

SIX REASONS TO BE WARY OF HIGH-DEDUCTIBLE HSA PLANS

1 High-deductible policies may not lead to economical choices by health care consumers. Proponents of high-deductible HSA plans assume that people in high-deductible health plans will do more research and make more cost-effective decisions about their care, but this is not necessarily true.

- Most consumers make health care decisions based on the advice of their physicians and the input of family and friends, rather than cost. If you are diagnosed with a serious illness, are you going to seek the treatment that is most cost-efficient or the treatment that is best for your health?
- According to the Government Accountability Office (GAO), “Few participants reported researching cost before obtaining health care services.” (Research on prescription drugs may be an exception, because the cost benefit of buying generics is widely known.)
- When it comes to expensive emergency care, it is simply ludicrous to think that consumers are going to shop around. When you are having a heart attack, is your first stop your home computer or the nearest hospital?

2 High-deductible policies encourage “sickness care,” not “health care.”

- High-deductible plans encourage people to skimp on primary care, and putting off care can lead to more serious and costly health problems.
- This moves the incentives for good health care in precisely the wrong direction.

3 HSAs and high-deductible plans will not control health care costs. Proponents argue that if consumers have “*skin in the game*,” they will purchase health care more prudently and economically—that is, they’ll shop more carefully for bargains. The result would be large cost savings. However...

- The vast majority of costs—95 percent—are incurred *after* the deductible has been met and there is no longer any incentive to keep down costs.
- Some 70 percent of all health care costs are attributable to a mere 10 percent of Americans. These Americans are seriously ill and unlikely to have the time or energy to shop around for care.

4 The linkage of tax-advantaged programs (like HSAs) to high-deductible policies is extremely regressive. HSAs and high-deductible plans are touted as providing health care savings and choice for all Americans, but the tax benefits associated with these plans disproportionately benefit the wealthy.

- HSAs and high-deductible plans disproportionately help the rich for 3 reasons: 1) the rich are much more able to afford high deductibles; 2) the rich have more discretionary income to place in HSAs; and 3) the rich are in higher tax brackets, so they receive a bigger deduction for each dollar they contribute to an HSA.
- In 2004, the GAO found that only 18 percent of all tax filers under 65 years of age reported an HSA contribution, but 51 percent of tax filers with incomes of \$75,000 or more reported such a contribution.

5 High-deductible policies will not help to solve the biggest problem—the growing number of Americans without health insurance. Proponents claim that high-deductible policies, with their lower premiums, will make health coverage more affordable for the uninsured. This argument is very misleading.

- Yes, high-deductible policies will reduce *premiums*, but they **will not reduce the costs** uninsured people will bear before they can obtain the first dollar of insurance coverage.
- The Kaiser Family Foundation found that the average cost of premiums + deductibles in high-deductible policies exceeds the average cost of premiums + deductibles in traditional plans.
- Scarce federal dollars should not be used to provide HSA tax breaks for the wealthy, but should instead be used to finance the State Children's Health Insurance Program, Medicaid, and other programs that provide a health care safety net for uninsured Americans.

6 High-deductible policies will further fragment insurance markets, hurting those who need health care the most.

- HSAs and high-deductible policies attract wealthy individuals, particularly those in good health.
- As healthy individuals migrate into high-deductible policies, less-healthy people will be left in traditional insurance pools. Costs for traditional insurance will rise and premiums will skyrocket for people who need health care the most.