C) EXCEPTION FOR DISTRIBUTIONS AFTER MEDICARE ELIGIBILITY.—Subparagraph (A) shall not apply to any payment or distribution after the date on which the account beneficiary attains the age specified in section 1811 of the Social Security Act.

“(5) ROLLOVER CONTRIBUTION.—

“(A) IN GENERAL.—Paragraph (2) shall not apply to any amount paid or distributed from a health savings security account to the account beneficiary to the extent the amount received is paid into a health savings security account, or a health savings account, for the benefit of such beneficiary not later than the 60th day after the day on which the beneficiary receives the payment or distribution.

“(B) LIMITATION.—This paragraph shall not apply to any amount described in subparagraph (A) received by an individual from a health savings security account if, at any time during the 1-year period ending on the day of such receipt, such individual received any other amount described in subparagraph (A) from a health savings security account which was not includible in the individual's gross income because of the application of this paragraph.

“(6) SPECIAL RULES.—Rules similar to the rules of paragraphs (6), (7), and (8) of section 220(f) shall apply for purposes of this section.

“(g) REPORTS.—The Secretary may require the trustee of a health savings security account to make such reports regarding such account to the Secretary and to the account beneficiary with respect to contributions, distributions, and such other matters as the Secretary determines appropriate. The reports required by this subsection shall be filed at such time and in such manner and furnished to such individuals at such time and in such manner as may be required by the Secretary.

“(h) REGULATIONS.—The Secretary may issue regulations to carry out the purposes of this section, including regulations regarding the proper treatment of distributions described in subsection (f)(3) and nondeductible contributions by members of the family of the account beneficiary.

“SEC. 224. HEALTH SAVINGS ACCOUNTS.

“(a) DEDUCTION ALLOWED.—In the case of an individual who is an eligible individual for any month during the taxable year, there shall be allowed as a deduction for the taxable year an amount equal to the aggregate amount paid in cash during such taxable year by such individual to a health savings account of such individual.

“(b) LIMITATIONS.—

“(1) IN GENERAL.—The amount allowable as a deduction under subsection (a) to an individual for the taxable year shall not exceed the sum of the monthly limitations for months during such taxable year that the individual is an eligible individual.

“(2) MONTHLY LIMITATION.—The monthly limitation for any month is the amount equal to $\frac{1}{12}$ of the annual deductible (as of the first day of such month) of the individual's coverage under the high deductible health plan.

“(3) COORDINATION WITH OTHER CONTRIBUTIONS.—The limitation which would (but for this paragraph) apply under this subsection to the taxpayer for any taxable year shall be reduced (but not below zero) by the sum of—

“(A) the aggregate amount paid during such taxable year to Archer MSAs of such individual,

“(B) the aggregate amount paid during such taxable year to health savings security accounts of such individual, and

“(C) the aggregate amount paid during such taxable year to health savings accounts of such individual by persons other than such individual.

“(4) SPECIAL RULES FOR MARRIED INDIVIDUALS, DEPENDENTS, AND MEDICARE ELIGIBLE INDIVIDUALS.—Rules similar to the rules of paragraphs (3), (6), and (7) of section 220(b) shall apply for purposes of this section.

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

“(1) ELIGIBLE INDIVIDUAL.—

“(A) IN GENERAL.—The term ‘eligible individual’ means, with respect to any month, any individual if—

“(i) such individual is covered under a high deductible health plan as of the 1st day of such month, and

“(ii) such individual is not, while covered under a high deductible health plan, covered under any health plan—

“(I) which is not a high deductible health plan, and

“(II) which provides coverage for any benefit which is covered under the high deductible health plan.

“(B) CERTAIN COVERAGE DISREGARDED.—Subparagraph (A)(ii) shall be applied without regard to—

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

“(ii) coverage (whether through insurance or otherwise) for accidents, disability, dental care, vision care, or long-term care.

“(2) HIGH DEDUCTIBLE HEALTH PLAN.—

“(A) IN GENERAL.—The term ‘high deductible health plan’ means a health plan—

“(i) in the case of self-only coverage, which has an annual deductible which is not less than \$1,000 and not more than \$2,250,

“(ii) in the case of family coverage, which has an annual deductible which is not less than \$2,000 and not more than \$4,500, and

“(iii) the annual out-of-pocket expenses required to be paid under the plan (other than for premiums) for covered benefits does not exceed—

“(I) \$3,000 for self-only coverage, and

“(II) \$5,500 for family coverage.

“(B) COST-OF-LIVING ADJUSTMENT.—

“(i) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 1998, each dollar amount in subparagraph (A) shall be increased by an amount equal to—

“(I) such dollar amount, multiplied by

“(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which such taxable year begins by substituting ‘calendar year 1997’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(ii) SPECIAL RULES.—In the case of the \$1,000 amount in subparagraph (A)(i) and the \$2,000 amount in subparagraph (A)(ii), subclause (i)(II) shall be applied by substituting ‘calendar year 2002’ for ‘calendar year 1997’.

“(iii) ROUNDING.—If any increase under clause (i) or (ii) is not a multiple of \$50, such increase shall be rounded to the nearest multiple of \$50.

“(C) SPECIAL RULES.—

“(i) EXCLUSION OF CERTAIN PLANS.—Such term does not include a health plan if substantially all of its coverage is coverage described in paragraph (1)(B).

“(ii) SAFE HARBOR FOR ABSENCE OF PREVENTIVE CARE DEDUCTIBLE.—A plan shall not fail to be treated as a high deductible health plan by reason of failing to have a deductible for preventive care.

“(D) TREATMENT OF NETWORK SERVICES.—

“(i) IN GENERAL.—In the case of a health plan which is a preferred provider organization plan and which would (without regard to services provided outside such organization's network of providers described in clause (iii)(I)) be a high deductible health plan, such plan shall not fail to be a high deductible health plan because—

“(I) the annual deductible for services provided outside such network exceeds the applicable maximum dollar amount in clause (i) or (ii) of subparagraph (A), or

“(II) the annual out-of-pocket expenses required to be paid for services provided outside such network exceeds the applicable dollar amount in subparagraph (A)(iii).

“(ii) ANNUAL DEDUCTIBLE.—The annual deductible taken into account under subsection (b)(2) with respect to a plan which is a high deductible health plan by reason of clause (i) shall be the annual deductible for services provided within such network.

“(iii) PREFERRED PROVIDER ORGANIZATION PLAN DEFINED.—In this subparagraph, the term ‘preferred provider organization plan’ means a health plan that—

“(I) has a network of providers that have agreed to a contractually specified reimbursement for covered benefits with the organization offering the plan,

“(II) provides for reimbursement for all covered benefits regardless of whether such benefits are provided within such network of providers, and

“(III) is offered by an organization that is not licensed or organized under State law as a health maintenance organization.

“(3) PERMITTED INSURANCE.—The term ‘permitted insurance’ has the meaning given such term in section 220(c)(3).

“(4) FAMILY COVERAGE.—The term ‘family coverage’ has the meaning given such term in section 220(c)(5).

“(5) ARCHER MSA.—The term ‘Archer MSA’ has the meaning given such term in section 220(d).

“(6) HEALTH SAVINGS SECURITY ACCOUNT.—The term ‘health savings security account’ has the meaning given such term in section 223(d).

“(d) HEALTH SAVINGS ACCOUNT.—For purposes of this section—

“(1) IN GENERAL.—The term ‘health savings account’ means a trust created or organized in the United States as a health savings account exclusively for the purpose of paying the qualified medical expenses of the account beneficiary, but only if the written governing instrument creating the trust meets the following requirements:

“(A) Except in the case of a rollover contribution from an Archer MSA, a health savings security account, or a health savings account, which is not includible in gross income, no contribution will be accepted—

“(i) unless it is in cash and is contributed by—

“(I) the account beneficiary, or

“(II) an employer of the account beneficiary, and

“(ii) to the extent such contribution, when added to previous contributions to the trust for the calendar year, exceeds the highest annual limitation which could apply to an individual under subsection (b) for a taxable year beginning in such calendar year.

“(B) The trustee is a bank (as defined in section 408(n)), an insurance company (as defined in section 816), or another person who demonstrates to the satisfaction of the Secretary that the manner in which such person will administer the trust will be consistent with the requirements of this section.

“(C) No part of the trust assets will be invested in life insurance contracts.

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

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

“(2) QUALIFIED MEDICAL EXPENSES.—The term ‘qualified medical expenses’ has the meaning given such term in section 220(d)(2).

“(3) ACCOUNT BENEFICIARY.—The term ‘account beneficiary’ means the individual on whose behalf the health savings account was established.

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

“(A) Section 219(d)(2) (relating to no deduction for rollovers).

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

“(C) Except as provided in section 106(d), section 219(f)(5) (relating to employer payments).

“(D) Section 408(g) (relating to community property laws).

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

“(6) CONTRIBUTIONS FROM FLEXIBLE SPENDING ACCOUNTS TREATED AS MADE BY THE EMPLOYER.—Any contribution from a flexible spending account to a health savings account which is not includible in the gross income of the employee by reason of section 125(h) shall be treated as a contribution made by the employer for purposes of this section.

“(e) TAX TREATMENT OF ACCOUNTS.—

“(I) IN GENERAL.—A health savings account is exempt from taxation under this subtitle unless such account has ceased to be a health savings account. Notwithstanding the preceding sentence, any such account is subject to the taxes imposed by section 511 (relating to imposition of tax on unrelated business income of charitable, etc. organizations).

“(2) ACCOUNT TERMINATIONS.—Rules similar to the rules of paragraphs (2) and (4) of section 408(e) shall apply to health savings accounts, and any amount treated as distributed under such rules shall be treated as not used to pay qualified medical expenses.

“(f) TAX TREATMENT OF DISTRIBUTIONS.—

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

“(2) INCLUSION OF AMOUNTS NOT USED FOR QUALIFIED MEDICAL EXPENSES.—Any amount paid or distributed out of a health savings account which is not used exclusively to pay

the qualified medical expenses of the account beneficiary shall be included in the gross income of such beneficiary.

“(3) EXCESS CONTRIBUTIONS RETURNED BEFORE DUE DATE OF RETURN.—

“(A) IN GENERAL.—If any excess contribution is contributed for a taxable year to any health savings account of an individual, paragraph (2) shall not apply to distributions from the health savings accounts of such individual (to the extent such distributions do not exceed the aggregate excess contributions to all such accounts of such individual for such year) if—

“(i) such distribution is made on or before the last day prescribed by law (including extensions of time) for filing the account beneficiary's return for such taxable year,

“(ii) no deduction is allowed under this section with respect to such contribution,

“(iii) such distribution is accompanied by the amount of net income attributable to such excess contribution, and

“(iv) such distribution satisfies the requirements of subparagraph (B).

“(B) RULES RELATED TO ORDERING.—

“(i) DISTRIBUTIONS LIMITED TO CONTRIBUTIONS.—Subparagraph (A) shall apply to distributions to a person only to the extent of the contributions of such person to such accounts during such taxable year.

“(ii) CLASSES OF CONTRIBUTORS.—Subparagraph (A) shall apply only to distributions of such contributions which are made in the following order:

“(I) first, to the account beneficiary,

“(II) second, to employers of the account beneficiary with respect to contributions under section 125(h), and

“(III) third, to employers of the account beneficiary with respect to contributions under section 106(d).

“(iii) LAST-IN FIRST-OUT.—If distributions could be made to more than one person under any subclause of clause (ii), subparagraph (A) shall not apply to any such distribution unless such distribution is of the most recent excess contribution which has not been distributed to the contributor.

“(C) TREATMENT OF NET INCOME.—Any net income described in subparagraph (A)(iii) shall be included in the gross income of the person receiving the distribution for the taxable year in which received.

