



Policies to Promote Consumer-Directed Health Plans and Health Accounts

Issue: Current tax laws and regulatory requirements for health flexible spending accounts (health FSAs), health savings accounts (HSAs), and health reimbursement arrangements (HRAs) limit their usefulness and make it confusing for people to use.

Position: The National Business Group on Health representing approximately 422, primarily large, employers (including 72 of the Fortune 100) who voluntarily provide generous health benefits and other health programs to over 55 million American employees, retirees, and their families believes that Congress and federal agencies should enable the consolidation of health accounts and simplify rules for health FSAs, HSAs, and HRAs to make them more user-friendly.

The following are policy recommendations that, if implemented, would provide much-needed plan design flexibility and regulatory certainty for employers implementing and maintaining health accounts.

1. Simplify and consolidate health accounts by allowing the creation of a single, portable health account that allows individuals to save for future health expenses—and allows employers to contribute—on a tax-advantaged basis
2. Repeal the \$2500 cap on health FSA salary reduction contribution
3. Repeal the health FSA “use-it-or-lose-it” rule
4. Increase or remove limits on HSA contributions
5. Repeal the prohibition on use of health FSA and HSA funds for over-the-counter medications that are not prescribed by a physician
6. Permit employees to contribute to an HSA even if their spouse has a health FSA
7. Allow reimbursement of prescription drug expenses outside of the deductible in HSA/high-deductible health plan arrangements
8. Eliminate the prohibition on use of health FSA and HSA funds for health insurance premiums
9. Permit employees over age 65 to continue contributing to an HSA
10. Allow individuals and families to use HSA funds to pay for medical expenses for adult children
11. Permit prescription drug coverage to be offered without a high deductible
12. Allow individuals to use health accounts to pay for fitness center fees, buy fitness equipment or pay for physical exercise programs and nutritional counseling
13. Allow people to use HSAs to retroactively pay for qualified medical expenses incurred in a grace period

Why Congress and Agencies Should Promote Use of Health Accounts

- Expanding the use of health accounts will give patients more control and flexibility over their health care decisions and will also increase the value of health accounts to employees and their families.
- Health accounts enable people to directly participate in cost and benefit decisions each time they seek health care services, not just when choosing a health plan.
- Accumulated and invested funds could pay for higher or unexpected future health care expenses.
- Accounts could pre-fund retiree health, COBRA, individual insurance and even long-term care expenses.
- Allowing people to use HSA funds to pay for fitness center fees or gym equipment could decrease health care costs by helping employees and their families get or stay healthy.
- Increasing health account flexibility will reduce administrative burden and encourage adoption by increasing flexibility to use HSA funds to pay for qualified medical expenses incurred before opening an account.
- In today's mobile work force, people should be able to take funds with them when changing employers.
- Greater use of health accounts will encourage more Medicare beneficiary-directed health care.