

FILED MAR 06 2006

SENATE FILE 2345
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO SSB 3195)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to loans made to resident account beneficiaries
2 of health savings accounts.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 2345

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1 Section 1. NEW SECTION. 421.48 PURPOSE -- PROGRAM
2 ESTABLISHMENT.

3 The purpose of this section and sections 421.49 through
4 421.51 is to assist resident account beneficiaries of health
5 savings accounts to be able to fund, as quickly as possible,
6 the amount of the annual deductible and maximum out-of-pocket
7 amounts under the beneficiary's high deductible health plan.

8 To fulfill the purpose of this section and sections 421.49
9 through 421.51, the department shall establish a health
10 savings account loan program.

11 Sec. 2. NEW SECTION. 421.49 DEFINITIONS.

12 For purposes of sections 421.48 through 421.51, unless the
13 context otherwise requires:

14 1. "Account beneficiary", "health savings account", and
15 "high deductible health plan" mean the same as defined in
16 section 223 of the Internal Revenue Code.

17 2. "Internal Revenue Code" means the same as defined in
18 section 422.3.

19 Sec. 3. NEW SECTION. 421.50 HEALTH SAVINGS ACCOUNT LOAN
20 FUND.

21 1. A health savings account loan fund is created under the
22 authority of the department of revenue. The fund shall
23 consist of appropriations made to the fund and transfers of
24 interest, earnings, and moneys from other funds as provided by
25 law. The fund shall be separate from the general fund of the
26 state and the balance in the fund shall not be considered part
27 of the balance of the general fund of the state. However, the
28 fund shall be considered a special account for the purposes of
29 section 8.53, relating to generally accepted accounting
30 principles.

31 2. Notwithstanding section 12C.7, subsection 2, interest
32 or earnings on moneys in the fund shall be credited to the
33 fund.

34 3. The moneys in the health savings account loan fund are
35 appropriated to the department for purposes of providing loans

1 to resident account beneficiaries of health savings accounts
2 pursuant to section 421.51.

3 Sec. 4. NEW SECTION. 421.51 LOANS -- PENALTY.

4 1. a. A resident of the state who is an account
5 beneficiary and whose balance in the health savings account is
6 less than the deductible under the account beneficiary's high
7 deductible health plan may apply to the department for a loan
8 in an amount not to exceed the difference.

9 b. An individual seeking a loan under this section shall
10 apply for the loan on a form approved by the department and
11 provide the following information:

12 (1) The amount of the deductible, the balance in the
13 health savings account, and the loan sought.

14 (2) A list of the major assets and liabilities of the
15 individual and the individual's household. The department
16 shall establish by rule what constitutes a major asset or
17 liability.

18 (3) Any other health coverage of the individual and the
19 corresponding deductible.

20 (4) Other information deemed necessary by the department.

21 c. If the department determines that the applicant
22 qualifies for a loan and sufficient funds are available, the
23 department shall provide the applicant with a loan equal to
24 the amount requested by the applicant, not to exceed the limit
25 specified in paragraph "a". The loan shall be on terms set by
26 rule of the department with interest at the rate established
27 under section 421.7. The loan shall be deposited into the
28 applicant's health savings account. As part of the loan
29 agreement, the applicant shall agree that moneys shall not be
30 deposited by the applicant into the applicant's health savings
31 account until after the loan has been repaid.

32 2. If an applicant or other person knowingly makes a false
33 statement for the purpose of enabling the applicant to receive
34 a loan under this section, the applicant or other person is
35 guilty of a fraudulent practice as described in section 714.8.

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EXPLANATION

This bill establishes a health savings account loan program. Under the program an Iowa resident who is an account beneficiary of a health savings account may apply to the department of revenue for a loan in an amount equal to the difference between the resident's annual deductible under the high deductible health plan and the balance in the resident's health savings account. A health savings account is a trust account established to assist the account beneficiary, on whose behalf the account is established, to pay the annual deductible and out-of-pocket expenses of a high deductible health plan. Such health plan has a deductible of at least \$1,000 for single coverage and at least \$2,000 for family coverage.

SENATE FILE 2345

S-5114

1 Amend Senate File 2345 as follows:

2 1. By striking everything after the enacting
3 clause and inserting the following:

4 "Section 1. NEW SECTION. 12A.1 PURPOSE --
5 PROGRAM ESTABLISHMENT.

6 The purpose of this chapter is to assist resident
7 account beneficiaries of health savings accounts to be
8 able to fund, as quickly as possible, the amount of
9 the annual deductible and maximum out-of-pocket
10 amounts under the beneficiary's high deductible health
11 plan.