“(D) EXCESS CONTRIBUTION.—For purposes of subparagraph (A), the term ‘excess contribution’ means any contribution (other than a rollover contribution from another health savings account, from a health savings security account, or from an Archer MSA, which is not includible in gross income) to the extent such contribution results in the aggregate contributions to health savings accounts of the account beneficiary for the taxable year to be in excess of the limitation under subsection (b) (determined without regard to paragraph (3)(C) thereof) which applies to such beneficiary for such year.

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

“(A) IN GENERAL.—The tax imposed by this chapter on the account beneficiary for any taxable year in which there is a payment or distribution from a health savings account of such beneficiary which is includible in gross income under paragraph (2) shall be increased by 15 percent of the amount which is so includible.

“(B) EXCEPTION FOR DISABILITY OR DEATH.—Subparagraph (A) shall not apply if the payment or distribution is made after the account beneficiary becomes disabled within the meaning of section 72(m)(7) or dies.

“(C) EXCEPTION FOR DISTRIBUTIONS AFTER MEDICARE ELIGIBILITY.—Subparagraph (A) shall not apply to any payment or distribution after the date on which the account ben-

eficiary attains the age specified in section 1811 of the Social Security Act.

“(5) ROLLOVER CONTRIBUTION.—

“(A) IN GENERAL.—Paragraph (2) shall not apply to any amount paid or distributed from a health savings account to the account beneficiary to the extent the amount received is paid into a health savings account for the benefit of such beneficiary not later than the 60th day after the day on which the beneficiary receives the payment or distribution.

“(B) LIMITATION.—This paragraph shall not apply to any amount described in subparagraph (A) received by an individual from a health savings account if, at any time during the 1-year period ending on the day of such receipt, such individual received any other amount described in subparagraph (A) from a health savings account which was not includible in the individual's gross income because of the application of this paragraph.

“(6) SPECIAL RULES.—Rules similar to the rules of paragraphs (6), (7), and (8) of section 220(f) shall apply for purposes of this section.

“(g) REPORTS.—The Secretary may require the trustee of a health savings account to make such reports regarding such account to the Secretary and to the account beneficiary with respect to contributions, distributions, and such other matters as the Secretary determines appropriate. The reports required by this subsection shall be filed at such time and in such manner and furnished to such individuals at such time and in such manner as may be required by the Secretary.”

(b) DEDUCTION ALLOWED WHETHER OR NOT INDIVIDUAL ITEMIZES OTHER DEDUCTIONS.—Subsection (a) of section 62 of such Code is amended by inserting after paragraph (18) the following new paragraphs:

“(19) HEALTH SAVINGS SECURITY ACCOUNTS.—The deduction allowed by section 223.

“(20) HEALTH SAVINGS ACCOUNTS.—The deduction allowed by section 224.”

(c) COORDINATION WITH ARCHER MSAS.—

(1) ROLLOVERS FROM ARCHER MSAS PERMITTED.—Subparagraph (A) of section 220(f)(5) of such Code (relating to rollover contribution) is amended by inserting “, a health savings security account (as defined in section 223(d)), or a health savings account (as defined in section 224(d)),” after “paid into an Archer MSA”.

(2) REDUCTION IN ARCHER MSA LIMITATION FOR CONTRIBUTIONS TO HEALTH SAVINGS SECURITY ACCOUNTS AND HEALTH SAVINGS ACCOUNTS.—Subsection (b) of section 220 of such Code (relating to limitations) is amended by adding at the end the following new paragraph:

“(8) COORDINATION WITH HEALTH SAVINGS SECURITY ACCOUNTS AND HEALTH SAVINGS ACCOUNTS.—The limitation which would (but for this paragraph) apply under this subsection to the taxpayer for any taxable year shall be reduced (but not below zero) by the sum of—

“(A) the aggregate amount paid during such taxable year to health savings security accounts of such individual, and

“(B) the aggregate amount paid during such taxable year to health savings accounts of such individual.”

(d) EXCLUSIONS FOR EMPLOYER CONTRIBUTIONS TO HEALTH SAVINGS SECURITY ACCOUNTS AND HEALTH SAVINGS ACCOUNTS.—

(1) EXCLUSION FROM INCOME TAX.—Section 106 of such Code (relating to contributions by employer to accident and health plans) is amended by adding at the end the following new subsections:

“(d) CONTRIBUTIONS TO HEALTH SAVINGS SECURITY ACCOUNTS.—

“(I) IN GENERAL.—In the case of an employee who is an eligible individual, amounts contributed by such employee's employer to

any health savings security account of such employee shall be treated as employer-provided coverage for medical expenses under an accident or health plan to the extent such amounts do not exceed the limitation under section 223(b) (determined without regard to this subsection) which is applicable to such employee for such taxable year.

"(2) SPECIAL RULES.—Rules similar to the rules of paragraphs (2), (3), (4), and (5) of subsection (b) shall apply for purposes of this subsection.

"(3) DEFINITIONS.—For purposes of this subsection, the terms 'eligible individual' and 'health savings security account' have the respective meanings given to such terms by section 223.

"(4) CROSS REFERENCE.—

"For penalty on failure by employer to make comparable contributions to the health savings security accounts of comparable employees, see section 4980G."

"(e) CONTRIBUTIONS TO HEALTH SAVINGS ACCOUNTS.—

"(1) IN GENERAL.—In the case of an employee who is an eligible individual, amounts contributed by such employee's employer to any health savings account of such employee shall be treated as employer-provided coverage for medical expenses under an accident or health plan to the extent such amounts do not exceed the limitation under section 224(b) (determined without regard to this subsection) which is applicable to such employee for such taxable year.

"(2) SPECIAL RULES.—Rules similar to the rules of paragraphs (2), (3), (4), and (5) of subsection (b) shall apply for purposes of this subsection.

"(3) DEFINITIONS.—For purposes of this subsection, the terms 'eligible individual' and 'health savings account' have the respective meanings given to such terms by section 224.

"(4) CROSS REFERENCE.—

"For penalty on failure by employer to make comparable contributions to the health savings accounts of comparable employees, see section 4980G."

(2) EXCLUSION FROM EMPLOYMENT TAXES.—

(A) RAILROAD RETIREMENT TAX.—Subsection (e) of section 3231 of such Code is amended by adding at the end the following new paragraph:

"(11) HEALTH SAVINGS SECURITY ACCOUNT AND HEALTH SAVINGS ACCOUNT CONTRIBUTIONS.—The term 'compensation' shall not include any payment made to or for the benefit of an employee if at the time of such payment it is reasonable to believe that the employee will be able to exclude such payment from income under subsection (d) or (e) of section 106."

(B) UNEMPLOYMENT TAX.—Subsection (b) of section 3306 of such Code is amended by striking "or" at the end of paragraph (16), by striking the period at the end of paragraph (17) and inserting "; or", and by inserting after paragraph (17) the following new paragraph:

"(18) any payment made to or for the benefit of an employee if at the time of such payment it is reasonable to believe that the employee will be able to exclude such payment from income under subsection (d) or (e) of section 106."

(C) WITHHOLDING TAX.—Subsection (a) of section 3401 of such Code is amended by striking "or" at the end of paragraph (20), by striking the period at the end of paragraph (21) and inserting "; or", and by inserting after paragraph (21) the following new paragraph:

"(22) any payment made to or for the benefit of an employee if at the time of such payment it is reasonable to believe that the employee will be able to exclude such pay-

ment from income under subsection (d) or (e) of section 106."

(3) EMPLOYER CONTRIBUTIONS REQUIRED TO BE SHOWN ON W-2.—Subsection (a) of section 6051 of such Code is amended by striking "and" at the end of paragraph (10), by striking the period at the end of paragraph (11) and inserting a comma, and by inserting after paragraph (11) the following new paragraphs:

"(12) the amount contributed to any health savings security account (as defined in section 223(d)) of such employee or such employee's spouse, and

"(13) the amount contributed to any health savings account (as defined in section 224(d)) of such employee or such employee's spouse."

(4) PENALTY FOR FAILURE OF EMPLOYER TO MAKE COMPARABLE HEALTH SAVINGS ACCOUNT CONTRIBUTIONS.—

(A) IN GENERAL.—Chapter 43 of such Code is amended by adding after section 4980F the following new section:

"SEC. 4980G. FAILURE OF EMPLOYER TO MAKE COMPARABLE HEALTH SAVINGS ACCOUNT CONTRIBUTIONS."

"(a) GENERAL RULE.—In the case of an employer who makes a contribution to the health savings security account or the health savings account of any employee during a calendar year, there is hereby imposed a tax on the failure of such employer to meet the requirements of subsection (b) for such calendar year.

"(b) RULES AND REQUIREMENTS.—Rules and requirements similar to the rules and requirements of section 4980E shall apply for purposes of this section.

"(c) REGULATIONS.—The Secretary shall issue regulations to carry out the purposes of this section, including regulations providing special rules for employers who make contributions to more than one of the following types of accounts during the calendar year:

"(1) An Archer MSA.

"(2) A health savings security account.

"(3) A health savings account."

(B) CLERICAL AMENDMENT.—The table of sections for chapter 43 of such Code is amended by adding after the item relating to section 4980F the following new item:

"Sec. 4980G. Failure of employer to make comparable health savings account contributions."

(e) TAX ON EXCESS CONTRIBUTIONS.—Section 4973 of such Code (relating to tax on excess contributions to certain tax-favored accounts and annuities) is amended—

(1) by striking "or" at the end of paragraph (3) of subsection (a),

(2) by inserting after paragraph (4) of subsection (a) the following new paragraphs:

"(5) a health savings security account (within the meaning of section 223(d)), or

"(6) a health savings account (within the meaning of section 224(d))", and

(4) by adding at the end the following new subsections:

"(g) EXCESS CONTRIBUTIONS TO HEALTH SAVINGS SECURITY ACCOUNTS.—For purposes of this section, in the case of health savings security accounts (within the meaning of section 223(d)), the term 'excess contributions' means the sum of—

"(1) the aggregate amount contributed for the taxable year to the accounts (other than a rollover contribution from another health savings security account, or from an Archer MSA, which is not includible in gross income) which is in excess of the limitation under section 223(b) (determined without regard to paragraph (5)(C) thereof), and

"(2) the amount determined under this subsection for the preceding taxable year, reduced by the sum of—

"(A) the distributions out of the accounts which were included in gross income under section 223(f)(2), and

"(B) the excess (if any) of—

"(i) the sum of limitations described in paragraph (1), over

"(ii) the amount contributed to the accounts for the taxable year.

For purposes of this subsection, any contribution which is distributed out of the health savings security account in a distribution to which section 223(f)(3) applies shall be treated as an amount not contributed.

"(h) EXCESS CONTRIBUTIONS TO HEALTH SAVINGS ACCOUNTS.—For purposes of this section, in the case of health savings accounts (within the meaning of section 224(d)), the term 'excess contributions' means the sum of—

"(1) the aggregate amount contributed for the taxable year to the accounts (other than a rollover contribution from another health savings account, a health savings security account, or from an Archer MSA, which is not includible in gross income) which is in excess of the limitation under section 224(b) (determined without regard to paragraph (3)(C) thereof), and

"(2) the amount determined under this subsection for the preceding taxable year, reduced by the sum of—

"(A) the distributions out of the accounts which were included in gross income under section 224(f)(2), and

"(B) the excess (if any) of—

"(i) the sum of limitations described in paragraph (1), over

"(ii) the amount contributed to the accounts for the taxable year.

For purposes of this subsection, any contribution which is distributed out of the health savings account in a distribution to which section 224(f)(3) applies shall be treated as an amount not contributed."

(f) TAX ON PROHIBITED TRANSACTIONS.—

(1) Section 4975 of such Code (relating to tax on prohibited transactions) is amended by adding at the end of subsection (c) the following new paragraphs:

"(6) SPECIAL RULE FOR HEALTH SAVINGS SECURITY ACCOUNTS.—An individual for whose benefit a health savings security account (within the meaning of section 223(d)) is established shall be exempt from the tax imposed by this section with respect to any transaction concerning such account (which would otherwise be taxable under this section) if, with respect to such transaction, the account ceases to be a health savings security account by reason of the application of section 223(e)(2) to such account.

