



COUNCIL FOR AFFORDABLE HEALTH COVERAGE

June 5, 2025

Senate Majority Leader John Thune
United States Senate
511 Dirksen Senate Office Building
Washington, DC 20510

Majority Whip John Barrasso
United States Senate
307 Dirksen Senate Office Building
Washington, DC 20510

Chairman Tom Cotton
Senate Republican Conference
326 Russell Senate Office Building
Washington, DC 20510

Chairwoman Shelley Capito
Senate Republican Policy Committee
170 Russell Senate Office Building
Washington, DC 20510

Vice Chairman James Lankford
Senate Republican Conference
731 Hart Senate Office Building
Washington, DC 20510

Chairman Tim Scott
National Republican Senatorial Committee
104 Hart Senate Office
Washington, DC 20510

Dear Senate Majority Leader Thune, Majority Whip Barrasso, Conference Chair Cotton, Policy Committee Chair Capito, Conference Vice Chair Lankford, and NRSC Chair Scott:

The Council for Affordable Health Coverage (CAHC) supports efforts to expand options in the health care marketplace for employers of all sizes and their employees. We urge you to include the House-passed CHOICE Arrangement and Health Savings Account (HSA) expansion policies in the Senate reconciliation bill so that more Americans can access affordable health coverage.

Health care costs are escalating rapidly and rising faster than the economy and incomes. Over the past 20 years (2005-25), health costs increased 188 percent, while wages have increased 84 percent. This dynamic is creating an affordability gap as health costs eat up more of disposable income. In fact, by 2032 the typical American family is projected to spend nearly 40 percent of their income on health insurance premiums, crowding out spending for education, housing, and food. Increasingly, Americans borrow money to see a doctor, go to the pharmacy, or cover a hospitalization, partly because the average deductible for single coverage in employer-sponsored health plans increased 47 percent over the last 10 years.

HSAs help fill this gap. They are pro-patient and pro-consumer – they provide more resources to offset rising medical costs and out-of-pocket expenses. HSAs also fill in the gaps not paid by insurance, allowing users to see doctors or get drugs not covered by their health plan.

Unfortunately, HSAs and other account-based plans are not available to everyone – federal and state rules block many Americans from getting an HSA. This is why we support the House-passed policy reforms to change rules that prevent access to plans that lower costs for patients, including:

CHOICE Arrangements

The number of small businesses offering group health insurance has declined by 25 percent since 2010, mostly due to rising costs caused by high prices, uncompetitive markets, and government mandates. Currently, less than one third of small businesses offer any kind of health insurance to their workers. Small business owners still want to provide meaningful benefits that help their employees obtain health coverage and care at affordable rates as a means of both attracting top talent in a competitive labor market and helping to keep their employees healthy. An employer offer of a Health Reimbursement Arrangement (HRA) for the purchase of individual health coverage (IHC) helps to achieve these goals.

Individual Coverage Health Reimbursement Arrangements (ICHRAs) were created by regulation and are not explicitly spelled out in statute. ICHRAs allow employers to provide employees with a monthly tax free allowance to purchase individual health coverage or to buy medical care. The bill codifies ICHRAs in statute as a "CHOICE Arrangement" to provide certainty to employers and their employees that this option will not be taken away by regulators. The bill also provides a temporary, two-year credit to small employers with 50 or fewer employees. The credit is up to \$100/month in the first year, and \$50/month in the second year per employee enrolled in a CHOICE arrangement. The bill also allows small businesses to provide employees with a choice between a traditional group plan and a CHOICE arrangement. These reforms provide extra help for workers, while creating a lower cost option for small businesses.

