

July 10, 2018

The Honorable Kevin Brady
United States House of Representatives
100 Longworth House Office Building
Washington, DC 20515

Re: **Committee Markup on Bills to Expand Consumer-Directed Health Care and Lower Premiums**

Dear Chairman Brady:

On behalf of the Employers Council on Flexible Compensation (ECFC), we are writing to thank you for recognizing the importance of consumer-directed health accounts by scheduling a markup in the Ways and Means Committee on July 11, 2018 to consider eleven bills that would expand consumer-directed health accounts and lower premiums.

ECFC is a membership association dedicated to preserving and expanding employer-provided tax advantaged benefit choices for working Americans, including account-based benefit plans which provide benefits in areas such as health care, child care, and commuting. These benefits empower employers to support working families with their life needs and remain productive members of the workforce. ECFC's members include employers who sponsor employee benefit plans, including Health Reimbursement Arrangements (HRAs), Flexible Spending Arrangements (FSAs) (including dependent care assistance FSAs), and health savings accounts (HSAs), commuter and parking benefits as well as insurance, accounting, consulting, and actuarial companies that design or administer employee benefit plans. ECFC member companies assist in the administration of cafeteria plan and health benefits for over 33 million employees.

Importance of Consumer-Directed Health Arrangements

ECFC has been monitoring data that shows the importance of consumer-directed health accounts.

Census data from 2016 and a Mercer national survey on employer-provided health plans found that:

- Overall, there are 35 million consumer-directed health accounts, with more than 100 million people (including spouses and family members) using them to pay for their health care needs.
- 85% of large employers offer consumer-directed health accounts. The average election amount is \$1,356.
- 29% of small employers offer consumer-directed health accounts. The average election amount is \$1,152.

The National Health Interview Survey for 2017 by National Center for Health Statistics of the U.S. Department of Health and Human Services found:

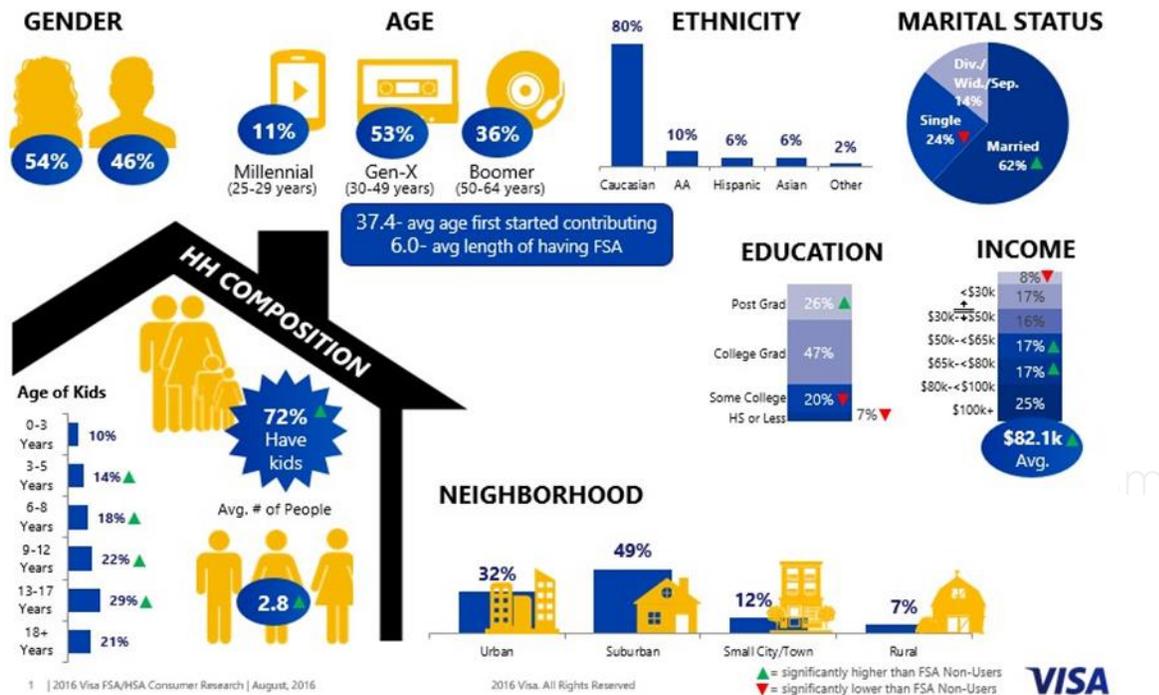
- In 2017, 43.7% of persons under age 65 with private health insurance were enrolled in a high deductible health plan, including 18.2% who had an HSA and 25.5% without an HSA.

- The percentage of people under age 65 enrolled in a high deductible health plan with an HSA has more than doubled since 2010, increasing from 7.7% in 2010 to 18.2% in 2017.

FSA's are Middle-Class Benefits

According to survey data compiled by Visa., an ECFC member company, FSA's are a middle-class benefit as the graphics below demonstrate.

