

109TH CONGRESS
2^D SESSION

S. 3697

To amend title XVIII of the Social Security Act to establish Medicare Health Savings Accounts.

IN THE SENATE OF THE UNITED STATES

JULY 20, 2006

Mr. INHOFE introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend title XVIII of the Social Security Act to establish Medicare Health Savings Accounts.

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 “Medicare Health Sav-
5 ings Accounts Act of 2006”.

6 **SEC. 2. ESTABLISHMENT OF MEDICARE HEALTH SAVINGS**
7 **ACCOUNTS.**

8 (a) ESTABLISHMENT.—

9 (1) IN GENERAL.—Title XVIII of the Social Se-
10 curity Act (42 U.S.C. 1395 et seq.) is amended—

1 (A) by redesignating part E as part F; and

2 (B) by inserting after part D the following

3 new part:

4 “PART E—MEDICARE HEALTH SAVINGS ACCOUNTS

5 “ENTITLEMENT TO ELECT TO RECEIVE BENEFITS UNDER

6 MEDICARE HEALTH SAVINGS ACCOUNTS

7 “SEC. 1860E–1. (a) IN GENERAL.—The Secretary
8 shall establish procedures under which each eligible bene-
9 ficiary (as defined in subsection (b)) shall be entitled to
10 elect to receive benefits under a Medicare Health Savings
11 Account under this part instead of benefits under parts
12 A, B, or D.

13 “(b) ELIGIBLE BENEFICIARY DESCRIBED.—An eligi-
14 ble beneficiary described in this subsection is an individual
15 who—

16 “(1) is entitled to benefits under part A or en-
17 rolled under part B;

18 “(2) has a health savings account (as defined in
19 subsection (d) of section 223 of the Internal Rev-
20 enue Code of 1986), or certifies that they will use
21 funds provided under this part to establish such an
22 account; and

23 “(3) is enrolled under a high deductible health
24 plan (as defined in subsection (c)(2) of such section,
25 except that section 223(c)(2)(A)(ii)(I) of such Code

1 shall be applied by substituting ‘the amount in effect
2 under clause (i)(I)’ for ‘\$5,000’).

3 “(c) BENEFITS TO BE AVAILABLE IN 2007.—The
4 Secretary shall establish the procedures under subsection
5 (a) in a manner such that Medicare Health Savings Ac-
6 counts are available for years beginning on or after Janu-
7 ary 1, 2007.

8 “(d) PRESERVATION OF ORIGINAL MEDICARE FEE-
9 FOR-SERVICE BENEFITS.—Nothing in this part shall be
10 construed to limit the right of an individual who is entitled
11 to benefits under part A or enrolled under part B to re-
12 ceive benefits under such part (or under part C or D) if
13 an election to receive benefits under Medicare Health Sav-
14 ings Accounts under this part is not in effect with respect
15 to such individual.

16 “(e) RULE OF CONSTRUCTION.—Nothing in this part
17 shall be construed as preventing an individual from depos-
18 iting personal funds (subject to the contribution limita-
19 tions under section 223 of the Internal Revenue Code of
20 1986) into a Medicare Health Savings Account.

21 “MEDICARE HEALTH SAVINGS ACCOUNTS PROGRAM

22 “SEC. 1860E–2. (a) IN GENERAL.—The Secretary
23 shall establish a program to be known as the Medicare
24 Health Savings Accounts program (in this part referred
25 to as the ‘Medicare HSA program’).

26 “(b) AMOUNT PROVIDED TO ENROLLEES.—

1 “(1) AMOUNT.—The Secretary shall establish
2 procedures to ensure that, for each plan year an in-
3 dividual is enrolled in the Medicare HSA program,
4 the Secretary shall provide to such individual an
5 amount that is equal to 95 percent of the annual
6 MA capitation rate (as calculated under section
7 1853(e)(1)) with respect to that individual for the
8 Medicare Advantage payment area the individual is
9 in.

10 “(2) PERMISSIBLE USE OF AMOUNT.—The Sec-
11 retary shall establish procedures to ensure that the
12 amount provided under paragraph (1) is used only
13 for the following purposes:

14 “(A) As a contribution into a health sav-
15 ings account established by such individual, as
16 described in paragraph (2) of section 1860E-
17 1(b).

18 “(B) For payment of premiums for enroll-
19 ment of such individual under a high deductible
20 health plan described in paragraph (3) of such
21 section.