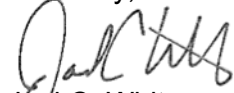
Expansion of Health Savings Accounts

HSAs have not been significantly updated since their creation in law in 2003. The House-passed bill would expand eligibility for HSAs while also making them more valuable to consumers. CAHC supports all the House passed provisions, especially the following improvements:

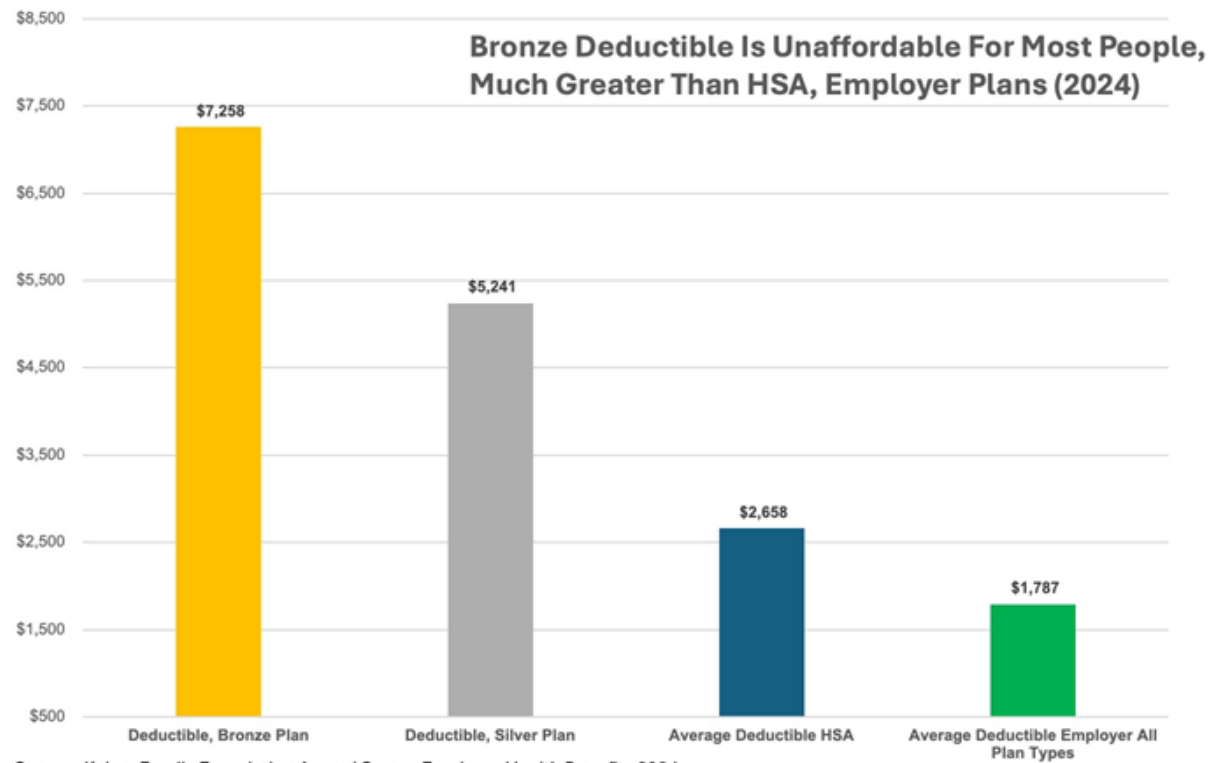
- *Medicare:* The bill allows older Americans to continue to fund HSAs after Medicare enrollment, which should reduce Medicare costs.
- *ACA:* Considering the lack of HSA options in Obamacare exchanges and the expensive deductibles in catastrophic and Bronze plans, the house-passed bill deems Bronze and catastrophic plans HSA-eligible. The Senate should expand this to Silver plans considering the average Silver deductible is twice as much as the average HSA plan.
- *Direct Primary Care (DPC) Arrangements:* IRS rules prevent people from using HSAs to pay for DPC arrangements and prevent those with a DPC from contributing to their DPC because they treat DPC as health insurance not a paid service. This means HSA funds cannot be used to support better access to primary care services, whether in person or virtually. The bill allows people to use HSA funds up to \$150/month to pay for access enhancing DPC arrangements.
- *Employers:* The bill allows HSAs to be used at on-site work clinics. This allows people to conveniently access primary care without having to go to more expensive care sites.

The One Big Beautiful Bill Act is a once-in-a-generation opportunity to dramatically address the burden of rising health care costs. We urge you to include and improve upon the House passed provisions and pass this important legislation.

Sincerely,



Joel C. White
President



Source: Kaiser Family Foundation Annual Survey Employer Health Benefits 2024



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