



May 16, 2013

The Honorable Charles Boustany  
1431 Longworth House Office Building  
Washington, D.C. 20515

The Honorable John Larson  
1501 Longworth House Office Building  
Washington, DC 20515

Dear Congressman Boustany and Congressman Larson:

The Council for Affordable Health Coverage (CAHC) is a broad-based alliance dedicated to bringing down the cost of health care for all Americans. Our membership includes organizations representing small and large employers, insurers, brokers and agents, physician and patient organizations. The undersigned CAHC members are writing to express our support for the **Medical Flexible Spending Account (FSA) Improvement Act** (H.R. 1634), which would strengthen the law's original intent by repealing the "use-it-or-lose-it" requirement.

About 35 million predominantly middle income Americans currently have an FSA, which they build up through salary deductions. Most large employers offer this option. By allowing workers to cover out-of-pocket health expenses with pre-tax dollars, FSAs create tax parity with first-dollar plans. They also promote smart and prudent health care decisions at the point of sale. When used in conjunction with high-deductible plans, FSAs help to ensure that workers do not skip or delay essential health care.

Current rules discourage worker participation in FSAs by requiring them to forfeit any funds not spent during the course of the calendar year. According to the Employers Council on Flexible Compensation, in any given year at least 40 percent of FSA participants forfeit money this way. In 20 percent of these cases, the amount forfeited exceeds \$500. One result is that only about 20 percent of eligible employees establish an FSA. Of those who do, millions of underfund their accounts in order to avoid losing money at the end of every year.

The use-it-or-lose-it rule has a number of unintended consequences. Those who fail to create or underfund FSAs often skip or delay necessary care. Those who have FSAs often spend wastefully at the end of the year, in order to use up their balances.

The FSA Improvement Act would permit (but not require) employers to allow FSA enrollees to "cash-out" amounts in their FSA that are not spent for medical care. Balanced cashed out this way would be regular income, subject to payroll and income taxes. From a technical tax policy standpoint, the use-it-or-lose-it now represents a cap within a cap and thus serves no policy purpose. Repealing use-it-or-use-it would have no budgetary impact.

Again, we are pleased to express our strong support for H.R. 1634, the Medical Flexible Spending Account Improvement Act. We believe this legislation should be enacted to make FSAs a more useful and attractive option for individuals and families to finance their health care needs.

Sincerely,

American Academy of Ophthalmology

American Osteopathic Association

Communicating for America

Healthcare Leadership Council

International Franchise Association

National Association for the Self-Employed

National Association of Health Underwriters

National Association of Manufacturers

National Retail Federation

Retail Industry Leaders Association

Small Business & Entrepreneurship Council

cc: Members of the Committee on Ways and Means