22 “(3) NOTIFICATION OF AMOUNT PROVIDED.—
23 The Secretary shall ensure that, not later than the
24 date that is 90 days before the date on which pay-
25 ment of the amount provided under paragraph (1)

1 is made to an individual enrolled in the Medicare
2 HSA program, such individual receives notification
3 of such amount. Such information shall be made
4 available on the website of the Centers for Medicare
5 & Medicaid Services (based on the age and geo-
6 graphic location of the beneficiary) and through 1-
7 800-MEDICARE.

8 “(4) PAYMENT.—Payment of the amount pro-
9 vided under paragraph (1) shall be made from the
10 Federal Hospital Insurance Trust Fund and the
11 Federal Supplementary Medical Insurance Trust
12 Fund (including the Medicare Prescription Drug Ac-
13 count within such Trust Fund) in such proportion
14 as the Secretary determines appropriate.

15 “(5) RECOVERY OF AMOUNT PROVIDED IN CASE
16 OF TERMINATION.—

17 “(A) IN GENERAL.—In the case of a termi-
18 nation of an election to receive benefits under
19 this part as of a month before the end of a plan
20 year, the Secretary shall provide for a proce-
21 dure for the recovery of amounts provided at-
22 tributable to the remaining months in such
23 year.

24 “(B) PENALTY.—

1 “(i) IN GENERAL.—In addition to the
 2 amount recovered under subparagraph (A),
 3 if the Secretary determines there was
 4 fraud involved in such termination, the
 5 Secretary may apply a civil money penalty
 6 of not more than 25 percent of the amount
 7 recovered.

8 “(ii) CIVIL MONEY PENALTY.—The
 9 provisions of section 1128A (other than
 10 subsections (a) and (b)) shall apply to a
 11 civil money penalty under this subpara-
 12 graph in the same manner as they apply to
 13 a civil money penalty or proceeding under
 14 section 1128A(a).

15 “(c) PAYMENT FOR ITEMS AND SERVICES.—The Sec-
 16 retary shall establish procedures under which providers of
 17 services and suppliers (as defined in sections 1861(u) and
 18 1861(d), respectively) are required to accept as payment
 19 for items and services provided to an individual enrolled
 20 in the Medicare HSA program under this part the amount
 21 that would otherwise be paid under the original Medicare
 22 fee-for-service program under parts A and B.

23 “ELECTION OF BENEFITS UNDER MEDICARE HSA
 24 PROGRAM; TERMINATION OF ELECTION

25 “SEC. 1860E–3. The Secretary shall establish proce-
 26 dures for the election of benefits, and the termination of

1 such election, as appropriate, under the Medicare HSA
2 program.”.

3 (2) CONFORMING REFERENCES TO PREVIOUS
4 PART E.—Any reference in law (in effect before the
5 date of the enactment of this Act) to part E of title
6 XVIII of the Social Security Act is deemed a ref-
7 erence to part F of such title (as in effect after such
8 date).

9 (b) AMENDMENT OF INTERNAL REVENUE CODE OF
10 1986.—

11 (1) IN GENERAL.—Paragraph (7) of section
12 223(b) of the Internal Revenue Code of 1986 (relat-
13 ing to medicare eligible individuals) is amended to
14 read as follows:

15 “(7) MEDICARE ELIGIBLE INDIVIDUALS.—The
16 limitation under this subsection for any month with
17 respect to an individual shall be zero for any month
18 such individual is entitled to benefits under part A,
19 B, or D of title XVIII of the Social Security Act.”.

20 (2) EFFECTIVE DATE.—The amendment made
21 by this subsection shall apply to taxable years begin-
22 ning on or after January 1, 2007.

23 (c) SUNSET OF MSA PROVISIONS.—Section
24 1851(a)(2)(B) of the Social Security Act (42 U.S.C.
25 1395w-21(a)(2)(B)) is amended—

1 (1) by striking “MSA.— An MSA plan,” and
2 inserting the following: “MSA.—

3 “(i) Subject to clause (ii), an MSA
4 plan,”; and

5 (2) by inserting after clause (i), as added by
6 paragraph (1), the following new clause:

7 “(ii) Beginning on January 1, 2007,
8 the plan described in clause (i) shall not be
9 available as a Medicare Advantage plan
10 under this part.”.

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