



November 25, 2025

Senate Committee on Finance
Attn. Editorial and Document Section
Rm. SD-219
Dirksen Senate Office Bldg.
Washington, DC 20510-6200

Via email: Statementsfortherecord@finance.senate.gov

Re: [Full Committee Hearing on The Rising Cost of Health Care: Considering Meaningful Solutions for all Americans](#)

Dear Chairman Crapo, Ranking Member Wyden, and Members of the Senate Committee on Finance:

The American Academy of Actuaries’¹ Individual and Small Group Markets Committee (Committee) appreciates the opportunity to submit this statement for the record for the Senate Committee on Finance’s November 19th hearing, “[The Rising Cost of Health Care: Considering Meaningful Solutions for all Americans](#).” This statement focuses on account-based plans for health insurance and identifies several key questions that the Committee on Finance should consider when evaluating the potential solutions under discussion. These questions can be segmented into the following categories: how account-based plans interact with existing subsidies and coverage provisions; the determination and distribution of account contributions; eligibility; the use of account funds; plan design and choice considerations; and income, tax, and benefit implications.

Although the Committee takes no position on whether account-based approaches should be adopted, understanding their potential effects is important to evaluating the broader implications for affordability and market stability. The impact of any account-based approach would depend heavily on program design. Factors such as the relative size of the government contribution, the types of plans the funds may be used to purchase (as applicable), and an individual’s expected health care needs, would influence how outcomes compare with current law. For example, the relationship between account funding levels and premium and deductible differences across plan types could affect consumers differently, depending on their expected use of health care services. This is particularly true if unused account funds roll over to the following year.

¹ The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

Once additional parameters are defined, a thorough actuarial analysis would be necessary to assess the impacts on the individual market and the health care system in its entirety. A significant change to market rules may impact household affordability, enrollment, and individual market risk pools.

Account-based mechanisms may increase consumer purchasing flexibility or help offset routine expenses, but without certain guardrails consumers may inadvertently find themselves without protection against catastrophic health care costs. Policymakers should carefully consider how such approaches might affect affordability, coverage stability, and financial protection for consumers.

Other questions that should be considered include:

Interaction with Existing Subsidies and Coverage Provisions

- How would the account contributions interact with existing individual market subsidies?
- Would the accounts replace premium tax credits (PTCs) entirely, or only the enhanced portion of the PTCs?
- Would the accounts replace cost-sharing reductions (CSRs), or would CSRs remain available to qualifying enrollees?
- How would eligibility for accounts and subsidy levels be coordinated with the existing PTC structure?
- If account contributions replace PTCs or CSRs, in whole or in part, would enrollees have the option to select between the original subsidy structure and the account contributions?

Determination and Distribution of Account Contributions

- How would an individual's government-funded account contribution be calculated?
- Would contributions vary by benchmark premium, as PTCs do?
 - If not, would they vary by age or federal poverty level (FPL)?
- Would contributions require annual appropriations, or would they be funded automatically under mandatory spending rules, similar to PTCs?

Eligibility

- Would account contributions be limited to individuals currently eligible for enhanced PTCs, or would they be extended to others?
- Would individuals need to be enrolled in a marketplace plan, and if so, would the plan need to be health savings account (HSA)-qualified?
- Would all marketplace plans need to be HSA-qualified?

Use of Account Funds

- Could account funds be used toward premiums?
 - If so, would usage be limited to marketplace coverage, or could funds be applied to alternative coverage, such as underwritten products (e.g., short-term limited duration plans) or direct primary care arrangements?
- Would there be use restrictions (e.g., medical expenses only, limited by date of service)?
- Could account funds be carried over from year to year?

- Could consumers add to these accounts, and if so, would contributions be subject to contribution caps? Would the government contribution count toward any cap?
- Could funds be invested (like HSA accounts)?

Plan Design and Choice Considerations

- How would the account contribution compare to the change in deductible if an enrollee moved from a silver plan to a bronze or catastrophic plan?
- How might the availability of account contributions interact with CSR eligibility in influencing plan choice across metal tiers?

Implementation and Operational Considerations

- If implemented in or for Plan Year 2026, how would the transition be operationalized?
- Would the open enrollment period for Plan Year 2026 be extended? Would a special enrollment period (SEP) be established?
- Would consumers be allowed to change plans after the account contributions are enacted or funded?
- Would account funds be usable for expenses incurred before the funding date?

Income, Tax, and Benefit Implications

- Would government contributions count as income for tax purposes?
- Would any individual contributions (if permitted) be excluded from income for tax purposes?
- Would distributions from the account have any specific tax implications?
- Could contributions or distributions affect eligibility for income-based programs, such as CSRs, Basic Health Plans, or Medicaid?

The Committee appreciates the opportunity to raise these questions and highlight key considerations as you explore potential changes to the structure of health insurance subsidies. We stand ready to provide additional actuarial input or technical expertise as legislative proposals are further developed.

For additional background and related analyses, please visit the American Academy of Actuaries' [Health Insurance Market Dynamics](#) resource page. If you have any questions or would like to discuss these issues, please contact Cori Uccello, senior health fellow (uccello@actuary.org), or Matthew Williams, health policy project manager (williams@actuary.org).

Sincerely,

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