

ISSUE BRIEF:

HEALTH SAVINGS ACCOUNTS HARM PATIENTS' HEALTH; THE NPA FIGHTS FOR TRUE PATIENT-CENTERED HEALTH CARE



Patients today are paying for a larger and larger share of their health care; millions of Americans file for a medically-related bankruptcy yearly.¹ Health savings accounts make this situation even worse by shifting the financial burden onto everyday Americans and forcing those who use medical care to pay more when they need it most. These plans benefit influential insurers and payers, but patients who do not have high incomes or those with chronic health problems will find themselves with little financial protection. Furthermore, these plans discourage the use of preventive health care. This new burden on patients has been inappropriately marketed as “consumer-driven” health care. The NPA, in contrast, seeks to establish true patient-centered health care by resisting the move toward health savings accounts and prioritizing accessible, high quality health care for all people.

What are health savings accounts (HSAs)?

HSAs are individual, private medical-care savings accounts. Tax-deductible contributions are made by individuals, or employers may deposit pre-tax dollars into the accounts. By law, up to \$2,700 for individuals and \$5,450 for families may be deposited yearly in an HSA. Money in these accounts can only be used for health-related expenses, and an HSA must be combined with a catastrophic high-deductible insurance plan. Individuals pay out-of-pocket for health care costs that exceed the funds in their HSA, until they have reached the maximum out-of-pocket expenditures—up to \$5,250 for individuals and \$10,500 for families.²⁻⁴

How do HSAs undermine our current system?

Insurance provides two valuable benefits by spreading risk over a large pool of people. First, individuals with chronic illnesses—diabetes, seizure disorders, some cancers, heart disease, asthma, etc.—face high health care costs. Only by spreading the cost over many people can treatment for these diseases be afforded. The second purpose is to provide assistance when unforeseen events occur. No one knows when he or she might be hit by a car, suffer a stroke, or have a premature infant who develops cerebral palsy. Spreading risk over many individuals allows us to handle these unexpected events without being bankrupted.

HSAs remove individuals from the risk pool by setting up private accounts where more of each person's costs and health risks are carried by that person. Even though HSAs must be coupled with a catastrophic care plan, patients are required to pay more for their medical care than before. Individuals with chronic illnesses and those who face unexpectedly high health care costs are hit especially hard. The money in their HSAs is quickly depleted and they face high out-of-pocket costs on a yearly basis. This further weakens the community network on which society rests.

WHAT DOES THIS MEAN FOR WORKING AMERICANS?

Beth's company has just switched from comprehensive health insurance to HSAs. Beth's husband, Dave, works part-time and his job does not offer health insurance. They have a four year old child, Billy. Her husband takes two medications for his high blood pressure, and sees his doctor 2-3 times per year. Billy has asthma, which requires two inhalers, frequent trips to his physician, and 1-2 visits to the emergency room per year. When Beth gets pregnant they realize that they will easily use up the rest of the funds in their HSA—both this year, and next year when they have a new infant. Suddenly, they face thousands of dollars in costs, right when they most need extra money.

Who benefits from HSAs?

While those with chronic illnesses and unexpectedly high health care costs suffer with a move to HSAs, some people do benefit. First, HSAs act as a tax shelter for the wealthy, who are able to deposit money and use it, tax-free, years later. Employers can also benefit from shifting more costs onto their employees. Banking and investment firms earn higher profits from HSA's high administrative fees and from holding the money deposited in the HSAs. In short, those in society who least need help and assistance are those who do best with HSAs.

What are other problems with HSAs?

Use of preventive services is discouraged. Individuals cut back on beneficial care when they are required to pay out-of-pocket. One recent study found that 35% of individuals in HSAs delayed or avoided health services, compared to just 17% in traditional plans⁵; other studies have found lower use of preventive services.⁶ The NPA believes that the use of such services needs to be encouraged rather than discouraged.

No impact on health care costs. The majority of health care costs in the United States are due to a small number of individuals. Recent estimates are that 20% of the population

uses 80% of the health care resources. Though HSAs would likely make these people pay more for their health care, it is unlikely to discourage their use of care or significantly impact costs. Once people reach their out-of-pocket maximum or limit, the plan must pay for all of their care. We need to look at ways to make sure that health care dollars are spent rationally, but attempting to do so by discouraging patients from necessary care is not the right way.

What type of system should we have in place?

The NPA strongly supports a patient-centered health care system. Such a system would combine a number of elements, best laid out by the Institute of Medicine.⁷ These include: universal and continuous coverage, affordability (for both patients and their families, and for society), and access to high-quality care that is effective, efficient, safe, timely and equitable.

Health savings accounts do nothing to advance these goals and worsen our current system. The NPA is committed towards fighting for a comprehensive universal health care system, where all of society works together to get everyone the health care they need.

References

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⁷ *Insuring America's Health: Principles and Recommendations*: Institute of Medicine; 2004.



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