Committee on Ways and Means

FACT SHEET

H.R. 2596, the Health Savings and Affordability Act of 2003

- **Creates new, tax-preferred savings accounts for health expenses.**

- **Two types of accounts give accountholders ability to choose what's best for them.**

- **Health Savings Accounts (HSAs):** like original Thomas/Lipinski proposal (HR 2351), allows tax-deductible contributions of up to amount of the deductible on insurance with a deductible of at least $1,000/single coverage or $2,000 family coverage.
  - Employers can contribute.
  - Up to $500 in unused Flexible Spending Account (FSA) funds can be rolled over into an HSA.
  - Distributions used for qualified medical expenses, such as prescription drugs, long-term care insurance and services and medical services are tax-free.
  - No income-related eligibility requirements.

- **Health Savings Security Accounts (HSSAs):** can be used by both uninsured accountholders and those buying insurance with a lower deductible ($500/single coverage, $1,000 family coverage).
  - Family members can also make non-deductible contributions. Employers can contribute and $500 rollover of unused FSA balances is allowed.
  - Contribution levels begin to phase out at $75,000 for single coverage, $150,000 for family coverage.
  - Uses: same as HSAs, plus purchase of qualified insurance by those without coverage, retiree health for those over 65.

- **Account balances can be passed to a spouse.**

- **Both accounts are completely portable-accountholders are not locked in to an employer or government plan.**

- **40 million HSA and HSSA accounts will be created by the end of the decade.**

- **Estimated revenue effect: reduces taxes by $174 billion over coming decade.**