12 To fulfill the purpose of this chapter, the office
13 of the treasurer of state shall establish a health
14 savings account loan program.

15 Sec. 2. NEW SECTION. 12A.2 DEFINITIONS.

16 For purposes of this chapter, unless the context
17 otherwise requires:

18 1. "Account beneficiary", "health savings
19 account", and "high deductible health plan" mean the
20 same as defined in section 223 of the Internal Revenue
21 Code.

22 2. "Administrative contractor" means the person
23 with whom the office of the treasurer of state enters
24 into a contract to administer the health savings
25 account loan program.

26 3. "Internal Revenue Code" means the same as
27 defined in section 422.3.

28 Sec. 3. NEW SECTION. 12A.3 HEALTH SAVINGS
29 ACCOUNT LOAN FUND.

30 1. A health savings account loan fund is created
31 under the authority of the office of the treasurer of
32 state. The fund shall consist of appropriations made
33 to the fund and transfers of interest, earnings, and
34 moneys from other funds as provided by law. The fund
35 shall be separate from the general fund of the state
36 and the balance in the fund shall not be considered
37 part of the balance of the general fund of the state.
38 However, the fund shall be considered a special
39 account for the purposes of section 8.53, relating to
40 generally accepted accounting principles.

41 2. Notwithstanding section 12C.7, subsection 2,
42 interest or earnings on moneys in the fund shall be
43 credited to the fund.

44 3. The moneys in the health savings account loan
45 fund are appropriated to the office of the treasurer
46 of state for purposes of providing loans to resident
47 account beneficiaries of health savings accounts
48 pursuant to section 12A.4.

49 Sec. 4. NEW SECTION. 12A.4 LOANS -- PENALTY.

50 1. a. A resident of the state who is an account

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1 beneficiary and whose balance in the health savings
2 account is less than the deductible under the account
3 beneficiary's high deductible health plan may apply to
4 the administrative contractor for a loan in an amount
5 not to exceed the difference.

6 b. An individual seeking a loan under this section
7 shall apply for the loan on a form approved by the
8 administrative contractor and provide the following
9 information:

10 (1) The amount of the deductible, the balance in
11 the health savings account, and the loan sought.

12 (2) A list of the major assets and liabilities of
13 the individual and the individual's household. The
14 treasurer of state shall establish by rule what
15 constitutes a major asset or liability.

16 (3) Any other health coverage of the individual
17 and the corresponding deductible.

18 (4) Other information deemed necessary by the
19 treasurer of state and administrative contractor.

20 c. If the administrative contractor determines
21 that the applicant qualifies for a loan and sufficient
22 funds are available, the administrative contractor
23 shall direct the office of the treasurer of state to
24 provide the applicant with a loan equal to the amount
25 requested by the applicant, not to exceed the limit
26 specified in paragraph "a". The loan shall be on
27 terms set by rule of the treasurer of state with
28 interest at the rate established under section 421.7.
29 The loan shall be deposited into the applicant's
30 health savings account. As part of the loan
31 agreement, the applicant shall agree that moneys shall
32 not be deposited by the applicant into the applicant's
33 health savings account until after the loan has been
34 repaid.

35 2. If an applicant or other person knowingly makes
36 a false statement for the purpose of enabling the
37 applicant to receive a loan under this section, the
38 applicant or other person is guilty of a fraudulent
39 practice as described in section 714.8.

40 Sec. 5. NEW SECTION. 12A.5 ADMINISTRATIVE
41 CONTRACTOR.

42 1. An administrative contractor shall be selected
43 to administer the health savings account loan program
44 through a request for proposals process. The
45 treasurer of state, in conjunction with the
46 administrator of the division of insurance, shall
47 develop the criteria to be included in the request for
48 proposals for the selection of any administrative
49 contractor for the program. The request for proposals
50 shall specify that the maximum amount of remuneration

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Page 3

1 payable to the administrative contractor shall not
2 exceed five percent of the total amount of loans made
3 under the program during the calendar year.

4 2. The administrative contractor shall do all of
5 the following:

6 a. Accept applications for loans under the program
7 and determine which applications qualify.

8 b. Develop and issue appropriate approval and
9 denial notifications to inform applicants of the
10 status of their applications.

11 c. Notify the office of the treasurer of state of
12 the loan applications that have been approved.

13 d. Provide periodic reports to the office of the
14 treasurer of state.

15 e. Perform other duties specified in the contract
16 and as required by rule of the treasurer of state."