"(7) SPECIAL RULE FOR HEALTH SAVINGS ACCOUNTS.—An individual for whose benefit a health savings account (within the meaning of section 224(d)) is established shall be exempt from the tax imposed by this section with respect to any transaction concerning such account (which would otherwise be taxable under this section) if, with respect to such transaction, the account ceases to be a health savings account by reason of the application of section 224(e)(2) to such account."

(2) Paragraph (1) of section 4975(e) of such Code is amended by redesignating subparagraphs (E) and (F) as subparagraphs (G) and (H), respectively, and by inserting after subparagraph (D) the following new subparagraphs:

"(E) a health savings security account described in section 223(d),

"(F) a health savings account described in section 224(d),"

(g) FAILURE TO PROVIDE REPORTS ON HEALTH SAVINGS ACCOUNTS.—Paragraph (2)

of section 6693(a) of such Code (relating to reports) is amended by redesignating subparagraphs (C) and (D) as subparagraphs (E) and (F), respectively, and by inserting after subparagraph (B) the following new subparagraphs:

“(C) section 223(g) (relating to health savings security accounts),

“(D) section 224(g) (relating to health savings accounts).”.

(h) EXCEPTION FROM CAPITALIZATION OF POLICY ACQUISITION EXPENSES.—Subparagraph (B) of section 848(e)(1) of such Code (defining specified insurance contract) is amended by striking “and” at the end of clause (iii), by striking the period at the end of clause (iv) and inserting a comma, and by adding at the end the following new clauses:

“(v) any contract which is a health savings security account (as defined in section 223(d)), and”.

“(vi) any contract which is a health savings account (as defined in section 224(d)).”.

(i) HEALTH SAVINGS SECURITY ACCOUNTS AND HEALTH SAVINGS ACCOUNTS MAY BE OFFERED UNDER CAFETERIA PLANS.—Paragraph (2) of section 125(d) (relating to cafeteria plan defined) is amended by adding at the end the following new subparagraph:

“(D) EXCEPTION FOR HEALTH SAVINGS ACCOUNTS.—Subparagraph (A) shall not apply to a plan to the extent of amounts which a covered employee may elect to have the employer pay as contributions to a health savings security account, or a health savings account, established on behalf of the employee.”.

(j) INFORMATION REPORTING BY PROVIDERS OF HEALTH INSURANCE.—Subpart B of part III of subchapter A of chapter 61 of such Code is amended by adding at the end the following new section:

“SEC. 6050U. RETURNS RELATING TO PROVIDERS OF HEALTH INSURANCE.

“(a) REQUIREMENT OF REPORTING.—Under regulations prescribed by the Secretary, every person who provides any individual with coverage under a plan which constitutes medical care shall, at such time as the Secretary may prescribe, make the return described in subsection (b) with respect to such individual.

“(b) FORM AND MANNER OF RETURNS.—A return is described in this subsection if such return—

“(1) is in such form as the Secretary may prescribe, and

“(2) contains such information as the Secretary prescribes.

“(c) STATEMENTS TO BE FURNISHED TO INDIVIDUALS WITH RESPECT TO WHOM INFORMATION IS REQUIRED.—Every person required to make a return under subsection (a) shall furnish to each individual whose name is required to be set forth in such return a written statement showing—

“(1) the name and address of the person required to make such return and the phone number of the information contact for such person, and

“(2) the information required to be shown on the return with respect to such individual.

The written statement required under the preceding sentence shall be furnished on or before January 31 of the year following the calendar year for which the return under subsection (a) is required to be made.”.

(k) CONFORMING AMENDMENTS.—

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

“Sec. 223. Health savings security accounts.

“Sec. 224. Health savings accounts.

“Sec. 225. Cross reference.”.

(2) (A) Sections 86(b)(2)(A), 135(c)(4)(A), 137(b)(3)(A), 219(g)(3)(A)(ii), and 221(b)(2)(C)(i)

are each amended by inserting “223,” after “222.”.

(B) Section 222(b)(2)(C)(i) is amended by inserting “223,” before “911”.

(C) Section 469(i)(3)(F)(iii) is amended by striking “and 222” and inserting “222, and 223”.

(l) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2003.

SEC. 3. DISPOSITION OF UNUSED HEALTH BENEFITS IN CAFETERIA PLANS AND FLEXIBLE SPENDING ARRANGEMENTS.

(a) IN GENERAL.—Section 125 of the Internal Revenue Code of 1986 (relating to cafeteria plans) is amended by redesignating subsections (h) and (i) as subsections (i) and (j), respectively, and by inserting after subsection (g) the following:

“(h) CONTRIBUTIONS OF CERTAIN UNUSED HEALTH BENEFITS.—

“(1) IN GENERAL.—For purposes of this title, a plan or other arrangement shall not fail to be treated as a cafeteria plan solely because qualified benefits under such plan include a health flexible spending arrangement under which not more than \$500 of unused health benefits may be—

“(A) carried forward to the succeeding plan year of such health flexible spending arrangement,

“(B) to the extent permitted by sections 223 and 224, contributed on behalf of the employee to a health savings security account (as defined in section 223(d)), or a health savings account (as defined in section 224(d)), maintained for the benefit of such employee, or

“(C) contributed to a qualified retirement plan (as defined in section 4974(c)), or an eligible deferred compensation plan (as defined in section 457(b)) of an eligible employer described in section 457(e)(1)(A), but only to the extent such amount would not be allowed as a deduction under—

“(i) section 223 if made directly by the employee to a health savings security account of the employee (determined without regard to any other contributions made by the employee), and

“(ii) section 224 if made directly by the employee to a health savings account of the employee (determined without regard to any other contributions made by the employee).

“(2) SPECIAL RULES FOR TREATMENT OF CONTRIBUTIONS TO RETIREMENT PLANS.—For purposes of this title, contributions under paragraph (1)(C)—

“(A) shall be treated as elective deferrals (as defined in section 402(g)(3)) in the case of contributions to a qualified cash or deferred arrangement (as defined in section 401(k)) or to an annuity contract described in section 403(b),

“(B) shall be treated as employer contributions to which the employee has a non-forfeitable right in the case of a plan (other than a plan described in subparagraph (A)) which is described in section 401(a) which includes a trust exempt from tax under section 501(a),

“(C) shall be treated as deferred compensation in the case of contributions to an eligible deferred compensation plan (as defined in section 457(b)), and

“(D) shall be treated in the manner designated for purposes of section 408 or 408A in the case of contributions to an individual retirement plan.

“(3) HEALTH FLEXIBLE SPENDING ARRANGEMENT.—For purposes of this subsection, the term ‘health flexible spending arrangement’ means a flexible spending arrangement (as defined in section 106(c)) that is a qualified benefit and only permits reimbursement for expenses for medical care (as defined in sec-

tion 213(d)(1) (without regard to subparagraphs (C) and (D) thereof).

“(4) UNUSED HEALTH BENEFITS.—For purposes of this subsection, with respect to an employee, the term ‘unused health benefits’ means the excess of—

“(A) the maximum amount of reimbursement allowable to the employee during a plan year under a health flexible spending arrangement, taking into account any election by the employee, over

“(B) the actual amount of reimbursement during such year under such arrangement.”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2003.

SEC. 4. EXCEPTION TO INFORMATION REPORTING REQUIREMENTS RELATED TO CERTAIN HEALTH ARRANGEMENTS.

(a) IN GENERAL.—Section 6041 (relating to information at source) is amended by adding at the end the following new subsection:

“(f) SECTION DOES NOT APPLY TO CERTAIN HEALTH ARRANGEMENTS.—This section shall not apply to any payment for medical care (as defined in section 213(d)) made under—

“(1) a flexible spending arrangement (as defined in section 106(c)(2)), or

“(2) a health reimbursement arrangement which is treated as employer-provided coverage under an accident or health plan for purposes of section 106.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to payments made after December 31, 2002.

□ 1715

The SPEAKER pro tempore (Mr. SWEENEY). Pursuant to House Resolution 299, the gentleman from California (Mr. THOMAS) and the gentleman from New York (Mr. RANGEL) each will control 30 minutes.

The Chair recognizes the gentleman from California (Mr. THOMAS).

Mr. THOMAS. Mr. Speaker, I yield myself such time as I may consume.

This is an important day regarding all Americans' health care needs. Most people are focused on our seniors and the Medicare legislation, which will be before us shortly. We have before us now the Health Savings and Affordability Act, and I first want to thank my colleague, the gentleman from Illinois (Mr. LIPINSKI), for working with us in producing a bipartisan piece of legislation, which is extremely important to seniors accompanying the Medicare legislation, but really to all Americans, and especially those Americans who, through no fault of their own, today have no health insurance available to them.

This legislation creates two new savings accounts, a health savings account and a health savings security account. The basic idea is that people ought to be able to put their own money away, individuals, relatives, or otherwise who wish to help them put money away, and in particular instances, employers who adopt particular kinds of health care plans for their employees assist in putting money away for health care needs. These accounts will accumulate tax free and can be expended for any health needs.

Here is the really exciting and important new twist. There is no age limit at

which you have to make all of the contributions paid out of the health savings account. It is literally lifetime assistance. Why is that important? Because today, as we pass the new Medicare modernization with prescription drug program, we will add tremendous new benefits, but there are other costs associated with the bill, both in acquiring prescription drugs and in making sure that seniors can pay for those additional costs.

It is not right to say that every additional benefit provided to seniors should be paid for by taxpayers. We are already in the midst of the greatest intergenerational transfer of wealth in the history of the world. But it is also not fair to say to hardworking Americans that when they retire they should pay out of their own pockets if we have not provided an easily affordable method to accumulate those dollars.

That is exactly what we have in front of us today: A health savings account that has a multiple number of ways in which money can be placed in to be paid for health needs not only while you are working but when you retire. There is no absolute payout. And if there is money in it when the senior passes, then it becomes part of an estate and that money, in its transfer, is taxable. There is no possibility of gimmicking the system.

The real concern is that we have told Americans oftentimes that they have to pay for particular costs, and yet we do not provide an easy and affordable way for them to do so. One of the big concerns we have today is chronic or long-term care costs for seniors. Time value of money is the best way to address a problem that is going to face most Americans. That is exactly what health savings accounts allow you to do. It is clearly an affordable health care cost if you have planned for it.

Unfortunately, too often today's seniors did not plan. There was not a program convenient and easy for them to plan. This allows them, in a prudent way, to put money away. Oftentimes we may want to help our parents, senior children. This is a way, through a health savings account, that they can place money available for seniors to be readily used for health savings accounts that provide a positive, tax-free environment for accumulating those dollars.

In so many ways, Mr. Speaker, this particular program will blend not only with the Medicare changes that we are going to be making but in terms of meeting the needs of today's workers as well. It is completely portable, it is a fund that accumulates tax free, and it belongs to the individual. They can take it with them wherever they may want to work.

Mr. Speaker, I ask unanimous consent that the control of the balance of my time be by the gentleman from Wisconsin (Mr. RYAN).

The SPEAKER pro tempore. Without objection, the gentleman from Wisconsin (Mr. RYAN) will control the balance of the time.

There was no objection.

Mr. RYAN of Wisconsin. Mr. Speaker, I reserve the balance of my time.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume.

The chairman of the Committee on Ways and Means connected this bill with senior citizens' inability to plan for their future. Well, I am glad he is sending them a signal, because after what they intend to do with seniors with the Medicare bill, somebody might have planned for their futures.

I remember in the good old days when Republicans used to say that they were going to travel around the country and pull the Tax Code up by the roots. That meant they were going to close loopholes, get rid of shelters, and to have a system that people did not have to hire accountants and lawyers in order to know what their tax liability would be. I even volunteered to drive around with them on these buses to see just how they intended to put back a Code that was more equitable and fair and one could understand.

