To amend the Internal Revenue Code of 1986 to expand and improve health savings accounts, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Mr. Cruz (for himself and Mr. Braun) introduced the following bill; which was read twice and referred to the Committee on

A BILL

To amend the Internal Revenue Code of 1986 to expand and improve health savings 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 “Personalized Care Act
5 of 2019”.
6 SEC. 2. HEALTH SAVINGS ACCOUNT ELIGIBILITY.
7 (a) In General.—Paragraph (1) of section 223(c)
8 of the Internal Revenue Code of 1986 is amended to read
9 as follows:
“(1) ELIGIBLE INDIVIDUAL.—The term ‘eligible individual’ means, with respect to any month, any individual if such individual is—

“(A) covered under—

“(i) a group or individual health plan,

“(ii) health insurance coverage, including a short term limited duration plan or medical indemnity plan, or

“(iii) a government plan, including coverage under the Medicare program under part A or Part B of title XVIII of the Social Security Act, the Medicaid program under title XIX of such Act, the CHIP program under title XXI of such Act or a qualified CHIP look-alike program (as defined in section 2107(g) of such Act), medical coverage under chapter 55 of title 10, United States Code (including coverage under the TRICARE program), a health care program under chapter 17 or 18 of title 38, United States Code, as determined by the Secretary of Veterans Affairs in coordination with the Secretary of Health and Human Services and the Secretary, a medical care program
of the Indian Health Service or a tribal or-
organization, or coverage under chapter 89
of title 5, United States Code, or
“(B) a participant in a health care sharing
ministry (as defined in section
5000A(d)(2)(B)(ii)),
as of the 1st day of such month.”.
(b) CONFORMING AMENDMENTS.—
(1) Subsection (e) of section 223 of such Code
is amended by striking paragraphs (2) and (3) and
by redesignating paragraphs (4) and (5) as para-
graphs (2) and (3), respectively.
(2) Paragraphs (2)(A) and (2)(B) of section
223(b) such Code are each amended by striking “a
high deductible health plan” and inserting “a health
plan, insurance, or ministry described in subsection
(e)(1)”.
(3) Paragraph (8)(A)(ii) of section 223(b) of
such Code is amended by striking “high deductible
health plan” and inserting “health plan, insurance,
or ministry described in subsection (e)(1)”.
(4) Section 223(g)(1) of such Code is amend-
ed—
(A) by striking “subsections (b)(2) and (c)(2)(A)” both places it appears and inserting “subsection (b)(2)”,

(B) by striking “for ‘calendar year 2016’” in subparagraph (B) and all that follows through “‘calendar year 2003’.” and inserting “‘calendar year 1997’ for ‘calendar year 2016’” in subparagraph (A)(ii) thereof.”.

(5) The heading of subparagraph (B) of section 223(b)(8) of such Code is amended by striking “HIGH DEDUCTIBLE HEALTH PLAN”.

(6) Section 26(b)(2)(S) of such Code is amended by striking “high deductible health plan”.

(7) The heading of paragraph (3) of section 106(e) of such Code is amended by striking “HIGH DEDUCTIBLE HEALTH PLAN”.

(8) Clause (ii) of section 106(e)(5)(B) of such Code is amended by striking “a high deductible health plan” and inserting “a health plan”.

(9) Paragraph (9) of section 408(d) of such Code is amended—

(A) by striking “the high deductible health plan covering” in subparagraph (C)(i)(I) and inserting “health plan, insurance, or ministry of”,

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(B) by striking “a high deductible health plan” the first place it appears in subparagraph (C)(ii)(II) and inserting “a health plan, insurance, or ministry described in section 223(c)(1)”;

(C) by striking “a high deductible health plan” the second place it appears in subparagraph (C)(ii)(II) and inserting “any such plan, insurance, or ministry”, and

(D) by striking “HIGH DEDUCTIBLE HEALTH PLAN” in the heading of subparagraph (D).

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2019.

SEC. 3. INCREASE IN HSA CONTRIBUTION LIMITS.

(a) IN GENERAL.—Paragraph (2) of section 223(b) of the Internal Revenue Code of 1986 is amended—

(1) by striking “$2,250” in subparagraph (A) and inserting “$10,800”, and

(2) by striking “$4,500” in subparagraph (B) and inserting “$29,500”.

