



**Representative Michael E. Henne**  
Ohio House District 40

**Representative Stephen A. Huffman**  
Ohio House District 80

HB 301 – Sponsor Testimony

Chairman Hackett, Vice Chair LaTourette and Ranking Member Bischoff, thank you for the opportunity to present sponsor testimony on HB 301, the Health Savings Account Bill.

If you talk to virtually any business about the challenges they face operating a profitable business, they will almost always list health care costs as one of their top concerns. This has forced them to explore different options. One of these options which many of them have chosen is a Health Savings Account (HSA) and it is time for the state to take the same hard look at better controlling their healthcare costs.

HSAs have become popular because they have benefits for the employee as well as the employer. In simple terms, an HSA is a high deductible insurance plan accompanied by a savings account which can be used to pay for out of pocket medical expenses. The high deductible plans have lower premiums (typically 20-25% lower) so employers, as well as employees who pay a percentage of the health insurance premiums, save money. The amount contributed to the HSA is tax deductible so the employee saves FICA, Federal and State Income taxes on the amount they pay for their out of pocket expenses. In addition, since the money in the savings account is the employee's money that is used to pay for the out of pocket expenses, the employee can become a much better buyer of healthcare.

HB 301 would require the State of Ohio to offer an HSA plan to their employees. In addition, 80% of the premium savings would be deposited into the employee's HSA account. The state would save premium dollars as well as the employees who choose the HSA plan. It is another option for the state's employees, and this can benefit both the state and the employee.

Many have said they already have an HSA when in fact they have a Flexible Spending Account (FSA). HSAs are different than FSAs and these differences can be very valuable. What are the differences?

1. An HSA must be associated with a high deductible health care plan, but the plan can still have office or prescription co-pays. An FSA can be set up by an employer with any healthcare plan.
2. FSA, employer owns the account and at the end of the year any money left in the account is lost by the employee. (Exception, \$500 can be carried over to the first quarter of the following year.) In an HSA, the employee owns the account and any money left at the end of the year stays in the account and can be used for future bills or is treated similar to an IRA and can be accessed at age 69.

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With the FSA, the employee must guess what the unreimbursed expenses will be for the year and withhold that amount from their paycheck, and it cannot be adjusted. If they guess too little, they do not get to pay those expenses with tax free dollars. If they guess too high, they risk losing their money, negating the benefit of the account. It's been reported 40% of employees lose money left in the account at the end of the year and 20% lose \$500 or more. With the HSA, it doesn't really matter if the employee guesses too high or too low. The account is owned by the employee and the amount withheld can be adjusted throughout the year.

3. FSAs are associated with the employer and are not mobile. With an HSA, if you leave your employment the money follows you and can be used for future out of pocket expenses.

4. Contributions are capped at \$2,500 for a medical FSA or \$5,000 for one used for dependent care. For an HSA, the cap is \$3,350 for an individual and \$6,650 for a family.

5. HSA funds can be invested and grow. Both the distributions and the growth are tax-free. FSA funds do not grow but the distributions are tax-free.

6. FSA funds can only be used for qualified expenses while HSA funds can be used for non-qualified expenses but will lose the tax benefit and will have to pay a 20% penalty.

I had an HSA previously before joining the legislature and looked for that option when I reviewed the state's benefits but was surprised to see the state did not even offer an HSA plan, especially since we are talking about the taxpayers' money. HB 301 only requires the state to offer an HSA qualified plan and contribute 80% of the savings into a HSA savings account. It does not require any employee to choose this option. An HSA may not be right for every employee but if someone is not a big user of healthcare or is a smart buyer of healthcare, with an HSA they can now share in the savings as they help control healthcare costs.

Thank you for this opportunity to present HB 301. Rep Huffman and I would be glad to answer your questions.

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