But while the gentleman from California (Mr. STARK) still thinks that some of them are on the level as relates to health, I asked for the opportunity to at least open up this debate just so that people who are not on the floor would understand that this has nothing to do with health. It has a heck of a lot to do with wealth and more to do with shelter. They have to find ways to make certain that the deficit gets larger and that there is no money in the Treasury to take care of the problems that we used to say was a Federal responsibility. How do you do it? Just being creative.

Why, they do not even need a chairman of a Committee on the Budget because there are no budget restrictions. Last night, this bill was supposed to be going over to the Committee on Rules at a cost of \$71 billion over 10 years. What imagination. What creativity, when just overnight they found out that the bill really costs \$171 billion. How can Republicans be so smart that just overnight, without hearings, without checking with Treasury, without talking with OMB they can find \$100 billion?

Now, what is the cost of \$171 billion? It is simple: It means that people who make up to \$150,000 and are well do not have to pay taxes on storing away \$4,000 in a tax shelter. So if you are working for someone and you make up to \$150,000, you never have to pay taxes on the money, whether you are sick or whether or not you retire with the money. This is really just a tax-free grant to some of the people who are friendly to people on the other side.

But what about the people that do not have the \$4,000? Now, that is the problem, because you are not eligible for this unless you do not have expenses that will be paid for for \$1,000. So if an employer really cares for you and wants to have you eligible for this tax shelter, the best favor he can do for you is to take away your health insur-

ance. And, of course, you make the killing on your savings by not paying taxes. And so once he does you this favor, he has to do it for the lesser-income people, and lo and behold, we will find that those who cannot afford to stash away this money, because they do not have disposable income, end up with no insurance and no savings account.

Oh, one might say this is cruel, but sensitivity never bothered the majority party, because at the end of the game they want to know how much of the people's money did you leave with them. Or to put it another way, how much did you take away from the Federal Government so that we cannot provide basic services.

So the gentleman from California (Mr. STARK) need not worry. This savings account has nothing to do with health. It has everything to do with shelter.

Mr. Speaker, I ask unanimous consent that the balance of my time be turned over to the gentleman from California (Mr. STARK) and that he be given the authority to allocate time.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

The SPEAKER pro tempore. The gentleman from California (Mr. STARK) reserves the balance of his time.

Mr. RYAN of Wisconsin. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I just heard the ranking member say this is not a health bill, that this is a tax shelter. I beg to differ. Number one, what we are talking about here is really novel and revolutionary. We are saying that employers and employees can together contribute to their own savings account with pre-tax dollars, with tax-deductible dollars to purchase health care spending and to have a catastrophic plan.

The gentleman from New York said, what about the people who do not have \$4,000 to put in their health security savings account? Well, their employer can put \$4,000 into their account. The purpose of this reform, Mr. Speaker, is to get at some of the big issues that are really hurting this country, and that is the cost of health insurance, the affordability, and the accessibility of health insurance.

So what this reform does is it equips the individual in the family with the ability to go out into the health care marketplace with tax-deductible dollars to act like good consumers and buy their health insurance. It gives incentives. It actually requires, on health savings accounts, that employers provide catastrophic health insurance, or individuals who have their own health savings accounts have catastrophic health insurance. So it makes sure that people have health insurance if they really run into problems. But it allows people to manage their health care expenditures themselves.

You know, it is often said that we spend more time shopping for cars or

computers than we do for our own health insurance. Well, the reforms in this bipartisan Thomas-Lipinski bill give us those incentives to act like good consumers so we can watch our health care dollars. Health care inflation is out of control. Health care spending is out of control. Premium increases facing small businesses and individuals are out of control. We need to give consumers the ability to get it under control. That is what this legislation does.

I am also interested in the argument that this is somehow fiscally irresponsible. I find that kind of a unique argument, given the fact that the gentleman from New York is about to bring a prescription drug substitute amendment to the floor that spends \$600 billion more than the Republican plan does; a trillion dollar bill that spends a trillion dollars on his prescription drug bill versus the \$400 billion that was paid for in the House budget resolution, as is this health savings account legislation.

Mr. Speaker, I reserve the balance of my time so that the other side can yield time.

Mr. STARK. Mr. Speaker, I yield myself 3 minutes.

(Mr. STARK asked and was given permission to revise and extend his remarks.)

Mr. STARK. Mr. Speaker, I will start with an apology to all my Republican colleagues. For, oh, at least the 30 years or so I have been here, I have been accusing the Republicans of not being inclusive, just dealing with the rich and forgetting about the minorities and the working people in this country. With this bill they have become broadly inclusive. Later on tonight, they are going to take the first step in destroying health care for seniors, and then, because they are being so inclusive with this bill, they are going to screw everybody. They are going to destroy health care for the employees who get their health insurance from employers.

As the distinguished ranking member of our committee pointed out, \$100 billion was added to this in the middle of the night, and the bill will be funded by borrowing, by increasing the national debt and worsening deficits. And all it really does, if you cut through all the Mickey Mouse that they have talked about, high-deductible insurance, is that it creates some new tax-exempt savings accounts. Tax shelters for the wealthy and the healthy. And it advances the objective of undercutting employer-provided health coverage.

It is no secret that the distinguished chairman of the Committee on Ways and Means has expressed his desire to dismantle the employment-linked health insurance system, and he has noted that he believes it encourages overutilization of health care because individuals are shielded from knowing the true cost.

□ 1730

Now, the argument that the bill will assist the uninsured is not true. Most

of the uninsured have incomes too low to be eligible for any tax benefits contained in H.R. 2596. And as was stated earlier, few, if any, have the \$4,000 a year in additional savings required to utilize the benefits contained. There is nothing in this bill that requires the employers to give the employees any money to make up for that gap that will be created by the higher deductibles. It merely gives them the opportunity, if they have any money, to add to savings accounts.

Not surprisingly, the same 6 million families who were deliberately excluded by the Republicans from the recent tax bill for child tax credit are the same families that they are excluding from benefiting in this bill. So for families with insurance, it provides tax benefits only if the insurance requires them to pay the first thousand dollars; and employers will be encouraged by this nonsense to increase health insurance deductibles, which lowers their costs and lowers the benefits for most of their employees' health insurance.

Mr. RYAN of Wisconsin. Mr. Speaker, I yield 2 minutes to the gentlewoman from Washington (Ms. DUNN), a member of the Committee on Ways and Means.

Ms. DUNN. Mr. Speaker, I am very happy that we have this bill on the floor finally. I think it serves a real need, and it provides total flexibility to people who want to provide for the coverage of their health care expenses.

One particular provision that appeals to me is one that we used to refer to as a catch-up health savings account contribution. We now call it a health savings security account, and these are accounts that are designed particularly for people who are age 55 or older. It gives them the right to contribute additional dollars every year into their health savings accounts because of particular situations they might have faced in the past.

The flexibility of HSAs is widely known. These dollars can be used for any health-related expense as long as it is not reimbursed. For example, they can be used to pay for long-term care or for health coverage policy or doctors' bills or for prescription drugs; but what is special about the health savings security accounts is in the way it applies to people like me. Many people, particularly women, during their child-raising years took time away from the workplace and often did not add money into accounts like IRAs, or actually Social Security accounts, and ended up with big goose eggs when the time came to calculate their benefits.

In this case, the health savings accounts provide for folks who took time off during their child-raising years, or to look after an ill parent; and it allows them to add up to 25 percent in additional dollars each year to their health savings accounts. This will begin in operation as soon as this bill is enacted. An individual age 55 or older can contribute \$500 a year in addition to the total health savings ac-

count. That amount will grow to \$1,000 in 2009, and I think it is a very sensitively written provision to help folks who have been away from the workforce or need this additional provision.

Mr. STARK. Mr. Speaker, I yield 3 minutes to the gentleman from Michigan (Mr. LEVIN), a member of the Committee on Ways and Means who understands that with this \$174 billion that we are wasting in this bill, we could help States maintain Medicaid coverage as they weather their fiscal crisis.

Mr. LEVIN. Mr. Speaker, this came out of the wee hours of this morning, but I want Members to realize how radical a move this is. We are going to have later today a radical effort to dismantle Medicare. What this is is a radical effort to dismantle our employer-based system in this country. So now we are going to take a step toward a kind of voucher for health insurance in the form of a tax credit. That is what we are going to do.

Those who can afford to use the tax credit will have that voucher, and they will go out into the marketplace. The consumer, each individual one, is going to try to swim as best as they can. But for those who do not have the money to put in this account, who have no benefit from the tax credit, they are going to continue not to swim as an individual consumer, but to sink. That is what is going to happen. That is why this is so radical.

Now, the other side of the aisle said we want to add money into Medicare in the prescription drug proposal. They are darn right. We did not create this deep deficit. Their answer to a deficit that is deep is to dig it deeper. In the middle of the night or early morning, you add \$100 billion to the deficit; and I want to quickly read what this looks like.

We were supposed to have with the March baseline a deficit of \$377 billion. We added \$484 billion through what was called a technical reestimate. Then through legislation, we added what was it, 700 to \$800 billion. Now the projected deficit, \$1.5 trillion, four times what was projected a few months ago, and this does not include the bill that is going to be brought up later or additional military expenditures. It does not include this \$100 billion. I tell the gentleman from Wisconsin (Mr. RYAN), this is fiscally irresponsible. You Republicans have zero fiscal responsibility in your political veins. Zero. This is radical because it is going to dismantle the employer-based system.

PARLIAMENTARY INQUIRY

Mr. HAYWORTH. Parliamentary inquiry, Mr. Speaker.

The SPEAKER pro tempore (Mr. SWEENEY). Does the gentleman from Michigan (Mr. LEVIN) yield for a parliamentary inquiry?

Mr. LEVIN. No, Mr. Speaker, I will not yield for a parliamentary inquiry.

Mr. Speaker, as I was saying, you are not only going to dismantle Medicare later as a first step, and now

try to dismantle the employer-based health care system in this country; but what you are doing is digging a deeper, deeper hole of debt in this country. This is a radical proposal on all accounts, and it should be rejected.

PARLIAMENTARY INQUIRY

Mr. HAYWORTH. Mr. Speaker, parliamentary inquiry.

The SPEAKER pro tempore. The gentleman will state it.

Mr. HAYWORTH. Mr. Speaker, is it appropriate for a Member to address his comments directly to another Member, or should those comments be directed through the Chair addressing the Member?

The SPEAKER pro tempore. All remarks should be directed through the Chair.

Mr. HAYWORTH. Was it true that the preceding gentleman addressed a Member directly?

The SPEAKER pro tempore. All remarks in debate should be directed to the Chair.

Mr. RYAN of Wisconsin. Mr. Speaker, I yield myself 30 seconds.

Mr. Speaker, to respond to a couple of comments from the last speaker, I would say, number one, we are going to keep hearing this rhetoric, that this undermines or destroys employer-sponsored health care. Actually, it is far from that. It is the opposite of that. This makes it easier for employers to offer health care to their employees. What this does is it makes it easier because employers can offer less-costly catastrophic coverage and give their employees money, pretax money in their accounts, to purchase health care. This will lower the cost of health insurance and make it cheaper for employers to offer health care.

Mr. Speaker, I yield 2½ minutes to the gentleman from Arizona (Mr. HAYWORTH), an esteemed member of the Committee on Ways and Means.

Mr. HAYWORTH. Mr. Speaker, again, as we come to the well this evening, we see a very vast difference in our visions of health care and visions of America.

Our friends on the left who later tonight will offer a \$1 trillion government command-and-control approach to prescription drugs now take strong objection, to put it diplomatically, about a plan that, yes, initially is expensive. I would grant Members that billions are real dollars here, but it substantially supplements and expands the ability of people to have health insurance.

