

## HSA proposal lacks basic common sense

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IN LOOKING at a health savings account proposal passed last week by the House Ways and Means Committee, it is clear that members need a lesson in basic math, to say nothing of common sense.

As we report on page 1, the committee approved tax legislation that includes a provision that would require HSA custodians, typically banks, to substantiate that claims paid from the accounts are health care-related. Ostensibly, the HSA provision is about raising revenue for the federal government. According to a Joint Committee on Taxation analysis, it would generate just more than \$300 million in tax revenue over the next 10 years.

Presumably, that would occur because the government—as part of the substantiation process—would receive information from HSA custodians about whether or not an HSA distribution was made to cover a health care expense. Under law, HSA distributions are tax-free if used to pay for health care expenses, while other distributions are taxed, with an additional 10% tax penalty imposed.

Obviously, Joint Committee staffers and Ways and Means Committee members who voted for the proposal believe that employees aren't reporting on their income tax forms distributions from their HSAs that are not for health care.

Certainly that is possible, but we wonder to what extent. After all, HSA-linked debit cards that employees receive to pay expenses typically are programmed so they can't be used to pay bills not related to health care. Additionally, it is clear to us that the Ways and Means Committee overlooked—deliberately or otherwise—the cost of the substantiation requirement.

Industry experts peg the cost at about \$3 per month per HSA account. With roughly 5 million HSAs now established, the cost—paid by employers and employees through higher charges that banks would impose—of this new requirement would come out to roughly \$180 million a year. That would be six times more than the government would collect each year in new revenue.

That doesn't make sense to us and it shouldn't to any member of Congress who takes the time to examine it. We hope this proposal dies a quick death.

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