

# Strengthen and Expand Consumer-Directed Healthcare Options:



## SUPPORT THE RESPONSIBLE ADDITIONS AND INCREASES TO SUSTAIN EMPLOYEE HEALTH BENEFITS ACT

The American Association of Orthodontists (AAO) supports a healthcare system that gives consumers greater control of their healthcare decisions and spending through tools such as flexible spending accounts (FSAs) and health savings accounts (HSAs).

Offered by nearly 90 percent of employers and used by roughly 35 million Americans, FSAs allow employees to set aside pretax dollars to pay for valuable healthcare services and items that are not covered by insurance - including vision and dental services, doctor copayments, prescription drugs, and medical supplies.

However, current law restricts the utility of FSAs by placing an unnecessary and artificial cap of \$3,200 on annual employer contributions. Compounded with the "use-it-or-lose-it" rule, which requires employees to surrender unused funds at the end of the calendar year to their employer, families are unable to actively plan for major expenses that exceed annual contributions.<sup>1</sup>

Elements of the RAISE Act passed the House in the summer of 2018, and we encourage the 118th Congress to finish the job and empower consumers to take greater control of their personal healthcare decisions.

## Three Challenges Limit Consumer Benefits from FSAs:



1

### **The current \$3,200 cap is an artificial limit and too low compared to healthcare needs of most families and consumers.**

- The current cap does not accurately reflect the substantial healthcare costs a family may face on an annual basis. According to the 2018 Milliman Medical Index, the typical family of four with an average employer-sponsored health plan spends over \$4,700 in out-of-pocket costs. Moreover, more families are choosing high deductible plans in an effort to keep premiums affordable, leaving them exposed to increasing financial responsibilities before their coverage kicks in.

2

### **The current structure penalizes larger families by failing to take into account their increased health costs for additional dependents.**

- The current cap does not take into account the diversity of family size, and unfairly provides larger families less savings per person than smaller families.

3

### **The limited carryover prevents families from building meaningful savings to pay for predictable and larger, more critical healthcare needs.**

- Families may underfund accounts at the start of the year to avoid possible forfeiture later.
- According to a 2015 survey by WageWorks and Visa, fear of losing money at the end of the year is the number one reason why employees do not participate in FSAs. The same survey shows that FSA enrollees average a loss of \$170 unspent per year because the law prevents them from rolling over all unused funds to the next year.
- The carryover limitations encourage wasteful spending at the end of the year instead of incentivizing savings that can accumulate until a family needs it the most.

1) In 2013, Internal Revenue Service (IRS) regulations relaxed the use-it-or-lose-it rule, enabling employers to permit employees to either: (1) roll over up to \$500 in unused funds to the next calendar year; or (2) use remaining funds from the previous year during a grace period of up to 2 months and 15 days in the following year.

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### The RAISE Act Improves FSAs for Every Family and Consumer.

*The bipartisan RAISE Act allows for better opportunities for all American families to responsibly save for health expenses.*



**The current \$3,200 cap is expanded to \$5,000, and the cap will be inflation-adjusted each year.**

- Families can use the accounts to save for and fund more expensive healthcare services and treatments as needed.



**The \$5,000 cap allows an additional annual \$500 per employee dependent after the first two dependents.**

- This allows families larger than the traditional family of four to better plan for their needs.
- Proportional funding allows families to assess their personalized and unique needs and utilize funds accordingly.



**The current grace period is extended to allow employees to carry forward any unused funds in perpetuity.**

- Families and consumers can use FSAs to build reserves that will help them handle major medical expenses in the future.
- Families can responsibly and efficiently budget savings according to their medical needs each year.
- Families can avoid forfeiting or wasting funds.



*The American Association of Orthodontists asks you to support reintroduction of the RAISE Act. This legislation would allow families to better manage rising healthcare costs, while also allowing them to save for future medical expenses.*

*To cosponsor the RAISE Act, please contact:*

Alexandra Campau at [acampau@cozen.com](mailto:acampau@cozen.com)

Kaitlyn Martin at [kmmartin@cozen.com](mailto:kmmartin@cozen.com)