

From the K Street Corridor; Market Solutions

## **New Push for Health Savings Accounts**

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Proponents of free-market health care -- and of health care savings accounts, in particular -- will soon have a new resource to advance their cause. The National Center for Policy Analysis, a Dallas-based conservative think tank, is partnering with the World Health Care Congress, an annual gathering of top executives and government officials from the health care field, to create a working group aimed at ensuring the success of the health savings accounts.

Even as proponents work to achieve greater tax advantages for HSAs, President Bush's tax reform commission this week recommended eliminating tax-free HSA contributions. It's not that commission members want to dampen enthusiasm for HSAs, but adopting such a recommendation could have that effect, said Michael F. Cannon, director of health policy studies at the libertarian Cato Institute.

Although most Democrats have resisted HSAs, conservatives and some moderates see them and other "consumer-driven" health care approaches as playing a major role in helping to reduce both skyrocketing medical costs and the growing ranks of the uninsured -- now nearing 46 million Americans. Consumer-driven health care solutions emphasize giving people more choice in tailoring insurance and health plans that suit their needs, and in deciding how to spend their health care dollars.

"A majority of people in health care believe that consumer-driven health care has the potential to change the whole health care system," said John Goodman, president of NCPA and one of the people instrumental in developing the medical savings account concept.

Since 2002, when the IRS issued regulations encouraging health savings accounts, almost 4 million Americans have signed up. The idea of HSAs is to allow individuals to set up tax-sheltered savings accounts to pay for medical services -- rather than using basic health insurance.

Employers and individuals both can contribute to the accounts; for an individual who spends all of the money in the account in a given year, an accompanying high-deductible catastrophic health insurance plan kicks in. Proponents say that health care spending declines when people are in charge of paying their medical expenses from their own accounts.

The new working group will meet every few months, bringing together prominent academicians, employers, policy makers, and health care industry representatives to recommend policy changes and carry out research that supports HSAs and other market-driven health care approaches.

Already, the group has attracted some big names, including Allan Hubbard, economic adviser to President Bush; Jack Rowe, CEO of major health insurer Aetna; and **Regina Herzlinger**, an economics professor at Harvard Business School. Representatives from large companies, such as BellSouth, Fidelity Investments, Pfizer, and Wendy's International, will also participate.

The new group wants to save HSAs from the fate of their predecessors, medical savings accounts, Goodman says. Conservatives say the medical accounts failed because restrictive federal rules made them hard to use and stifled innovation.

The Medicare Modernization Act of 2003 advanced health savings accounts by increasing their tax advantages. Under the law, individuals and their employers can put a total of \$2,600 (\$5,150 for a family) in pre-tax dollars into HSAs. Contributions to and withdrawals from the accounts are untaxed.

But Goodman, who is inviting only HSA enthusiasts to the new working group, says that further legislative changes are needed. "I think that the most important changes we need are to make these accounts more suitable for the chronically ill. That's where we spend most of the money."

The new group, scheduled to meet for the first time on November 10, is drawn mostly from outside the Beltway and is designed to offer Bush administration policy makers information from the field about what is working, what is not, and why. Indeed, the group will be fashioned after the Jackson Hole Group, an informal gathering of academics, health care providers, employers, and insurance executives that created the so-called "managed-competition" model on which President Clinton's failed health reform proposals were based in the early 1990s.

Paul Ellwood, a Minnesota physician and an early HMO advocate, began convening the Jackson Hole Group, at his ski condo in Wyoming, in the early 1970s to prompt participants to think beyond the scope of their own responsibilities. After about a decade, the group's ideas gained credibility, and Cabinet members, governors, senators, and health executives joined in.

Eventually, the group produced the managed-competition idea to strengthen consumer power

and choice by creating insurance-buying groups for individuals and small employers. President Clinton borrowed from that approach, although he added more government control. Little has changed in American health care since the early 1990s, and Goodman argues that although health savings accounts hold significant promise, think tanks and other groups that drive policy aren't paying enough attention to the idea. "Think tanks are not thinking very much about it. Those in the market are paying attention, but they're coming from different angles. The drug people have their concerns, the hospital people have their concerns, employers and doctors have other concerns. We think that you don't get problems solved unless you can hear from all parties affected by these changes."  
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