By RON WIECK

S-5114 FILED MARCH 21, 2006

SENATE FILE 2345

S-5213

1 Amend Senate File 2345 as follows:

2 1. By striking everything after the enacting
3 clause and inserting the following:

4 "Section 1. Section 8.56, subsections 3 and 4,
5 Code 2005, are amended to read as follows:

6 3. ~~The Except as provided in subsection 5, the~~
7 moneys in the cash reserve fund shall only be used
8 pursuant to an appropriation made by the general
9 assembly. An appropriation under this subsection
10 shall be made in accordance with subsection 4 only for
11 the fiscal year in which the appropriation is made.
12 The moneys shall only be appropriated by the general
13 assembly for nonrecurring emergency expenditures and
14 shall not be appropriated for payment of any
15 collective bargaining agreement or arbitrator's
16 decision negotiated or awarded under chapter 20.
17 Except as provided in section 8.58, the cash reserve
18 fund shall be considered a special account for the
19 purposes of section 8.53 in determining the cash
20 position of the general fund of the state for the
21 payment of state obligations.

22 4. a. Except as provided in subsection 1 or 5, an
23 appropriation under subsection 3 shall not be made
24 from the cash reserve fund unless the appropriation is
25 in accordance with all of the following:

26 (1) The appropriation is contained in a bill or
27 joint resolution in which the appropriation is the
28 only subject matter of the bill or joint resolution.

29 (2) The bill or joint resolution states the
30 reasons the appropriation is necessary.

31 b. In addition to the requirements of paragraph
32 "a", an appropriation under subsection 3 shall not be
33 made from the cash reserve fund which would cause the
34 fund's balance to be less than three and three-fourths
35 percent of the adjusted revenue estimate for the year
36 for which the appropriation is made unless the bill or
37 joint resolution is approved by vote of at least
38 three-fifths of the members of both chambers of the
39 general assembly and is signed by the governor.

40 Sec. 2. Section 8.56, Code 2005, is amended by
41 adding the following new subsection:

42 NEW SUBSECTION. 5. There is annually appropriated
43 from the cash reserve fund for the fiscal year
44 beginning July 1, 2006, and for each succeeding fiscal
45 year to the health savings account loan fund created
46 in section 12A.3 the amount of ten million dollars.

47 Sec. 3. NEW SECTION. 12A.1 PURPOSE -- PROGRAM
48 ESTABLISHMENT.

49 The purpose of this chapter is to assist resident
50 account beneficiaries of health savings accounts to be

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1 able to fund, as quickly as possible, the amount of
2 the annual deductible and maximum out-of-pocket
3 amounts under the beneficiary's high deductible health
4 plan.

5 To fulfill the purpose of this chapter, the office
6 of the treasurer of state shall establish a health
7 savings account loan program.

8 Sec. 4. NEW SECTION. 12A.2 DEFINITIONS.

9 For purposes of this chapter, unless the context
10 otherwise requires:

11 1. "Account beneficiary", "health savings
12 account", and "high deductible health plan" mean the
13 same as defined in section 223 of the Internal Revenue
14 Code.

15 2. "Administrative contractor" means the person
16 with whom the office of the treasurer of state enters
17 into a contract to administer the health savings
18 account loan program.

19 3. "Internal Revenue Code" means the same as
20 defined in section 422.3.

21 4. "Small business" means an enterprise which is
22 located in this state, which is operated for profit
23 and under a single management, and which has twenty-
24 five or fewer employees.

25 Sec. 5. NEW SECTION. 12A.3 HEALTH SAVINGS
26 ACCOUNT LOAN FUND.

27 1. A health savings account loan fund is created
28 under the authority of the office of the treasurer of
29 state. The fund shall consist of appropriations made
30 to the fund and transfers of interest, earnings, and
31 moneys from other funds as provided by law. The fund
32 shall be separate from the general fund of the state
33 and the balance in the fund shall not be considered
34 part of the balance of the general fund of the state.
35 However, the fund shall be considered a special
36 account for the purposes of section 8.53, relating to
37 generally accepted accounting principles.

38 2. Notwithstanding section 12C.7, subsection 2,
39 interest or earnings on moneys in the fund shall be
40 credited to the fund.

41 3. The moneys in the health savings account loan
42 fund are appropriated to the office of the treasurer
43 of state for purposes of providing loans to resident
44 account beneficiaries of health savings accounts
45 pursuant to section 12A.4 or to small businesses to
46 make contributions to health savings accounts on
47 behalf of resident account beneficiaries pursuant to
48 section 12A.4.

