

June 12, 2006

The Honorable Arnold Schwarzenegger
Governor, State of California
State Capitol
Sacramento, California 95814

Dear Governor Schwarzenegger:

eHealthInsurance, headquartered in Mountain View, California and the nation's leading online source of health insurance for individuals, families and small businesses, notes that the federal government has enacted legislation establishing Health Savings Accounts (HSAs) and urges your support for conforming state law to federal law for the benefit of Californians who choose to contribute to HSAs.

According to data released by eHealthInsurance in May 2006, HSAs are purchased by consumers at all income levels, in fact, 45% earned \$50,000 a year or less. These are working class people who would benefit from a state income tax deduction.

HSAs allow consumers to pay for current qualified medical expenses and save for future qualified medical and retiree health expenses on a tax-free basis. Funds in the account that are unused at the end of the year can be rolled over from year to year, and the funds that are in the account are invested and can earn tax-free interest. By law, the HSA must be combined with a high-deductible health plan (HDHP).

Increasing numbers of small businesses are interested in offering their employees an affordable way to pay for health care coverage. However, California is one of five states that do not offer federal conformity for HSA contributions, which means that even though the federal income portion of a California consumer's HSA contribution is tax deductible, the state does not offer the same deduction on income contributions. As a result, Californians do not currently receive the 'above the line' state income tax benefit for employee contributions – or company contributions – to HSAs.

eHealthInsurance supports your leadership in including HSA tax conformity in your budget revision to benefit the thousands of California residents using HSAs.

Thank you for your consideration.

Sincerely
Gary Lauer
Chairman and Chief Executive Officer
eHealthInsurance