THE WALL STREET JOURNAL.
Congress Got Something Right!
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1070 words
7 December 2005
The Wall Street Journal
A18
English

Pam Wimbish is a celebrity of sorts. A couple of years ago, the speaker of the House featured her at a press conference. She even scored an invite to the White House on her birthday. Ms. Wimbish purchased her way to fame, quite literally. She was the first person in America to buy a new type of **health** insurance -- the **health** savings account (HSA). The second anniversary of the legislation that created the HSA, the Medicare Modernization Act of 2003, falls tomorrow, so it's worth celebrating HSAs -- and considering what needs to be done to make them better.

HSAs allow people to purchase a relatively inexpensive, high-deductible insurance and deposit money into a tax-free account. Thus, they combine real insurance (i.e., coverage for high and unpredictable costs) with contributions to a savings account that can be used to pay for smaller **health** expenses and rolled over from year to year. HSAs are a significant departure from the last four decades of **health** reform, which have been dominated by paternalist programs like Medicare, Medicaid and managed care. HSAs seek to give Americans more control of their own **health** care. Of course, insurance executives and employers are hardly known for their eagerness to embrace change, especially change this sweeping. Yet, despite its youth, the HSA enjoys a significant birthday:

-- In March 2005, America's **Health** Insurance Plans, a trade group, released a survey of its membership showing that enrollment in HSAs had doubled over the previous six months, and exceeded a million Americans. About half are in the individual insurance market.

-- In a survey, Blue Cross found high levels of satisfaction among HSA holders: 65% would recommend the plan to a friend.

-- More and more insurance companies offer the plans. Blue Cross Blue Shield promises HSA products in 49 states by 2006. Even Kaiser Permanente -- the company that invented managed care -- now markets HSAs.

-- Large employers are increasingly looking at the option. A Mercer study found that 5% of employers with over 500 employees and 22% of companies with over 20,000 employees were offering these **consumer**-driven plans in 2005. Next year, 11% of all employers will offer such plans, including Wal-Mart.

When Congress passed the HSA-enabling legislation, many foresaw disaster, claiming that the insurance was for the healthy and the wealthy and would do little to help those without coverage. But early data suggest otherwise. An online insurance brokerage, eHealthInsurance, reports that nearly half of its HSA customers earn less than $50,000 a year. A full 70% pay under $100 a month for the coverage. A third were previously uninsured (perhaps not surprising given the insurance's low cost). Assurant **Health**, a large insurer, notes that many new HSA purchasers are over 40, often with chronic **health** problems.

Let's be clear: There have been plenty of growing pains. In California, legislators have yet to pass amendments to current law that would allow individuals to deduct HSA contributions. In New York, Massachusetts and a handful of other over-regulated states, HSA products are absent from the individual insurance market.

But HSAs are quietly gaining popularity. Perhaps most importantly, they are changing the way Americans think about their **health** care; empowered with **health** dollars, people are becoming more cost conscious. As a result, many insurance companies aren't just selling HSAs -- they're offering companion services, like information Web sites. At the Cigna site, members can estimate annual costs, compare drug prices and access comparisons of hospitals (showing quality ratings for certain procedures, as well as cost and length of stay). Others offer "**health** coaches," so that a **health** professional can help patients navigate **health** care's choppy waters.

HSAs are a major step in the right direction, helping to introduce competition and innovation into **health** care. Yet for this to be fully achieved, millions need to sign up. Congress can help: Allow individuals to deduct from their taxes the premiums of high-deductible insurance when purchasing an HSA. Not only would this be fair -- it corrects the historic bias toward employer-based insurance -- it would make HSAs even more attractive.

Still, for individuals seeking insurance in high-regulation states, HSAs will remain unavailable. This is unfortunate, given that more and more Americans are seeking coverage outside the workplace. Hopefully, state legislators will take note, and action -- but over the last dozen years, Albany and other capitals have moved in the opposite direction, increasing regulation and undermining choice of insurance companies.

A remedy is readily available: Congress should pass Rep. John Shadegg's **Health** Care Choice Act, which would allow out-of-state purchase of **health** insurance. Modeled after interstate banking laws, this legislation would create a national market for **health** insurance. Critics suggest that consumers would be stripped of basic protection since local regulations could be circumvented. But that simply isn't the case. Nothing would stop a New Yorker from buying a New York policy; there simply would be the option of going out-of-state as well. Governments can also take a leadership role in popularizing HSAs by making them available to public employees. Despite the dire financial condition of most public plans, only the federal government and Arkansas offer HSAs. Imagine the impact on the marketplace if hundreds of thousands of state employees had them.

Finally, the legislation itself could be fine-tuned. Built into recent Medicare legislation as a last-minute compromise to win the support of conservative Republicans, the HSA structure is too restrictive: The law demands high-deductible insurance for all employees; shouldn't those with chronic illnesses be treated differently? Is the idea of one level of deductible sound? After all, a diabetic requiring hospitalization has different needs than a young man with no medical issues. And even better than loosening restrictions to allow flexibility in deductibles within plans and among subscribers, why not get the government out of the business of micromanaging **health** insurance altogether? Allow individuals and companies to allocate a certain amount, pre-tax, into **health** care, to be used for premiums or **health** accounts -- or both. Insurance companies will then design products with different mixes of **health** accounts and insurance.

Americans have cause to celebrate the first two years of HSAs. But with these steps, the third anniversary could be even bigger.

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Document J000000020051207e1c700024