

Healthcare Facts



Health Savings Accounts

Created by the Bush Administration's 2003 Medicare drug law. Individuals and families with high-deductible health insurance plans (minimum \$1,000 for an individual or \$2,000 for a family) are eligible to open a HSA. The theory is you use the HSA to pay routine medical expenses and buy the high deductible plan to cover larger expenses. Individuals and employers can contribute funds tax-free to the HSA which can be spent only on approved medical expenses.

Top 10 Problems with HSAs

1. HSAs do not control costs. They shift costs from the insurers to the patient. They also have no or minimal impact on the 10% of the population that account for 69% of healthcare spending.
2. HSAs do nothing to increase access or reduce the number of uninsured.
3. HSAs are combined with limited, high deductible health plans, exposing consumers to high out-of-pocket costs which leads to rationing based on ability to pay.
4. HSAs encourage consumers to gamble with their health. Those experiencing an illness or injury may suddenly find their high deductible plan which may also include caps on payments for services subjects them to massive debt and financial ruin.
5. HSAs discourage prevention. Patients are more likely to forego primary and preventive care, and to delay other needed care. That can lead to worsened health outcomes, as well as more expensive healthcare costs.
6. HSAs increase administrative costs, such as the servicing fees paid to the financial institutions to manage the accounts — beyond the 30% share of administrative costs already consumed by private health care for billing, other paperwork, and profits.
7. HSAs deplete funds from the insurance risk pool. While the poor and sick quickly deplete any HSA funds, the rich and healthy retain their unspent money which would have previously gone into the pool to help subsidize care for the sick. The dollars removed from the system will likely need to be replaced by increasing premiums, additional other fees or cutting benefits for those still in.
8. Many consumers with HSAs are dissatisfied. A June, 2005 study by the pro-HSA McKinsey consulting firm found 56% of those with HSAs were less satisfied than with their previous health plans.
9. HSA rules about what they can cover and what expenses apply to the deductible are so complicated that Bruce Bodaken, CEO of Blue Cross and Blue Shield of California, said he can't understand his own plan.
10. HSAs amount to another tax break for the wealthy who have already been showered with tax breaks by the Bush Administration. The right to pay medical expenses with pre-tax income is worth a lot more to high-income individuals than to low income people who lack the ability to place the maximum permitted amount in their savings accounts.



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