As the gentleman from Wisconsin (Mr. RYAN) mentioned, it gives employers more options to provide that type of insurance by embracing catastrophic plans and freeing up dollars to go to employees, and as we see in the case of health savings security accounts, and this is the key, and I would urge my colleagues to understand this, as so many have come to the well of this House on both sides of the aisle and lamented the numbers of uninsured Americans, not the medically indigent with whom we try to deal through

Medicaid, but those who are working people who do not have insurance, this provides an option to those people to embrace insurance. To realize savings, yes, does require a modicum of personal responsibility, undoubtedly.

But, Mr. Speaker, certainly we have not degenerated to the point where we absolutely forsake a notion of personal responsibility in savings. What we do is offer options that will supplement health care; and despite the cat calls and poisonous partisan rhetoric, it is worth noting that this is bipartisan legislation.

So again a cautionary note to my friends on the left. If you believe you are indicting one party, stop and think; many of your colleagues who share both the party label and broad-based philosophy, as my friends on the left share in many different areas, join with us in this legislation because they understand it opens opportunity for health insurance, it opens opportunity for individuals, it opens opportunity for employers, and it will lead to more people seeking the insurance we all want to see them have. Vote "yes" on this legislation.

Mr. STARK. Mr. Speaker, I yield 3 minutes to the gentleman from Washington (Mr. McDERMOTT) who realizes that with this \$176 billion we could insure every one of the 9 million uninsured children in this country.

(Mr. McDERMOTT asked and was given permission to revise and extend his remarks.)

Mr. McDERMOTT. Mr. Speaker, I think it is important to realize that last night a miracle occurred in this body, a bill that left the committee costing \$73 billion sometime after midnight suddenly became \$173 billion. An actual miracle in the Committee on Rules.

The fact is Members have to understand why that happened. All Members make \$150,000 a year. They were not covered by this bill. It only went up to \$65,000; but in the Committee on Rules they said, let us put ourselves in this bill, so they raised it up to \$150,000 so that we could take benefit of this. Now that was a thoughtful thing for them to be doing, but did they think about the people in your district?

My employees at Boeing, they get \$65,000 a year. It is a pretty good paying job, and they get good benefits from their company. What is to stop their company tomorrow from saying, We are going to give you a \$10,000 deductible policy, and we will put \$500 into your account, you put \$3,500 in, and you will have it all for yourself? They can do that. They can end a defined benefit package at Boeing tomorrow and give a defined contribution. Give employees a voucher, and say they are on their own. Do Members want them to strike over that?

Mr. Speaker, how about the woman making \$30,000 teaching school. We all know those school teachers are rich people. You end the school program, the State governments are in trouble,

they could say let us stop giving insurance to the teachers, let us just give them a \$10,000 deductible policy, put \$500 in their savings account and say to the \$30,000-a-year teacher, they can come up with \$3,500 to put into their account.

□ 1745

I love to hear people who make \$150,000 talk about what it is like to be in this country making \$30,000, which is the average pay. Or the people making \$18,000. They work every day. They have no insurance. Do you think they have \$3,500 to put into a savings account?

This is for rich people. That is why it went up \$100 billion miraculously between a \$65,000 income limit and \$150,000. It only cost 74 for all the people at the bottom, but it cost 100 for us. This is a bad bill.

What it does, also, it says people are going to get out of the pool. People who are rich and healthy are going to get out of the pool, and they are going to leave the sick and the poor in the pool. And what happens to the premiums for the average person? They go up. The idea of insurance is to spread the risk, and you are letting the wealthy and healthy get out of the pool.

Mr. RYAN of Wisconsin. Mr. Speaker, I yield myself 15 seconds to respond just briefly only to say that health care is voluntary by businesses. Mr. Speaker, Boeing could drop their health care right now, today, to their employees. And, Mr. Speaker, that is what is happening today. Millions of businesses are making those kinds of decisions to drop health care. We are trying to make it more affordable. We are trying to keep it so that businesses can still offer health insurance at an affordable price to their employees.

Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. ROYCE).

Mr. ROYCE. Mr. Speaker, I thank the gentleman for yielding me this time. This measure will make it easier for employers to offer health care to their employees. It is also going to help Americans save for their medical expenses, to gain greater access to quality health care. I particularly support the provision in this bill that would prevent a portion of the unused balances and flexible spending arrangements from being forfeited at the end of the year. Right now there is a use-it-or-lose-it provision that applies to workers. I have been working for several years to allow individuals to accumulate unused balances from their flexible spending arrangements to save for health care expenses. In this Congress I introduced H.R. 176 to allow individuals to accumulate \$2,000 annually from these FSAs, as we call them.

Right now we have over 30 million workers in the United States that have these FSAs available to them. Employees and employers can set aside pretax

money which can be used to pay for out-of-pocket health care expenses and copayments and deductibles. Under the current system, unfortunately, employees forfeit money not used at the end of the year. Currently, this encourages wasteful health care spending because employees, knowing that they will forfeit unused account balances, engage in end-of-the-year spending sprees on services they may not need like extra eyeglasses, shades or unnecessary exams. So eliminating the use-it-or-lose-it provision solves this problem because then the employee will be able to roll over the balance from year to year. That is the attempt in this bill on that provision.

Preventing some forfeiture also increases the savings rate by increasing the disposable income of those employees in the program, and it also empowers them to make their own health care decisions. I urge my colleagues to pass this legislation.

Mr. STARK. Mr. Speaker, I yield myself 30 seconds. I have a couple of letters, one from the AFL-CIO which suggests that this legislation would establish an enormous tax shelter for wealthy individuals and at the same time undermine employer-based health coverage and shift costs onto workers. I have a letter from Families USA which, among other things, says that this bill also threatens the employer-provided health insurance system particularly among smaller employers who will be able to take deductions in the top brackets and who will then no longer be interested in providing coverage for their employees.

Mr. Speaker, I include both letters for the RECORD.

AMERICAN FEDERATION OF LABOR
AND CONGRESS OF INDUSTRIAL ORGANIZATIONS,

Washington, DC, June 26, 2003.

DEAR REPRESENTATIVE: The AFL-CIO opposes H.R. 2351, the Health Savings Account Availability Act. This legislation would establish an enormous tax shelter for wealthy individuals and at the same time undermine employer-based health coverage and shift more cost onto workers. Despite proponents' claims, this bill would fail to expand coverage to the uninsured and would be especially harmful to those low-income, older and sicker workers who now have comprehensive coverage.

Under H.R. 2351, employers could offer Health Savings Accounts as long as they are provided in conjunction with high-deductible health insurance policies, defined as at least \$500 for an individual policy and \$1,000 for a family plan. This will encourage employers to abandon more generous coverage and offer instead less comprehensive policies that shift significant costs onto workers. The Joint Committee on Taxation has estimated that 30 million such accounts would be established by 2013 and the majority of employers would modify their health plans to meet the high-deductible guidelines of the legislation.

In addition, this shift in coverage would harm most those workers who need health care. Low-income workers who are the intended beneficiaries of these plans' preferred tax treatment are not likely to get back enough in taxes to offset the greater out-of-pocket costs they are likely to incur with these high-deductible plans.

Furthermore, those workers and other insured individuals who have traditional, more comprehensive coverage will see their premiums rise. Younger, healthier workers will likely choose the less-comprehensive coverage, leaving older and sicker workers and those who earn too little to pay taxes in traditional coverage. As a result, costs for this coverage will rise, leaving workers with no choice but to enroll in the high-deductible coverage this bill seeks to promote.

This legislation was slipped through the Ways and Means committee last week, and made worst late last night in the Rules Committee. Among the changes made in Rules, the income threshold has been raised to \$175,000 for joint filers. The cost of the revised bill is estimated to be \$174 over ten years—more than twice the estimated cost of the bill that passed Ways and Means last week—and makes clear that this legislation is first and foremost another tax shelter, not a bill to cover the uninsured.

H.R. 2351 was raised just last week with little notice and certainly without any hearings, despite the bill's far-reaching implications and significant cost. And now the House leadership has called for it to be joined with the Medicare prescription drug legislation before the House. I urge you to vote against H.R. 2351.

Sincerely,

WILLIAM SAMUEL,
Director, Department of Legislation.

FAMILIES USA
Washington, DC, June 26, 2003.

Hon. CHARLES RANGEL,
*Rayburn House Office Building,
Washington, DC.*

DEAR REPRESENTATIVE RANGEL, On behalf of Families USA, the national advocacy group for health care consumers, I am writing to oppose the Health Savings and Affordability act of 2003 (H.R. 2596). Implementation of the Health Savings Accounts (HSAs) and Health Savings Security Accounts (HSSAs) will do little to expand health insurance coverage to the 41 million Americans who are uninsured.

This bill creates two programs loosely modeled after existing Archer Medical Savings Accounts (MSAs). Rather than targeting limited federal funds to provide help for the lowest-income uninsured, this bill creates tax-free accounts, the HSSA's, which can be accessed by families with incomes up to \$150,000 before starting to phase-out. The total cost of this bill is over \$169 billion over ten years—a huge federal investment that will do little or nothing to cover the low-income uninsured. The people who deserved to be helped in any health legislation are being ignored by this legislation. If this huge commitment of resources were applied to an expansion of the Children's Health Insurance Program or to Medicaid, we could cover every uninsured child in America (about 8.5 million) with excellent care and have money left over to help their mothers! To casually, and with so little debate, spend these huge resources on so many higher-income individuals is a travesty of the legislative process.

This bill also threatens the employer-provided health insurance system, particularly among smaller employers who will be able to take deductions in the top brackets for their personal insurance and who will then no longer be interested in providing coverage for their employees.

We look forward to working under your leadership to reject this bill, and instead to work for real and meaningful mechanisms to expand coverage to the uninsured in this country. Thank you for your continued com-

mitment to this issue and to reducing the number of uninsured Americans.

Sincerely,

RONALD E. POLLACK,
Executive Director.

Mr. STARK. Mr. Speaker, I yield 3 minutes to the distinguished gentleman from Wisconsin (Mr. KLECZKA).

Mr. KLECZKA. Mr. Speaker, let me thank the gentleman from California for yielding me this time.

Mr. Speaker, I really do not know where to start, to start answering some of the critics and the proponents of this legislation. This bill started out about a week ago or so in the Committee on Ways and Means, which I serve on, and the cost was \$14 billion. Then the day the bill came up, the cost rose to \$72 billion. And then last night the cost went to \$173 billion. Mr. Speaker, let us pass this bill quickly, because I am afraid it is going to continue to grow. But that does not make it a good bill.

What is going on here, my friends, is this is the demise of the employer-sponsored health care system in this country. The employers do not like it. They want to get out of it. Members of the committee, including the chairman, have indicated that their desire is to dismantle the employer-based health care system. This bill does it.

How does it do it? It gives the employer an option. It says, Mr. and Mrs. Employee, we are changing your health policy. I am going to give you one starting next month that will provide for a \$2,000 deduction on your health care costs. Start saving, because the Congress passed a bill where you can save and then you pay the first \$2,000.

It sounds fine in principle, but here is the problem, my friends. Working families in this country have to first of all pay the mortgage so they do not lose the home, pay for the car so he can get to work, feed the kids and clothe them and send them to school, and then this Congress has already told you that the past generation has been irresponsible, they did not plan for their future and you better. So put money away for your retirement in an IRA and a 401(k). And you say, yes, because Social Security probably will not be enough, I will do that. Then this Congress said, college education is going up, mom and dad, start saving for your kids' education. And so you say, yeah, I will put a couple of thousand away a year for Johnny's and Sally's education.

Now we are saying to you, after all this, we have got another one, start saving for your health care. Then you say, Mr. Republican Congressman, I am out of money. I do not make that much. I do not have any more disposable income. And so when your employer changes your health plan and you do not put the \$2,000 or \$4,000 away when you get sick, you are out of luck. That is what is going on here. Make no mistake about it.

Mr. STARK. Mr. Speaker, I yield 4 minutes to the distinguished gentleman from Texas (Mr. DOGGETT), a

member of the Committee on Ways and Means.

