A bill for an act
relating to health; creating the piggy bank health plan to provide comprehensive, sustainable coverage for children up to age 26; proposing coding for new law in Minnesota Statutes, chapter 62A.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. **[62A.70] PIGGY BANK HEALTH PLANS.**

Subdivision 1. **Establishment.** Piggy bank health plans shall be established and operate upon approval of the commissioner to provide health coverage for children up to age 26.

Subd. 2. **Definitions.** For purposes of this section, the following terms have the meanings given.

(a) "Commissioner" means the commissioner of commerce or the commissioner's designee.

(b) "Dependent" has the meaning given in section 62L.02, subdivision 11.

(c) "Piggy bank health plan" means a health and life insurance product design that will be made available to principal owners in this state as defined in this section.

(d) "Principal owner" means a child for whom health care will be provided.

(e) "Supporting adult" means any individual over the age of 18 that can claim the principal owner as a dependent for tax deduction purposes.

Subd. 3. **Piggy bank health plan description.** (a) A piggy bank health plan shall provide for the establishment of a fund, deposit account, or policy to provide health insurance available under section 60A.06, subdivision 1, paragraphs (4) and (5), clause (a), without the limitation imposed by section 60A.06, subdivision 3, and shall operate as a policy under section 62A.01.

(b) The piggy bank health plan shall be owned by a principal owner who must be a resident of this state at the time the plan is established and must maintain residency for one year. A subsequent change in residency shall not cause forfeiture of the rights and benefits available under this section.

(c) Any interest or added value earned by funds within a piggy bank health plan will accumulate without income tax liability to the principal owner.

(d) All funds paid out of a piggy bank health plan shall not generate taxable income for the principal owner or supporting adult as long as they are used for the purposes allowed under this section.

(e) Any distribution of assets out of a piggy bank health plan shall be restricted to pay only allowable expenses for the principal owner as follows:

(1) health insurance premiums;

(2) insurance premiums for life insurance not to exceed $10,000, as indexed by the commissioner;

(3) eligible health expenses, including long-term care, as regulated by the commissioner;

(4) funeral expenses not to exceed $10,000;

(5) end-of-life expenses without limit;

(6) reasonable investment-related expenses; and

(7) reasonable administrative fees as determined and indexed by the commissioner.

(f) Deposits made to a piggy bank health plan may be deducted from the adjusted gross income of the principal owner if the principal owner is required to file income tax, or by the supporting adult for Minnesota income tax purposes of up to 120 percent of the average per capita health care cost for Minnesota residents under the age of 26. The commissioner shall determine this amount annually. There shall be no limitations on income or assets to be eligible for this tax deduction.

(g) There are no aggregate limitations regarding the funds within a piggy bank health plan.

(h) Upon the death of the principal owner, any funds within a piggy bank health plan shall transfer to the principal owner's beneficiary with the following restrictions:

(1) a fee of 20 percent of the total value of the piggy bank health plan fund shall be paid to the state;

(2) any assets remaining after the 20 percent fee is paid may be transferred to any eligible piggy bank health plan of other principal owners in the same family; and

(3) if no other piggy bank health plan qualifies for a transfer of funds, then any remaining funds shall revert to the state if there are no beneficiaries.

(i) Health plans must offer, in conjunction with a piggy bank health plan, a health insurance policy with guaranteed insurability of a principal owner up to age 26, with premium increases limited to no more than the annual per capita increase in health care expenditures for Minnesota residents under age 26.

(j) Health plans must submit an application for a premium rate increase to the commissioner at least 90 days before a rate increase takes effect. No rate increase may be imposed unless first approved by the commissioner. This policy may carry a deductible greater than $3,000 and up to a limit offered by the health plan that is accepted by the principal owner or supporting adult, and that is approved by the commission.

(k) Coverage for the principal owner of the policy shall not commence until coverage for prenatal and neonatal care is completed. Nothing in this section is intended to circumvent coordination of benefits or subrogation of claims.

Subd. 4. **General provisions.** (a) Health plans may make piggy bank health plans available in the marketplace, but all such plans must be offered in the same manner as other health plans certified to be offered in this state.

(b) If a health benefit insurance exchange is established in this state as required by the Patient Protection and Affordable Care Act of 2010, the piggy bank health plan may not be offered through the exchange. A piggy bank health plan is not available for federal subsidies. Nothing in this section prohibits the state from creating a state-based subsidy program related to a piggy bank health plan, including but not limited to credit for federal income taxes to the extent the commissioner is unable to secure federal tax recognition for deductions as provided in this section.

(c) The commissioner may, with the consent of the commissioners of health and human services, create and offer a piggy bank health plan for Minnesota residents who qualify for state-sponsored health plans.

(d) The piggy bank health plan will be offered under the same rate underwriting considerations as for individual health plans with the following modifications:

(1) coverage under a piggy bank health plan cannot be denied for any reason provided that a supporting adult applies for a policy at least four months prior to a physician-determined due date of an expected child who will be named the principal owner of the piggy bank health plan. Application for insurance under this guarantee can be made at any time after a supporting adult attains the age of 18, provided that the contribution deduction in subdivision 3, paragraphs (f) and (g), is limited to a one-year deduction prior to the birth of a named principal owner; and

(2) underwriting under a piggy bank health plan may not charge a premium in excess of $150 per month, indexed thereafter at the annual per capita increase in health

care expenditures for Minnesota residents under age 26, for any reason provided that a supporting adult applies for a policy at least four months prior to a physician-determined due date of the expected child who will be named the principal owner of the piggy bank health plan. The calculation of this amount shall be determined annually by the commissioner.

Application for insurance under this guarantee may be made any time after a supporting adult attains age 18 provided that the contribution deduction in subdivision 3, paragraphs (f) and (g), is limited to a one-year deduction prior to the birth of a named principal owner.

The sum of the deductible and premium under this policy which is subject to the same adjustments and restrictions as the premium alone must be no more than 120 percent of the average per capita health care cost for Minnesota residents under age 26. The calculation of this amount shall be determined annually by the commissioner.

(e) Health plans licensed to write health insurance coverage in Minnesota must offer immediate conversion plans to individuals covered under piggy bank health plans upon attainment of age 26 subject to the standard individual policy underwriting, but with guaranteed insurability and a premium of no more than the standard individual rates for Minnesota residents age 26. The calculation of this amount shall be determined annually by the commissioner.

(f) Piggy bank health plan funds shall be managed in the same manner as health savings accounts.

Subd. 5. **Information collection and monitoring.** (a) The commissioner shall collect and analyze data on piggy bank health plans as a separate group in addition to any inclusion with aggregate statistics. The commissioner shall report to the legislature ten years after enactment of the piggy bank health plan regarding the enrollment, cost, and annual cost increase statistics of piggy bank health plans relative to aggregate health plan statistics for the population under age 26. This information shall be used to determine the effectiveness of these plans in controlling costs relative to general health insurance plans.

(b) If the legislature finds that piggy bank health plans are more effective at controlling annual cost increases than other government-sponsored health plans offered to individuals under age 26, then:

(1) the commissioner shall, with the assistance of the commissioners of health and human services, create and offer a piggy bank health plan for residents who qualify for state-sponsored health plans; and

(2) the house of representatives and senate legislative committees with jurisdiction over health and human services finance shall study and consider a bill to expand piggy bank health plans coverage beyond age 25.