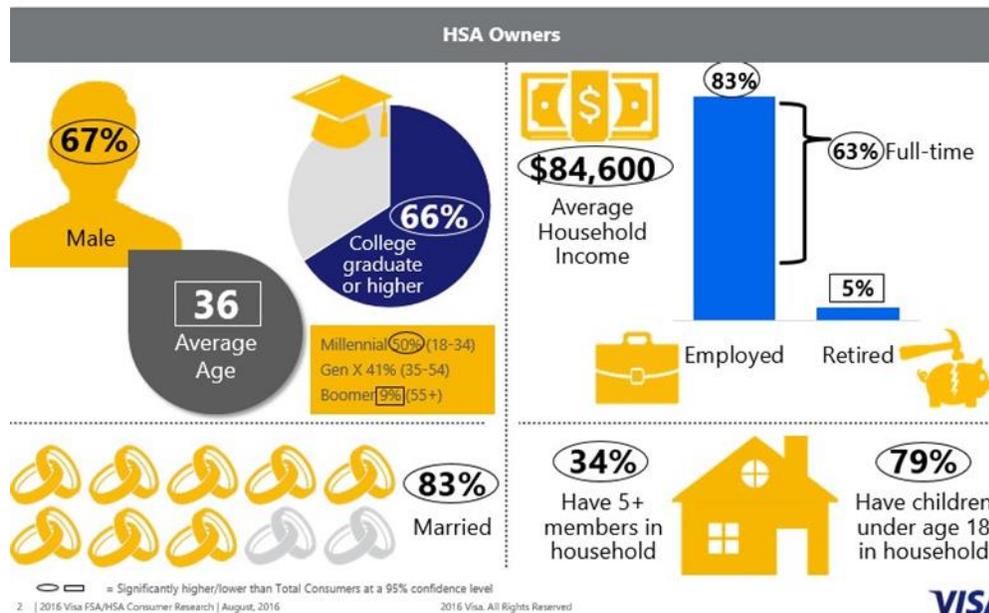
FSA Users are more likely to have families, over half make less than 65K, and 20% are minorities.



HSAs Have Broad Appeal for Middle Class Families

Similarly, the survey data regarding users of HSA shows that they have broad appeal over a spectrum of middle-class working families.

HSA Owners tend to be male, employed full time, and tend to be married with larger households and kids under the age of 18.



Expanding and Promoting Consumer-Directed Health Accounts

We support the bills under consideration that will expand and promote consumer-directed health accounts.

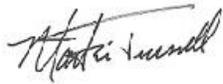
- H.R. 6199 will end the prohibition on HSAs, FSAs and HRAs reimbursing for over-the-counter medicines and will add feminine care products to the list of items that can be reimbursed from these plans.
- H.R. 6301 and 6305 will allow employers the needed flexibility to design health programs that will allow employees to continue to be eligible to make HSA contributions. H.R. 6305 will also allow FSA and HRA conversions to fund expand who is eligible to make contributions to HSAs. Reps. Paulsen (R-MN) and Blumenauer (D-OR) are also sponsoring legislation so that direct primary care arrangements can be offered without adversely impacting HSA eligibility.
- H.R. 6306 will increase the amount that individuals can contribute to an HSA so that the amount of the deductible under the high deductible health plan can be covered through the HSA.
- H.R. 6306 will allow seniors with a high deductible health plan to contribute to an HSA.
- H.R. 6314 will allow bronze and catastrophic plans to be used in connection with HSAs thereby expanding the opportunities to individuals to use an HSA to finance their health care needs.
- H.R. 6313 will allow unused FSA account balances to be carried forward to a later year so that employees can use these funds to pay for health care expenses rather than forfeiting them.
- H.R. 4616 will delay the implementation of the excise tax on high cost health plans, commonly referred to as the "Cadillac Tax." This excise tax is causing employers to curtail or eliminate

many employer-sponsored arrangements that promote efficient health care such as wellness program incentives and consumer directed arrangements such as FSAs, HRAs and HSAs.

- H.R. 6308 will add qualified sports and fitness expenses as qualified medical expenses that can be reimbursed from an HSA, FSA and HRA. The bill places various dollar limits on the amount of sports and fitness expenses that can be considered as a qualified medical expense. Our membership tells us that these dollar limitations will be difficult to administer, especially if the employees asks for reimbursement through a debit card tied to the account – a common method getting reimbursements from these accounts. Elimination of these dollar caps would eliminate this administrative difficulty and, since there are already limits on annual additions HSA and FSA accounts, this change should have limited impact.

Consumer-directed health accounts are an important element in providing affordable health care to all Americans, and we support bills under consideration which will support and expand consumer-directed health plans. Please contact Martin Trussell (202.350.1788 or mtrussell@ecfc.org) or Bill Sweetnam (202.465.6397 or wsweetnam@ecfc.org) with any questions.

Sincerely,



Martin Trussell
Executive Director



William F. Sweetnam, Jr.
Legislative and Technical Director