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The Honorable Kevin Brady
Chairman
Ways and Means Committee
United States House of Representatives
Washington, D.C. 20515

The Honorable Peter Roskam
Chairman
Ways and Means Subcommittee on Health
United States House of Representatives
Washington, D.C. 20515

Dear Chairman Brady and Chairman Roskam:

I write in support of efforts to expand tax advantaged Health Savings Accounts (HSAs).

As you know, HSAs are used in conjunction with low premium, high deductible health insurance plans and allow families to spend their own money on their own health needs.
Since they were created 15 years ago, HSAs have become a popular vehicle toward promoting patient choice in health care. Today, an estimated 20 million American individuals and families utilize HSAs.

HSAs contribute to lower healthcare spending because they promote consumer directed healthcare. HSA funds are owned and controlled by the individual and follow them between jobs creating an incentive to spend funds wisely.

Research shows that families and individuals that utilize HSAs spend less on health care and use fewer medical services without forgoing necessary primary and preventative care.

HSAs also reduce taxes for American families. HSAs offer several tax benefits – contributions are tax free, interest and investment is earned tax free, and payments made to qualifying health expenses are made tax free. As a result, expanding HSAs means significant tax reduction for Americans.

As such, I write in support of four provisions that should be included in an upcoming HSA bill:

1. Make an 80 percent Actuarial Value or less an alternative method to have an HSA Qualified Health Plan: Allow an 80 percent or lower Actuarial Value to be an alternative method to be able to open a Health Savings Account. The U.S. Treasury Department estimates that allowing HSAs for those with an 80 percent AV plan will quadruple the number of HSA qualified health plans available on the market leading to a dramatic expansion of patient centered healthcare and a significant tax cut for American families.

2. Increase the Maximum Allowable Contribution: Allow deposits equal to the out-of-pocket maximum for the HSA qualified health plan. Functionally, this would nearly double the maximum contribution limit of an HSA from $3,450 to $6,650 for an individual in 2018 and $6,850 to $13,300 for a family.

3. Allow Working Seniors to have an HSA while on Medicare: Allow working seniors to keep their employer-provided HSA while covered by Medicare, which is prohibited by current law. This will end the discrimination against working seniors who have large employer coverage and are allowed to have a PPO or HMO and Medicare coverage too but cannot be on Medicare if they choose to keep their HSA. HSAs should also be expanded so they can be used to pay for Medicare Advantage plans, an idea proposed by President Trump in his FY 2019 Budget.

4. <u>Repeal Obamacare HSA tax increases:</u> Obamacare contained several restrictions on HSAs that limited healthcare choice and increased taxes on middle class families. These should be repealed. Obamacare's "medicine cabinet tax" prevents HSA users from spending funds on over-the counter medications. Obamacare also increased the penalty for non-qualified expense withdrawals. Combined, both provisions equate to a $6 billion tax increase over a decade.

HSAs have proven successful in expanding healthcare choices, lowering taxes and lowering healthcare costs. I encourage your committee and your colleagues in the House to expand HSAs and applaud your leadership in this important effort.

If you have any questions, please contact ATR's Tax Policy Director Alex Hendrie at ahendrie@atr.org.

Onward,

Grover G. Norquist
President, Americans for Tax Reform