



May 3, 2006

The Honorable Eric Cantor
Deputy Majority Whip
U.S. House of Representatives
Washington, DC 20515

Dear Representative Cantor:

I am writing on behalf of the American Benefits Council in support of the Tax Free Health Savings Act of 2006 and to thank you for your leadership in helping to make more affordable health care coverage available for millions of Americans. The American Benefits Council represents employers and other organizations that either sponsor or administer health and retirement benefits covering more than 100 million Americans.

We are particularly supportive of the provisions of your legislation that would make Health Savings Accounts (HSAs) and HSA-compatible health insurance more likely to be sponsored by employers to help meet their employees' health care needs. For example, your legislation allows contributions to be made to HSAs up to the maximum out-of-pocket limit for an individual's high deductible health care plan. This would be a significant improvement to HSAs because it would make HSAs much more effective in serving as true savings vehicles – to which both employers and employees could contribute – to better meet immediate and future health care needs, including those in retirement.

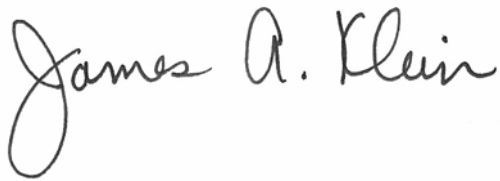
We also welcome and fully support the provisions of your legislation to allow HSAs to be coordinated with flexible spending arrangements (FSAs) and health reimbursement arrangements (HRAs). This important change would allow employees who participate in these other types of health plans – and who already understand the many advantages of consumer-directed plans -- to also participate in an HSA. By combining these other health plan options with a health savings account, new plan designs can be developed which allow employees to take even more control of their health care spending decisions and save for future medical expenses. We also support the provisions of your bill which allows a one-time opportunity over the next five years for FSA or HRA plans to be converted to HSAs so that balances in these accounts are not stranded or lost at the time an employee elects to participate in a health savings account.

Your legislation also makes many other important changes such as allowing employers to make higher contributions to the HSAs of employees who are expected to have higher than average health care costs because of their chronic health care conditions. In addition, you would improve the tax benefits for those who purchase HSA-compatible

health care coverage on their own in the individual insurance marketplace. These provisions will help to establish a more level tax playing field for those who obtain HSA-compatible coverage in the individual marketplace compared with the tax benefits now available for those who obtain health coverage through their employer. We support the efforts to achieve more favorable tax treatment for health care coverage purchased in the individual marketplace. We look forward to working with you to ensure that the same tax treatment your legislation provides to those who purchase coverage in the individual marketplace is also available to early retirees who have left the workforce, but have elected to continue their coverage from their former employer.

We believe, as you do, that all Americans need more affordable health plan choices and that we need to make our health care system more directly responsive to consumers' decisions about their health care needs. Your legislation will make these innovative health plan choices more widely available to millions more Americans, including many who currently have no health insurance coverage at all. We share this goal with you and, once again, thank you for your leadership in introducing the Tax Free Health Savings Act and will work with you for its enactment.

Sincerely,

A handwritten signature in black ink that reads "James A. Klein". The signature is written in a cursive style with a large, looping initial "J".

James A. Klein
President