

116TH CONGRESS  
2D SESSION

# H. R. 8473

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

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## IN THE HOUSE OF REPRESENTATIVES

OCTOBER 1, 2020

Mr. GONZALEZ of Ohio (for himself and Mr. WESTERMAN) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

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

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Family First Medisave  
5 Empowerment Act”.

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

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

5 **“SEC. 530A. MEDISAVE ACCOUNTS.**

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

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

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

19 “(i) unless it is in cash,

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

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

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

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

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

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

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

18 “(2) QUALIFIED MEDICAL EXPENSES.—

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

25 “(i) for—

1 “(I) such individual,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 “(b) LIMITATIONS.—

25 “(1) ANNUAL LIMITATION.—

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

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

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

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

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

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

21           “(3) INDEXING.—

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

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

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

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

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

13 “(C) ROUNDING.—

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

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

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

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

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

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

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

21                   “(1) ELIGIBLE INDIVIDUAL.—

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



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

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

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

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

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

20 “(2) QUALIFIED HEALTH PLAN.—

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

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

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

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

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

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

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

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

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

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

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

22                           “(ii) tort liabilities,

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

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

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

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

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

10                  “(d) TAX TREATMENT OF ACCOUNTS.—

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

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

24                  “(e) TAX TREATMENT OF DISTRIBUTIONS.—

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

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

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

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

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

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

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

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

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

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

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

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

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

4 “(5) ROLLOVER CONTRIBUTION.—

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

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

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

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

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

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

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



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

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

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

15 “(B) OTHER CASES.—

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

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

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

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

10 “(ii) SPECIAL RULES.—

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

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

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

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

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

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

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

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

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

3 (b) TREATMENT OF EMPLOYER PAYMENTS.—

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

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

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

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

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

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

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

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

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

4 “(b) CONTRIBUTIONS TO MEDISAVE ACCOUNTS.—

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

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

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

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

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

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

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

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

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

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

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

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

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

18 “(ii) such distribution—

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

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

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

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

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

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



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

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

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

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

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

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

18 (c) OTHER CONFORMING AMENDMENTS.—

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

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

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

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

“Sec. 530A. Medisave Accounts.”.

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

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

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

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

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

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

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

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

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

8 (2) ELIGIBLE INDIVIDUAL.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

3 “(g) FUNDING.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11       (f) DEFINITIONS.—In this section:

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

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

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

20                   (A) A State.

21                   (B) Trade.

22                   (C) Industry.

23                   (D) Professional associations.

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

1 (F) Ranching and farming organizations.

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

4 (H) Chambers of commerce.

5 (I) Unions.

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

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

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

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

○