



May 30, 2012

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

Dear Congressman Boustany:

The Council for Affordable Health Coverage (CAHC) is a broad-based alliance with a singular focus: bringing down the cost of health care for all Americans. Our membership reflects a broad range of interests—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. 1004)**.

This measure would strengthen FSAs by effectively repealing the “use-it-or-lose-it” requirement. Under the current rule, any funds remaining in an FSA at year end must be forfeited. This has deterred many employees from taking full advantage of FSAs. Indeed, while most large employers offer FSAs, only about 20 percent of eligible employees establish an FSA.

FSAs allow employees, through salary deductions, to fund accounts to pay for necessary out-of-pocket health expenses with pre-tax dollars. FSAs help employees finance their increasing out-of-pocket obligations and make smart health care decisions at the point of sale. As out-of-pocket costs have increased, FSAs are an important vehicle to ensure essential health care is not skipped or delayed.

About 35 million Americans have an FSA with a median salary of about \$55,000. The use-it-or-lose-it provision has resulted in perverse incentives, including spending out accounts at the end of the year to avoid losing the funds altogether. This drives up total health costs needlessly. Additionally, with the new \$2,500 cap on FSA contributions, use-it-or-lose-it now represents a cap within a cap and serves no policy purpose to limit tax deferral.

The Medical Flexible Spending Account 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 and pay income tax on those amounts as if they had not been deposited into the accounts.

Again, we are pleased to express our strong support for H.R. 1004, 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 Osteopathic Association  
Cigna  
Evolution1  
Healthcare Leadership Council

National Association for the Self Employed  
National Association of Health Underwriters  
National Retail Federation  
Retail Industry Leaders Association  
Small Business & Entrepreneurship Council

cc: Members of the House Committee on Ways and Means