

United States Senate

COMMITTEE ON THE JUDICIARY
WASHINGTON, DC 20510-6275

December 5, 2006

The Honorable Bill Frist
Majority Leader
United States Senate
S-230
Washington, DC 2510

Dear Mr. Leader,

Three years ago this week, President Bush signed the Medicare Modernization Act. In our opinion, one of the most promising aspects of that legislation was the creation of Health Savings Accounts (HSAs). We are confident that over the long term, the expansion of these accounts will lead to a more prudent use of health care, helping to drive down costs, while contributing to portability, the absence of which makes even insured families anxious. With more families and businesses choosing consumer-driven health every day, we ask you to support the following improvements to HSAs as part of any tax package that moves before adjournment of the 109th Congress.

In your lecture, "Health Care in the 21st Century," published in the *New England Journal of Medicine*, you identified health savings accounts and consumer-driven health care as an important element of any health care reform. We agree. We have all either introduced or cosponsored bills in the 109th Congress that would expand or improve health savings accounts.

Many opportunities currently exist to improve HSAs. For example, in September the Ways and Means Committee favorably reported the "Health Opportunity Patient Empowerment Act" (H.R. 6134). This compromise bill would simplify compliance with contribution limits by setting them at indexed amounts, simplify planning decisions for employees and employers by requiring the Secretary of the Treasury to announce cost of living adjustments by June 1 of each year, allow taxpayers opening an HSA during the year to contribute an amount up to the full annual limit, allow an employer to make higher contributions for non-highly compensated employees, and allow taxpayers to make a one-time distribution from an Individual Retirement Account to an HSA, so HSA funds are immediately available to meet family health needs. These are largely technical changes that will make HSAs more accessible to families and businesses, and more responsive to their health care needs.

Additionally, we should allow employers to transfer funds in existing Health Reimbursement Arrangement (HRAs) into HSAs (Section 3 of S. 3585). Employers that adopted HRAs would be more likely to offer health savings accounts if they were allowed a one-time opportunity to transfer individual HRA balances into HSAs. And allowing a one-time conversion opportunity would be quite valuable for employees because the balances currently in HRAs would become employee-owned funds to which they could contribute in the future and could keep as they change employment.

The impact of these proposals, and others like them, for those who are attempting to secure affordable health insurance would be considerable. With the possibility of tax legislation going forward this year, we hope that you will consider these and other reasonable measures that will provide technical improvements to health savings accounts and nurture the development of consumer driven health care.

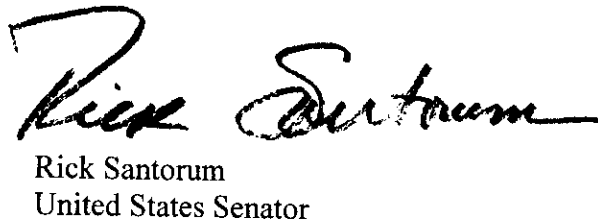
Sincerely,



John Ensign
United States Senator



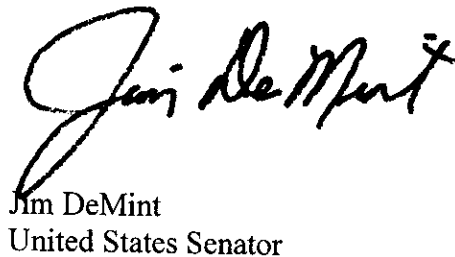
Orrin G. Hatch
United States Senator



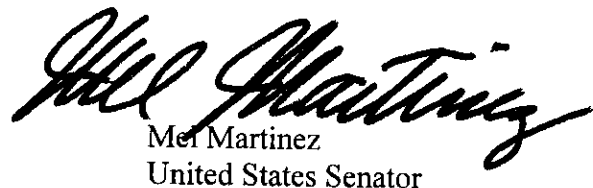
Rick Santorum
United States Senator



George Allen
United States Senator



Jim DeMint
United States Senator



Mel Martinez
United States Senator

Cc: Chairman Chuck Grassley