Mr. DOGGETT. Mr. Speaker, once again Republicans insist on a fiscally irresponsible bill that will benefit the wealthiest and in this case the healthiest at the cost of at least \$174 billion added to our already soaring national debt.

Mr. Speaker, despite the bright sunshine outside, it really is a dark day for so many Americans who are working hard just to make ends meet. This bill is the natural companion to a measure written by the same folks that are presenting this bill, which previously denied a child tax credit to poor working folks. Tax cuts, no matter what the economic conditions, no matter how pressing are the other priorities we have in our country, such as protecting our families from terrorism, tax cuts, we are always told, can cure any ill in our society, unless of course you are poor and working, in which case your kids are not worthy of a child tax credit.

Thanks to the intransigence of the House Republican leadership, there are now 6 million working American families, they are folks like cafeteria workers and teachers' aides, nursing home employees, those working at our hospitals doing the tough work, they will receive no check for their children this year like other Americans. Their bid to gain a little economic independence, to share in the economic benefits of the American Dream, it will come and go on July 4 unfulfilled because of the refusal of this House Republican leadership and their desire to go on recess not only for July 4 but to continue their recess from reality.

For these same families that were deliberately excluded from the recent tax cut as well as for many other working families, House Republicans add more insult to injury by encouraging employers to terminate or to weaken any group health insurance coverage through which some of these employees may be covered. This bill is also the natural companion to the next bill that we are about to take up, the bill to repeal Medicare as we have known it, since President Lyndon B. Johnson signed it into law. We know this is not new. They have opposed Medicare since before President Johnson wrote his signature to make it a reality. Newt Gingrich wanted it to wither on the vine. Earlier this month, Mr. Gingrich declared, much as our colleagues are here today, using the very same words that they got from Newt Gingrich, that it was an "obsolete government monopoly."

Only yesterday we heard the same language from the sponsor of this measure: "To those who say that the bill would end Medicare as we know it, our answer is, 'We certainly hope so.'"

"Old-fashioned Medicare isn't very good," said Bill Thomas, the sponsor of this legislation and the companion measure to repeal Medicare tonight.

Some of us think old-fashioned Medicare has worked pretty well for the

millions of Americans that it has served since 1965, and we want to strengthen it, not see it undermined through into privatization.

The bill before us this afternoon does something very similar to what the later bill proposes to do to Medicare and, that is, to weaken, at great cost to our Treasury, our employer-based health care system. By totally excluding employees unless they are in plans that deny any assistance on at least the first \$1,000 or \$2,000 in medical bill coverage, this bill will encourage even higher deductibles. And it will be a struggle for a cafeteria worker to pay their first \$1,000 or their first \$2,000 or more-thousand under these new high-deductible plans.

The same plans will encourage more small employers to stop providing coverage at all and to protect themselves individually through these MSAs and to terminate costly health insurance for their other employees. It will encourage group health plans to reduce covered services, increase copayments.

In short, through these three bills, we see Republican indifference from cradle to grave for children, for workers, for seniors.

Mr. RYAN of Wisconsin. Mr. Speaker, I yield 3 minutes to the gentleman from Pennsylvania (Mr. ENGLISH) to talk about this legislation that we are debating, health savings accounts.

Mr. ENGLISH. Mr. Speaker, I really wish more of the American public were watching this debate because they would be able to fully appreciate how marginal the left has become to any serious debate about the problems facing this country. What we are going to be doing tonight is not voting to repeal Medicare, but instead voting to pass this bill, which is a bill that would provide more medical security for uninsured Americans as well as many low- and middle-income workers.

This legislation actually creates two new instruments to meet health care needs by rewarding Americans who open either type of account with tax advantages and maximum flexibility, so as the other side has noted, even the healthy can have a greater role in managing their own health care. Encouraging individuals to enroll in these new savings vehicles has multiple benefits. First, this is a big step to make health insurance more affordable and help reduce the growing number of Americans without health insurance. The tax-preferred nature of the health savings security accounts offers a powerful incentive for uninsured workers to take advantage of these accounts. The contributions to the accounts are deductible; the investment earnings within the accounts tax-free; and the distributions are also tax-free when used for health insurance. Many, including the self-employed, would find this enormously valuable. This results in significant savings on health insurance, an economic benefit that is certain to encourage many uninsured Americans to utilize these accounts.

Second, insured workers with high-deductible plans will also see similar incentives. Both savings vehicles give individuals a potent incentive to save for health care costs that do not fit within their deductible, giving them another option and perhaps some peace of mind about unanticipated medical expenses. The medical expenses that qualify for tax-free distributions are very far reaching and include expenses from preventive care to long-term care. When individuals use their own hard-earned dollars for health care, they will ask more questions, further inform themselves, and become better consumers of health care products. This bill undoubtedly promotes an educated and wise consumer of health care services and will result in all-around better health care decisions.

Our current Tax Code puts a punitive burden on working families who save their own money for medical and other expenses. The health savings accounts ease that burden by providing two simple and flexible savings mechanisms for working families.

□ 1800

This is commonsense legislation that makes health insurance and health care more affordable and tax advantaged for Americans. It does not destroy our health care system and it does not dismantle Medicare. Accordingly, I urge my colleagues to give workers control of their own health care and vote for the creation of health savings accounts.

The SPEAKER pro tempore (Mr. SWEENEY). The Chair advises Members that the gentleman from California (Mr. STARK) has 9 minutes remaining and the gentleman from Wisconsin (Mr. RYAN) has 12¼ minutes remaining.

Mr. STARK. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from New Jersey (Mr. PALLONE), who understands that we could cover the parents of low-income children who are eligible for Medicaid and CHIP with the same amount of money.

Mr. PALLONE. Mr. Speaker, I just do not know how many tricks or hoaxes the Republican leadership is going to play on us tonight and on the American people. It is unbelievable. I listened to the gentleman from Pennsylvania. He said there is going to be Medicare reform tonight. There is not going to be Medicare reform. It is just going to be an effort to kill Medicare and destroy Medicare. And then they say they are going to bring up a prescription drug benefit tonight that really is not any meaningful benefit that forces one into HMOs, that denies them of choices of doctors and hospitals. And now this one, the ultimate trick, which I guess we did not really even know about until today, that basically tries to undercut employer-based health insurance.

When does it end? When are the Republicans going to end what they are trying to do to destroy the health care system?

Mr. Speaker, although we would like to provide health coverage for those who are uninsured, this bill does little or nothing to help the low-income uninsured. Individuals eligible for the tax credit under the Thomas bill would have to be uninsured or in high deductible plans, but according to the bill, starting in 2004, those individuals could set aside up to \$2,000 tax free into a new health savings account to supposedly help pay for health insurance. But the argument that the bill will assist the uninsured is simply not true. Most uninsured have incomes that are too low to owe Federal income tax liability, let alone have \$2,000 to set aside for this purpose. In addition, self-employed individuals, the other large segment of the uninsured, may already deduct 100 percent of the health insurance costs.

The only consequence of this bill is to undercut the provision of employer-sponsored health care coverage by encouraging employers to raise deductibles or potentially drop their coverage and raise the cost of health care for low income, older and sick workers with higher co-payments and premiums.

And, lastly, as many of the speakers on our side have said, this legislation will cost the government over \$173 billion, another in a series of fiscally irresponsible tax cuts passed by the House. The entire cost of the bill will be funded by borrowing, increasing the national debt.

Where does this end? We have a national debt 4-, \$500 billion. Where is it going to end?

Mr. RYAN of Wisconsin. Mr. Speaker, I yield 2 minutes to the gentleman from Nebraska (Mr. TERRY).

(Mr. TERRY asked and was given permission to revise and extend his remarks.)

Mr. TERRY. Mr. Speaker, when will it end? I am saddened by the arguments from the left that fail to recognize that there are more people in America that want to have choices. They do not want just the offering of a government program one size fits all. Not everyone thinks that the government is the answer to everything. So I am proud to support bills that allow the market to provide opportunities and choices, and that is what tonight is about. I am wondering sitting here listening to the debate what some of our Founding Fathers would think of today's debate. Think about the people that started this country that left their countries to set sail on a venture unknown to come to a new land for what? Freedom. Trying to escape the government powers that were controlling their lives. And now 200 or 300 years later from those first people that landed on our shores, our debate is how far government is going to control their health and their lives. Not everybody wants bureaucrats running their health care. So I am proud to stand in favor of the HSAs.

Mr. Speaker, in today's world us baby boomers, and, yes, I am on the

tail-end, there are a few others that are nearing their entry into Medicare, but we are facing a crisis too. Our parents need help in today's world. At the same time that we worry about our parents' health and their futures and what our role is as their children will be in helping them in their golden years, we are also raising our children, trying to save for their college and their future. This is one pro-family tax item. It allows me, as the child of a father who had a stroke last October, to help my parents with their health care costs. So this is one great pro-family tax measure, and I urge my colleagues to support it.

Mr. STARK. Mr. Speaker, I yield 1½ minutes to the gentleman from Illinois (Mr. EMANUEL).

Mr. EMANUEL. Mr. Speaker, I thank my colleague from California for yielding me this time.

Earlier the speaker before me talked about choice. In the prescription drug debate we are having, I have talked about choice and I have an amendment, a bipartisan amendment, to offer people choice between generic versus name brand drugs that would reduce prices so people could pick cheaper drugs. Also part of the provision allows individuals, government, private sector, to buy medications anywhere in the G-8 countries and have competition so they can get drugs cheaper in Germany or France or Canada or Italy. That would drive prices down.

I too agree with competition. The free market would drive prices down. So those of us who embrace the free market wonder why sometimes our colleagues on the other side are so scared of the free market. I have seen that the benefits of the free market work. I would like to see it come to the discussion we have on a prescription drug bill because if we bring that competition of the free market to the debate about prescription drugs, we will make medications more affordable to all Americans of all ages.

The interesting thing is there are two issues that are driving health care inflation at 25, 30 percent for the public. One is the cost of prescription drugs. Two is the 42 million uninsured who show up in our emergency rooms, driving up hospital costs which insurance companies pass on to employers and employers pass on to employees. And if we wanted to insure the uninsured, we can do it for a lot less money than this. Expand Kid Care. In Illinois we have a program known as Kid Care, insurance for the children of working parents, that expands the kid care to family care.

What is most interesting about this debate is that we have a prescription drug bill coverage for Members of Congress that is far more generous than the one that we are about to provide for our elderly. Those are the wrong values. Those are not the values that we came here to represent.

Mr. RYAN of Wisconsin. Mr. Speaker, I yield 30 seconds to the gentleman

from Louisiana (Mr. MCCRERY), from the committee.

Mr. MCCRERY. Mr. Speaker, the immediate preceding speaker, the gentleman from Illinois (Mr. EMANUEL), spoke about the free market and letting free market forces work with respect to prescription drugs, and his solution is either import drugs from other countries and sell them here of course at lower prices or let us adopt the prices that are paid in those other countries here in our country, and he calls that the free market.

What he failed to point out is those drugs and those prices that he would be importing or adopting the prices out here are set by government price controls, not the free market.

Mr. EMANUEL. Mr. Speaker, will the gentleman yield?

Mr. MCCRERY. I yield to the gentleman from Illinois.

Mr. EMANUEL. Mr. Speaker, the fact is we would have competition. It is a Gutknecht-Emanuel bill with a number of the gentleman's colleagues on his side and a number of colleagues on my side. The three provisions to this bill, A, allow generics to come to market quicker so name brand pharmaceutical companies could not be involved in frivolous lawsuits.

Mr. MCCRERY. Mr. Speaker, reclaiming my time, the issue of generics is addressed in the underlying bill that we will be debating later tonight, but the gentleman spoke about bringing drugs in from other countries and selling them at prices that have been imposed by governments, not by the free market.

Mr. STARK. Mr. Speaker, I reserve the balance of my time.