49 Sec. 6. NEW SECTION. 12A.4 LOANS -- PENALTY.

50 1. a. A resident of the state who is an account

1 beneficiary and whose balance in the health savings
2 account is less than the deductible under the account
3 beneficiary's high deductible health plan may apply to
4 the administrative contractor for a loan in an amount
5 not to exceed the difference.

6 b. An individual seeking a loan under this section
7 shall apply for the loan on a form approved by the
8 administrative contractor and provide the following
9 information:

10 (1) The amount of the deductible, the balance in
11 the health savings account, and the loan sought.

12 (2) A list of the major assets and liabilities of
13 the individual and the individual's household. The
14 treasurer of state shall establish by rule what
15 constitutes a major asset or liability.

16 (3) Any other health coverage of the individual
17 and the corresponding deductible.

18 (4) Other information deemed necessary by the
19 treasurer of state and administrative contractor.

20 c. If the administrative contractor determines
21 that the applicant qualifies for a loan and sufficient
22 funds are available, the administrative contractor
23 shall direct the office of the treasurer of state to
24 provide the applicant with a loan equal to the amount
25 requested by the applicant, not to exceed the limit
26 specified in paragraph "a". The loan shall be on
27 terms set by the treasurer of state and without
28 interest. The loan shall be deposited into the
29 applicant's health savings account. As part of the
30 loan agreement, the applicant shall agree that moneys
31 shall not be deposited by the applicant into the
32 applicant's health savings account until after the
33 loan has been repaid.

34 2. a. A small business that employs resident
35 account beneficiaries may apply to the administrative
36 contractor for a loan to make contributions on behalf
37 of its resident account beneficiaries. The amount of
38 the loan shall not exceed the sum of the differences
39 of each account beneficiary's balance in the health
40 savings account and the deductible under the account
41 beneficiary's high deductible health plan.

42 b. A small business seeking a loan under this
43 section shall apply for the loan on a form approved by
44 the administrative contractor and provide the
45 following information:

46 (1) A list of the resident account beneficiaries
47 employed by the business on whose behalf the business
48 will make contributions and a list of the difference
49 for each account of the account balance and the
50 account beneficiary's deductible.

1 (2) The amount of the loan and in which accounts
2 the loan proceeds will be deposited. The amount of
3 the loan shall not exceed the aggregate amount of the
4 differences listed as required in subparagraph (1).

5 (3) Other information deemed necessary by the
6 treasurer of state and administrative contractor.

7 c. If the administrative contractor determines
8 that the small business qualifies for a loan and
9 sufficient funds are available, the administrative
10 contractor shall direct the office of the treasurer of
11 state to provide the small business with a loan equal
12 to the amount requested by the small business, not to
13 exceed the limit specified in paragraph "a". The loan
14 shall be on terms set by rule of the treasurer of
15 state and without interest. As part of the loan
16 agreement, the small business shall agree that moneys,
17 other than the loan proceeds, shall not be deposited
18 by the small business into the health savings account
19 of the business's account beneficiaries until after
20 the loan has been repaid.

21 3. If funds are insufficient to provide all the
22 loans requested by the resident account beneficiaries
23 and small businesses that qualify, distribution of the
24 available funds shall be made based on the earlier
25 date of the application. However, priority in the
26 providing of loan requests shall be given to those
27 resident account beneficiaries and small businesses
28 that received loans for the prior calendar year,
29 except that such priority ceases after the second
30 year.

31 4. An applicant or small business shall not
32 receive more than two loans under this section.

33 5. If an applicant or other person knowingly makes
34 a false statement for the purpose of enabling the
35 applicant to receive a loan under this section, the
36 applicant or other person is guilty of a fraudulent
37 practice as described in section 714.8.

38 Sec. 7. NEW SECTION. 12A.5 ADMINISTRATIVE
39 CONTRACTOR.

40 1. An administrative contractor shall be selected
41 to administer the health savings account loan program
42 through a request for proposals process. The
43 treasurer of state, in conjunction with the
44 administrator of the division of insurance, shall
45 develop the criteria to be included in the request for
46 proposals for the selection of any administrative
47 contractor for the program. The request for proposals
48 shall specify that the maximum amount of remuneration
49 payable to the administrative contractor shall not
50 exceed five percent of the total amount of loans made

- 1 under the program during the calendar year.
2 2. The administrative contractor shall do all of
3 the following:
4 a. Accept applications for loans under the program
5 and determine which applications qualify.
6 b. Develop and issue appropriate approval and
7 denial notifications to inform applicants of the
8 status of their applications.
9 c. Notify the office of the treasurer of state of
10 the loan applications that have been approved.
11 d. Provide periodic reports to the office of the
12 treasurer of state.
13 e. Perform other duties specified in the contract
14 and as required by rule of the treasurer of state."
15 2. Title page, line 1, by inserting after the
16 words "made to" the following: "or on behalf of".
17 3. Title page, line 2, by inserting after the
18 word "accounts" the following: "and providing an
19 appropriation".