(b) COST-OF-LIVING ADJUSTMENT.—Paragraph (1) of section 223(g) of the Internal Revenue Code of 1986, as amended by section 2, is amended—
(1) by striking “Each” and inserting “In the case of a taxable year beginning after 2020, each”, and

(2) by striking “calendar year 1997” and inserting “calendar year 2019”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2019.

SEC. 4. PAYMENT OF HEALTH PLAN AND HEALTH INSURANCE PREMIUMS FROM HSA.

(a) IN GENERAL.—Paragraph (2) of section 223(d) of the Internal Revenue Code of 1986 is amended—

(1) by striking subparagraph (B),

(2) by redesignating subparagraph (C) as subparagraph (B),

(3) by striking “Subparagraph (B) shall not apply to any expense for coverage under” in subparagraph (B), as so redesignated, and inserting “Subparagraph (A) shall not apply to any payment for insurance other than”, and

(4) in subparagraph (B), as so redesignated—

(A) by striking “or” at the end of clause (iii),

(B) by striking the period at the end of clause (iv) and inserting “, or”, and
(C) by adding at the end the following new clause:

“(v) a health plan or health insurance coverage described in subsection (c)(1)(A).”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2019.

SEC. 5. TREATMENT OF MEDICAL CARE SERVICE ARRANGEMENTS.

(a) INCLUSION AS MEDICAL EXPENSES.—Paragraph (2) of section 223(d) of the Internal Revenue Code of 1986, as amended by section 4, is further amended by adding at the end the following new subparagraph:

“(C) INCLUSION OF MEDICAL CARE SERVICE ARRANGEMENTS.—The term ‘qualified medical expenses’ shall include—

“(i) periodic fees paid to a physician for a defined set of medical services or for the right to receive medical services on an as-needed basis, and

“(ii) amounts prepaid for medical services designed to screen for, diagnose, cure, mitigate, treat, or prevent disease and promote wellness.”.
(b) **Arrangement Not to Be Treated as Health Insurance.**—Subsection (e) of section 223 of the Internal Revenue Code of 1986, as amended by section 2(b), is further amended by adding at the end the following new paragraph:

“(4) Treatment of Medical Care Service Arrangements.—An arrangement under which an individual is provided medical services in exchange for a fixed periodic fee or payment for such services shall not be treated as a health plan, insurance, or arrangement described in paragraph (1).”.

(c) **Effective Date.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2019.

**SEC. 6. PERIODIC PROVIDER FEES TREATED AS MEDICAL CARE.**

(a) **In General.**—Section 213(d) of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

“(12) Periodic Provider Fees.—Periodic fees paid for a defined set of medical services provided on an as-needed basis shall be treated as amounts paid for medical care.”.
(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2019.

SEC. 7. EXPANDING OVER-THE-COUNTER DRUG COVERAGE AND RESTORING LOWER PENALTY FOR NON-QUALIFIED DISTRIBUTIONS.

(a) Over-the-Counter Coverage.—Section 223(d)(2)(A) of the Internal Revenue Code of 1986 is amended by striking the last sentence and inserting the following: “Such term shall include an amount paid for any prescription or over-the-counter medicine or drug.”.

(b) Penalty.—Section 223(e)(4)(A) of the Internal Revenue Code of 1986 is amended by striking “20 percent” and inserting “10 percent”.

(c) Effective Date.—The amendments made by this section shall apply to distributions made in taxable years beginning after December 31, 2019.

SEC. 8. TREATMENT OF HEALTH CARE SHARING MINISTRIES.

(a) Inclusion as Medical Expenses.—Paragraph (2) of section 223(d) of the Internal Revenue Code of 1986, as amended by sections 4 and 5, is further amended by adding at the end the following new subparagraph:

“(D) Inclusion of Health Care Sharing Ministries.—The term ‘qualified medical
expenses’ shall include amounts paid by a mem-
ber of a health care sharing ministry (as de-
finite in section 5000A(d)(2)(B)(ii)) for—
“(i) the sharing of medical expenses
among members, and
“(ii) administrative fees of the min-
istry.”.

(b) Health Care Sharing Ministry Not to Be
Treated as Health Insurance.—Subsection (c) of
section 223 of the Internal Revenue Code of 1986, as
amended by sections 2 and 5, is further amended by add-
ing at the end the following new paragraph:
“(5) Treatment of health care sharing
ministries.—A health care sharing ministry (as de-
define in section 5000A(d)(2)(B)(ii)) shall not be
treated as a health plan or insurance for purposes
of this title.”.

c) Effective Date.—The amendments made by
this section shall apply to taxable years beginning after
December 31, 2019.