Mr. RYAN of Wisconsin. Mr. Speaker, I yield 2 minutes to the gentleman from Texas (Mr. BURGESS).

Mr. BURGESS. Mr. Speaker, I thank the gentleman from Wisconsin for yielding me this time.

H.R. 2596 will increase access to consumer-based health coverage to all Americans regardless of income. Under H.R. 2596 the availability of health savings accounts will assist those that live without health coverage and give Americans more options when it comes to their health. Health savings accounts will promote savings and more direct health purchasing.

The character of these accounts will also simplify the doctor-patient relationship. As a physician, I know firsthand the difficulty some patients have working through their insurance companies and trying to figure out what services are covered by their policies. With a health savings account, patients can focus their attention on their medical care. They can discuss their needs with their doctors frankly and honestly, and they can proceed with appropriate medical treatments that they need.

My colleagues on the other side of the aisle are more prepared to force people into a one-size-fits-all solution instead of giving individuals the choice

or the purchasing power to make decisions for themselves.

I myself have had a medical saving account since 1997, that is, until I came to Congress, and it was coverage that I made available to everyone in my practice as a choice. It was not a requirement. If someone wanted the chance to be in charge of their medical decisions and a chance to build wealth in one of these accounts for future medical expenses, I thought it was only prudent as an employer to provide that opportunity.

Mr. Speaker, we talk about the evils of HMOs, and the Members on the other side of the aisle are frequently mentioning the evils of HMOs, but this is the anti-HMO. Put the purchasing power back in the hand of the patient.

These plans are centered on the concept of personal choice. These accounts make more money available to purchase health coverage. We need to be serious about the solutions when addressing the problems of the uninsured in this country. An individual will make rational decisions when they have the ability to spend their own money on their health services.

I ask my colleagues, I implore my colleagues, not to stand in the way. Give Americans the freedom to make this decision.

Mr. STARK. Mr. Speaker, I yield 2 minutes to the gentleman from Washington (Mr. INSLEE).

(Mr. INSLEE asked and was given permission to revise and extend his remarks.)

Mr. INSLEE. Mr. Speaker, in regard to the Medicare bill we will be considering this evening, I thought about coming down to the House and asserting that this bill was a Trojan horse, but I think it is worse than a Trojan horse. I do not think it would be fair to the Trojan horse metaphor to call this a Trojan horse. And the reason is, is when the Athenians sent the horse to the Trojans, they did not announce in advance that the horse was full of soldiers that were going to attack the city. They kind of kept that a secret. But the Republicans have not kept any secrets about this horse at all because if we look at what the gentleman from California (Mr. THOMAS) said, "To those who say that the Medicare bill would end Medicare as we know it, our answer is we certainly hope so."

If the Athenians had announced that the gift, the alleged gift, they were sending was going to destroy the city they were attacking, no one would have bought that old nag. And it the same situation here. We should not buy this old nag of a bill with the expressed intent of destroying Medicare over the next 10 years. And, yes, it is complicated on how that is going to happen. And, yes, it is a little bit chaotic in explaining it. But the Members can rest assured that America's senior citizens are going to figure this out. They are going to figure out this is worse than a Trojan horse because they see it coming. We should reject this and adopt the Democratic substitute.

Mr. RYAN of Wisconsin. Mr. Speaker, I yield 2 minutes to the gentlewoman from Florida (Ms. HARRIS).

(Ms. HARRIS asked and was given permission to revise and extend her remarks.)

Ms. HARRIS. Mr. Speaker, today the House of Representative stands at the threshold of passing landmark legislation that protects and improves Medicare while providing our seniors with a real prescription drug benefit. While the debate remains properly focused upon this moral obligation to our seniors, I wish to highlight another exciting component of health care reform that we will address today.

H.R. 2596, the Health Savings and Affordability Act of 2003, authorizes the creation of health savings accounts which will enable every American to pay their basic medical expenses from tax-free money. In almost every purchase of goods and services except health care, individuals bargain directly with vendors and providers.

□ 1815

Assuming an adequately competitive market, suppliers will not charge more than buyers are willing and able to pay for very long.

The structure of our current health care system pushes consumers to the sidelines. Big insurance companies negotiate prices with big health care conglomerates, producing a distorted market and more expensive health care, prescription drugs, and health insurance premiums for the uninsured and self-employed.

H.R. 2596 allows Americans, particularly Medicare-eligible seniors, to use health care savings accounts to pay for medical expenses, prescription drug costs, retiree health insurance expenses, long-term care service, and COBRA coverage. It permits family members and employers to make tax-free contributions to these accounts.

The nature and uncertainty of health care expenses will always require critical programs such as Medicare and an efficiently-operating insurance industry. That is why the reforms that we will adopt in H.R. 1 are so vital.

Nevertheless, through the magic of the free market, H.R. 2596 will reduce costs that many Americans pay for the most basic health care needs, while forcing our entire health care system to become more efficient.

Mr. STARK. Mr. Speaker, I am delighted to yield the balance of our time to the distinguished gentleman from California (Mr. GEORGE MILLER), the ranking member of the Committee on Education and the Workforce.

Mr. GEORGE MILLER of California. Mr. Speaker, I thank the gentleman for yielding me this time.

Mr. Speaker, in the next few hours, the Republicans in the Congress will engage in the greatest raid and diminishment on middle-class health care benefits in the history of this country. Benefits that have been built up over the last 50 or 60 years in this country

that have enabled middle-class individuals to have some health security, to have some access to prescription drugs, to have access to the health care that they and their families need, will come under assault. It begins with this legislation, medical savings accounts, where millions of Americans who now have good health care plans, where they share the payment of those plans with their employers, between employers and employees, will find out that those plans are going to be substituted by high-threshold, high-cost, high-deductible plans, and the theory is that they can pay for that out of their medical savings accounts.

Millions of Americans are going to wake up and find out that the health care plans that they have available to them today will not be available to them tomorrow.

Just as with the passage of the Medicare bill, the prescription drug bill that we will do later tonight, some 30 percent of the people who have prescription drug benefits will wake up and find out that they will get a lesser benefit under the Medicare prescription drug benefit than they are currently getting today. Millions of senior citizens will discover that they have lost their prescription drug benefit as they know it, and they will have to accept something much less than that.

When we come back from the Fourth of July break, we will complete this trifecta assault on middle-class health care plans when the Committee on Education and the Workforce reports out the Association Health Care Plan proposal. Because the CBO, the Congressional Budget Office tells us that over 8 million Americans will lose the health care they have today, and what will be substituted will be a health care plan that is much less comprehensive than they have today. Mr. Speaker, 8 million Americans, 8 million middle-class Americans. And the answer that the Republicans suggest to us is we can all just save and pay for that ourselves.

Well, if we look who is paying into 401(k)s, we know that most Americans do not have that disposable income. That is why they have employer-based health care systems.

But starting tonight, that employer-based health care system, that system that has done so much to keep people healthy, to keep people out of poverty, to keep them from losing their homes, is about to be shredded; and the assault is complete and its comprehensive, and it runs from the seniors to new and young families trying to raise children. All of these people will find out. If my colleagues do not think it is going to happen, just look at the employers who are announcing that these cutbacks are going to come who are supporting the association health care plans, who are supporting medical savings accounts, these health savings accounts tonight, and who are supporting prescription drugs. Because they are lining up to get rid of their obligations for prescription drugs, for health care for young

families, health care for older families, all in the name of their cost savings. But that will dramatically change the middle class in this country and what they have come to know as health care security.

But for the elderly it is going to be even more dramatic. When we look at the prescription drug benefit, it is interesting that the largest elderly group in the country, AARP, everything that they say is essential to protect senior citizens, and a prescription drug benefit is not in this bill. Read their letter. It is not in this bill. They wish it was, they hope it will be, but it is not here tonight.

Mr. RYAN of Wisconsin. Mr. Speaker, I yield myself the remaining time.

I would like to begin my closing by saying that the gentleman from California is a person who has worked in health care for many, many years; and I know that he is sincere in trying to do what he thinks is best to give access to people who need health care. I believe everyone who came to the floor and into the well who spoke on this bill today cares about health care.

Mr. Speaker, I am relatively new to this body; but one thing I have learned is that if you are running out of arguments, the oldest trick in the book is to impugn the other person's motives. Tell them that all we want to do is help the rich and hurt the poor, that what we are trying to do is destroy employer-sponsored health care.

Well, Mr. Speaker, two of the Nation's leading organizations who represent small employers, the people who are really facing these high premium hikes, the National Association of Manufacturers, the National Federation of Independent Businesses, this is one of their key priorities. They endorse this bill.

What this does, Mr. Speaker, is it makes it easier for employers to offer health care to their employees. It helps us continue employer-sponsored health care.

Another thing that we have been hearing, that this is fiscally irresponsible and adds to the deficit.

Mr. Speaker, what is fiscally irresponsible is the substitute prescription drug bill that the minority is bringing to the floor which costs \$600 billion more than the budget resolution allows. The budget resolution that passed this House balances the budget within the term of the budget resolution, within 10 years. And this is paid for and budgeted for in the budget resolution.

Mr. Speaker, at the end of the day, after we have heard all of these arguments, it kind of comes down to two things, two different philosophies: socialism versus consumerism. They want socialized medicine. They want power to go to Washington where Washington can allocate the benefits, where Washington can ration the health care. We want power to go to the people. We want power to go to the consumers. We want people to have

more choices. They want to restrict those choices.

This does not take anything away from anybody, Mr. Speaker. This gives people more choices. This says to people, if you are having a hard time saving for your health care, we are going to make it easier for you to do that. If you are a small business and you cannot afford health care for your employees right now, we are giving you a new option to do just that.

We are going to give employers the ability to say, look, you can put money in an account that you can deduct it from in your employee's name. Your employees contribute to this account. If you do it, you have to buy catastrophic health care coverage for them. So we are making sure with health care savings accounts that there is health insurance. And the beautiful part of this proposal, Mr. Speaker, is that this is the employee's money; it is their money that is at stake when they go out and buy health care. They are going to act like real consumers. They can take this money with them when they leave their job and go to another job. They can take this money with them into retirement throughout the rest of their life; and when they die, this money can go to their spouse. This money becomes the individual's money.

One of the big problems we have in health care today is we do not act like consumers. We have third-party payers paying the bills, and so when we go and pay for health care, someone else is paying the bills, so we really do not care how much it costs. That is one of the reasons why the costs of health care are going up through the roof.

This puts in place 280 million brains on behalf of bringing down health care costs and 280 million sets of eye balls watching this industry to make sure that doctors are charging the right kinds of prices, that hospitals are not overcharging, and that they are getting the best quality for their dollar.

Mr. Speaker, it is about giving power to consumers versus giving power to bureaucrats in Washington. Let us give Americans more freedom, let us give consumers more power, and let us help bring down health care costs.

Mr. Speaker, I urge passage of this bill.

Ms. JACKSON-LEE of Texas. Mr. Speaker, it used to be that the most challenging part of my job here was finding meaningful ways of improving quality of life for the people in my district. Now it seems the most challenging part is trying to figure out how the Republican leadership will next try to deny those same people the lives they and their families deserve. Today's bill is one of the more creative approaches I have seen by the Republicans to advance their goals of giving their rich political donors big tax cuts, and denying the poor and middle classes healthcare and the services they need.

This bill serves no one that really needs it, and will actually undermine the health insurance benefits received by millions of Americans now. It is confusing and complex, and

makes a mess of a system that needs to be fine-tuned, not destroyed. The majority of Americans now receive health insurance through employers. This bill will offer a tax break to people who do not have health insurance coverage, and those whose coverage has a deductible of over \$1,000. It sounds good, until you think about it. This bill will serve to encourage businesses to cut their health insurance programs, or raise deductibles on their employees. Low- to moderate-income employees and those who are uninsured pay all kinds of taxes: payroll taxes, sales taxes, property taxes. However, they tend to not pay enough income taxes to take advantage of this new Republican-give-to-the-rich scheme. So the exact people who are not being left out of our healthcare system, and who need relief, are being left out of this bill.