By RON WIECK

Kettering co-chair
Rielly co-chair
Zawn
Stewart

SSB# 3195

Commerce
Succeeded by
SF/HF 2345

SENATE FILE
BY (PROPOSED COMMITTEE ON
COMMERCE BILL BY
CO-CHAIRPERSON BEHN)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to loans made to resident account beneficiaries
2 of health savings accounts.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. NEW SECTION. 421.48 PURPOSE -- PROGRAM
2 ESTABLISHMENT.

3 The purpose of this section and sections 421.49 through
4 421.51 is to assist resident account beneficiaries of health
5 savings accounts to be able to fund, as quickly as possible,
6 the amount of the annual deductible and maximum out-of-pocket
7 amounts under the beneficiary's high deductible health plan.

8 To fulfill the purpose of this section and sections 421.49
9 through 421.51, the department shall establish a health
10 savings account loan program.

11 Sec. 2. NEW SECTION. 421.49 DEFINITIONS.

12 For purposes of sections 421.48 through 421.51, unless the
13 context otherwise requires:

14 1. "Account beneficiary", "health savings account", and
15 "high deductible health plan" mean the same as defined in
16 section 223 of the Internal Revenue Code.

17 2. "Internal Revenue Code" means the same as defined in
18 section 422.3.

19 Sec. 3. NEW SECTION. 421.50 HEALTH SAVINGS ACCOUNT LOAN
20 FUND.

21 1. A health savings account loan fund is created under the
22 authority of the department of revenue. The fund shall
23 consist of appropriations made to the fund and transfers of
24 interest, earnings, and moneys from other funds as provided by
25 law. The fund shall be separate from the general fund of the
26 state and the balance in the fund shall not be considered part
27 of the balance of the general fund of the state. However, the
28 fund shall be considered a special account for the purposes of
29 section 8.53, relating to generally accepted accounting
30 principles.

31 2. Notwithstanding section 12C.7, subsection 2, interest
32 or earnings on moneys in the fund shall be credited to the
33 fund.

34 3. The moneys in the health savings account loan fund are
35 appropriated to the department for purposes of providing loans

1 to resident account beneficiaries of health savings accounts
2 pursuant to section 421.51.

3 Sec. 4. NEW SECTION. 421.51 LOANS -- PENALTY.

4 1. a. A resident of the state who is an account
5 beneficiary and whose balance in the health savings account is
6 less than the deductible under the account beneficiary's high
7 deductible health plan may apply to the department for a loan
8 in an amount not to exceed the difference.

9 b. An individual seeking a loan under this section shall
10 apply for the loan on a form approved by the department and
11 provide the following information:

12 (1) The amount of the deductible, the balance in the
13 health savings account, and the loan sought.

14 (2) A list of the major assets and liabilities of the
15 individual and the individual's household. The department
16 shall establish by rule what constitutes a major asset or
17 liability.

18 (3) Any other health coverage of the individual and the
19 corresponding deductible.

20 (4) Other information deemed necessary by the department.

21 c. If the department determines that the applicant
22 qualifies for a loan and sufficient funds are available, the
23 department shall provide the applicant with a loan equal to
24 the amount requested by the applicant, not to exceed the limit
25 specified in paragraph "a". The loan shall be on terms set by
26 rule of the department with interest at the rate established
27 under section 421.7. The loan shall be deposited into the
28 applicant's health savings account. As part of the loan
29 agreement, the applicant shall agree that moneys shall not be
30 deposited by the applicant into the applicant's health savings
31 account until after the loan has been repaid.

32 2. If an applicant or other person knowingly makes a false
33 statement for the purpose of enabling the applicant to receive
34 a loan under this section, the applicant or other person is
35 guilty of a fraudulent practice as described in section 714.8.

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EXPLANATION

This bill establishes a health savings account loan program. Under the program an Iowa resident who is an account beneficiary of a health savings account may apply to the department of revenue for a loan in an amount equal to the difference between the resident's annual deductible under the high deductible health plan and the balance in the resident's health savings account. A health savings account is a trust account established to assist the account beneficiary, on whose behalf the account is established, to pay the annual deductible and out-of-pocket expenses of a high deductible health plan. Such health plan has a deductible of at least \$1,000 for single coverage and at least \$2,000 for family coverage.