The underlying goal of this bill is to dismantle the employer-based health insurance system that the Chairman of the Ways and Means Committee hates. He has stated that he does not like employer-based health insurance because it shields people from the cost of healthcare and thus enables people to use healthcare too much. I don't see that Americans have made themselves too healthy. I want to increase access to care not decrease it, so I will vote against this bill.

Not only is this a bad bill, it is an expensive one. It will cost \$71 billion over the next ten years—all money borrowed from our children and grandchildren. In the later years of the budget window, this bill will cost in excess of \$10 billion per year, and will accelerate just at the time when the baby boom generation retires, denying resources to meet our commitments to the Social Security and Medicare systems.

Again, it seems this bill was crafted to specifically target and destroy the elements of our healthcare system that people know and trust: Medicare and Employer-sponsored coverage—and use the savings to give to CEOs, the healthy, and the wealthy. It is not surprising to find that due to the structure of this bill, the same people whose children were denied the benefits of a child tax credit, will also not receive any benefits from this bill.

Of course they will be allowed to help pay the interest on the booming debt that it adds to.

I will oppose this bill and encourage my colleagues to do the same.

Mr. RYAN of Wisconsin. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. SWEENEY). All time for debate has expired.

Pursuant to House Resolution 299, the bill is considered read for amendment and the previous question is ordered.

The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. STARK. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 237, nays 191, not voting 7, as follows:

[Roll No. 328]

YEAS—237

Aderholt	Frelinghuysen	Northup
Akin	Galleghy	Norwood
Alexander	Garrett (NJ)	Nunes
Bachus	Gerlach	Nussle
Baker	Gibbons	Osborne
Ballenger	Gilchrest	Ose
Barrett (SC)	Gillmor	Otter
Bartlett (MD)	Gingrey	Oxley
Barton (TX)	Goode	Paul
Bass	Goodlatte	Pearce
Beauprez	Goss	Pence
Bereuter	Granger	Peterson (MN)
Berkley	Graves	Peterson (PA)
Biggett	Green (WI)	Petri
Bilirakis	Greenwood	Pickering
Bishop (GA)	Gutknecht	Pitts
Bishop (UT)	Hall	Platts
Blackburn	Harris	Pombo
Blunt	Hart	Porter
Boehlert	Hastert	Portman
Boehner	Hastings (WA)	Pryce (OH)
Bonilla	Hayes	Putnam
Bonner	Hayworth	Quinn
Bono	Hefley	Radanovich
Boozman	Hensarling	Ramstad
Boyd	Herger	Regula
Bradley (NH)	Hobson	Rehberg
Brady (TX)	Hoekstra	Renzi
Brown (SC)	Hooley (OR)	Reynolds
Burgess	Hostettler	Rogers (AL)
Burns	Hulshof	Rogers (KY)
Burr	Hunter	Rogers (MI)
Burton (IN)	Hyde	Rohrabacher
Buyer	Isakson	Royce
Calvert	Issa	Ryan (WI)
Camp	Istook	Ryun (KS)
Cannon	Janklow	Saxton
Cantor	Jenkins	Schrock
Capito	Johnson (CT)	Scott (GA)
Cardoza	Johnson (IL)	Sensenbrenner
Carter	Johnson, Sam	Sessions
Case	Jones (NC)	Shadegg
Chabot	Keller	Shaw
Chocola	Kelly	Shays
Coble	Kennedy (MN)	Sherwood
Cole	King (IA)	Shimkus
Collins	King (NY)	Shuster
Cox	Kingston	Simmons
Crane	Kirk	Simpson
Crenshaw	Kline	Smith (MI)
Cubin	Knollenberg	Smith (NJ)
Culberson	Kolbe	Smith (TX)
Cunningham	LaHood	Souder
Davis (TN)	Latham	Stearns
Davis, Jo Ann	LaTourette	Sullivan
Davis, Tom	Leach	Sweeney
Deal (GA)	Lewis (CA)	Tancredo
DeLay	Lewis (KY)	Tauzin
DeMint	Linder	Taylor (NC)
Deutsch	Lipinski	Terry
Diaz-Balart, L.	LoBiondo	Thomas
Diaz-Balart, M.	Lucas (KY)	Thornberry
Dooley (CA)	Lucas (OK)	Tiahrt
Doolittle	Manzullo	Tiberi
Dreier	McCotter	Toomey
Duncan	McCrery	Turner (OH)
Dunn	McHugh	Upton
Ehlers	McKeon	Walden (OR)
Emerson	Mica	Walsh
English	Miller (FL)	Wamp
Everett	Miller (MI)	Weldon (FL)
Feeney	Miller, Gary	Weldon (PA)
Ferguson	Moran (KS)	Weller
Flake	Murphy	Whitfield
Fletcher	Musgrave	Wicker
Foley	Myrick	Wilson (NM)
Forbes	Nethercutt	Wilson (SC)
Fossella	Neugebauer	Wolf
Franks (AZ)	Ney	Young (AK)

NAYS—191

Abercrombie	Baldwin	Bishop (NY)
Ackerman	Ballance	Blumenauer
Allen	Becerra	Boswell
Andrews	Bell	Boucher
Baca	Berman	Brady (PA)
Baird	Berry	Brown (OH)

Brown, Corrine	Jackson-Lee	Pallone
Capps	(TX)	Pascrell
Capuano	Jefferson	Pastor
Cardin	John	Payne
Carson (IN)	Johnson, E. B.	Pelosi
Carson (OK)	Jones (OH)	Pomeroy
Castle	Kanjorski	Price (NC)
Clay	Kaptur	Rahall
Clyburn	Kennedy (RI)	Rangel
Conyers	Kildee	Reyes
Cooper	Kilpatrick	Rodriguez
Costello	Kind	Ross
Cramer	Klecza	Rothman
Crowley	Kucinich	Roybal-Allard
Cummings	Lampson	Ruppersberger
Davis (AL)	Langevin	Rush
Davis (CA)	Lantos	Ryan (OH)
Davis (FL)	Larsen (WA)	Sabo
Davis (IL)	Larson (CT)	Sanchez, Linda
DeFazio	Lee	T.
DeGette	Levin	Sanchez, Loretta
Delahunt	Lewis (GA)	Sanders
DeLauro	Lofgren	Sandlin
Dicks	Lowe	Schakowsky
Dingell	Lynch	Schiff
Doggett	Majette	Scott (VA)
Doyle	Maloney	Serrano
Edwards	Markey	Sherman
Emanuel	Marshall	Skelton
Engel	Matheson	Slaughter
Eshoo	Matsui	Snyder
Etheridge	McCarthy (MO)	Solis
Evans	McCarthy (NY)	Spratt
Farr	McCollum	Stark
Fattah	McDermott	Stenholm
Filner	McGovern	Strickland
Ford	McIntyre	Stupak
Frank (MA)	McNulty	Tanner
Frost	Meehan	Tauscher
Gonzalez	Meek (FL)	Taylor (MS)
Gordon	Meeks (NY)	Thompson (CA)
Green (TX)	Menendez	Thompson (MS)
Grijalva	Michaud	Tierney
Gutierrez	Millender-	Towns
Harman	McDonald	Turner (TX)
Hastings (FL)	Miller (NC)	Udall (CO)
Hill	Miller, George	Udall (NM)
Hinchoy	Mollohan	Van Hollen
Hinojosa	Moore	Velazquez
Hoeffel	Moran (VA)	Visclosky
Holden	Murtha	Waters
Holt	Nadler	Watson
Honda	Napolitano	Watt
Houghton	Neal (MA)	Waxman
Hoyer	Oberstar	Weiner
Inslee	Obey	Wexler
Israel	Olver	Woolsey
Jackson (IL)	Ortiz	Wu
	Owens	Wynn

NOT VOTING—7

Brown-Waite,	McInnis	Vitter
Ginny	Ros-Lehtinen	Young (FL)
Gephardt	Smith (WA)	

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. SWEENEY) (during the vote). Members are advised that there are 2 minutes remaining in this vote.

□ 1855

Mr. STRICKLAND and Mr. GUTIERREZ changed their vote from "yea" to "nay."

Mr. BISHOP of Georgia changed his vote from "nay" to "yea."

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

EXTENDING AVAILABILITY OF SCHIP ALLOTMENTS FOR FISCAL YEARS 1998 THROUGH 2001

Mr. TAUZIN. Mr. Speaker, I ask unanimous consent that the Committee on Energy and Commerce be discharged from further consideration of the bill (H.R. 531) to amend title XXI of the Social Security Act to extend

the availability of allotments for fiscal years 1998 through 2001 under the State Children's Health Insurance Program (SCHIP), and ask for its immediate consideration in the House.

The Clerk read the title of the bill.

The SPEAKER pro tempore (Mr. SWEENEY). Is there objection to the request of the gentleman from Louisiana?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. EXTENDING AVAILABILITY OF SCHIP ALLOTMENTS FOR FISCAL YEARS 1998 THROUGH 2001.

(a) RETAINED AND REDISTRIBUTED ALLOTMENTS FOR FISCAL YEARS 1998 AND 1999.—Paragraphs (2)(A)(i) and (2)(A)(ii) of section 2104(g) of the Social Security Act (42 U.S.C. 1397dd(g)) are each amended by striking "fiscal year 2002" and inserting "fiscal year 2004".

(b) EXTENSION AND REVISION OF RETAINED AND REDISTRIBUTED ALLOTMENTS FOR FISCAL YEAR 2000.—

(1) PERMITTING AND EXTENDING RETENTION OF PORTION OF FISCAL YEAR 2000 ALLOTMENT.—Paragraph (2) of such section 2104(g) is amended—

(A) in the heading, by striking "AND 1999" and inserting "THROUGH 2000"; and

(B) by adding at the end of subparagraph (A) the following:

"(iii) FISCAL YEAR 2000 ALLOTMENT.—Of the amounts allotted to a State pursuant to this section for fiscal year 2000 that were not expended by the State by the end of fiscal year 2002, 50 percent of that amount shall remain available for expenditure by the State through the end of fiscal year 2004."

(2) REDISTRIBUTED ALLOTMENTS.—Paragraph (1) of such section 2104(g) is amended—

(A) in subparagraph (A), by inserting "or for fiscal year 2000 by the end of fiscal year 2002," after "fiscal year 2001,";

(B) in subparagraph (A), by striking "1998 or 1999" and inserting "1998, 1999, or 2000";

(C) in subparagraph (A)(i)—

(i) by striking "or" at the end of subclause (i),

(ii) by striking the period at the end of subclause (II) and inserting "or"; and

(iii) by adding at the end the following new subclause:

"(III) the fiscal year 2000 allotment, the amount specified in subparagraph (C)(i) (less the total of the amounts under clause (ii) for such fiscal year), multiplied by the ratio of the amount specified in subparagraph (C)(ii) for the State to the amount specified in subparagraph (C)(iii).";

(D) in subparagraph (A)(ii), by striking "or 1999" and inserting "1999, or 2000";

(E) in subparagraph (B), by striking "with respect to fiscal year 1998 or 1999";

(F) in subparagraph (B)(ii)—

(i) by inserting "with respect to fiscal year 1998, 1999, or 2000," after "subsection (e)."; and

(ii) by striking "2002" and inserting "2004"; and

(G) by adding at the end the following new subparagraph:

"(C) AMOUNTS USED IN COMPUTING REDISTRIBUTIONS FOR FISCAL YEAR 2000.—For purposes of subparagraph (A)(i)(III)—

"(i) the amount specified in this clause is the amount specified in paragraph (2)(B)(i)(I) for fiscal year 2000, less the total amount remaining available pursuant to paragraph (2)(A)(iii);

"(ii) the amount specified in this clause for a State is the amount by which the State's