

# **Perspectives on HSAs**

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# **Huge Success to Date**

- HSAs alone
  - Rapid growth – now 3 million Americans in HSAs alone
  - 1/3 previously uninsured
  - Lower cost trends
  - People changing behavior
  - At least \$1.5 billion in HSA accounts (ICDC)
  - “HSAs preferred over HRAs” (Buck Consultants)
  - “Strong Growth of HSA-based Plans Leads Large Banks to Get in Game” (Fidelity)
  - WellPoint to expand offerings in 2007
  - Kaiser Permanente offering HSAs

# **Huge Success to Date**

- Projections (Financial Research Corp.)
  - 11.7 million in HDHPs by 2010
  - 8.2 million HSA accounts by 2010
  - \$48 Billion in HSA Assets in 2010
- HSAs coming to public programs
  - Medicare (demo coming in 2007)
  - Medicaid (health opportunity accounts)
- HRAs growing fast too

# **The Glass Half Empty**

- “Consumers, HSAs Don’t Mix” (upcoming federally-funded study)
  - Modern Healthcare
- “Health Savings Accounts Are Not Likely to Stem Rising Health Care Spending”
  - Health Affairs/Commonwealth Fund
- “HSAs Won’t Work for Workers”
  - AFL-CIO
- “HSAs: Missing the Target”
  - Families USA
- Number of uninsured Americans rises to highest level – 46.6 million Americans
  - Census data

# **How to Broaden the Appeal**

- President's proposals
  - Tax fairness
  - Increase contribution limits
  - Address comparability issues (chronically ill)
  - More flexible plan designs (S. Africa vs. US models)
- Do we need to make HSAs work better for employers?
  - HRAs vs. HSAs
  - Rx drugs
  - Coordination with FSAs and HRAs

# **How to Broaden the Appeal**

- Breakthroughs needed, primarily with large groups
  - Unions
  - State and local government
  - School districts
  - Community hospitals
- Increase Portability
  - POTUS proposal
  - Shadegg proposal
  - Further tax code changes necessary

# **How to Broaden the Appeal**

- Greater transparency needed so consumers can become better shoppers
- Repeal the tax exclusion?
  - Will probably never happen
- Other approaches
  - Cogan-Hubbard-Kessler
  - Cap exclusion?
    - Partially achieved through POTUS proposals

# Challenges

- Message
  - Need to move beyond acronymic terminology
  - Simplify concepts for consumers
- Need to convince consumers that owning and controlling their own health care is a good thing
- Consumer-driven care should have bipartisan support, but it doesn't
  - Democrats have been scarce since 1992



# **Challenges**

- Risks
  - 2006 elections
  - 2008 elections
- Keep focus on larger prize
  - Viable private market for health care
  - Minimize differences on how to get there
  - Growing need to move entitlement programs to private market

# **Where Opponents Want to Go**

- More government involvement
  - Lower Medicare eligibility age for early retirees
  - Expand “disabled”
  - Expand Medicaid to middle class and high risk individuals
  - Back-end subsidies to employers (Kerry)
  - Expand FEHB for small businesses
- Their message is simpler = “someone else will take care of you”

# **Inflation-Adjusted Numbers for 2007**

NOTE: These numbers are best guestimates

- Minimum deductible
  - \$1,100 self-only      -- \$2,200 family
- Out-of-pocket limit
  - \$5,500 self-only      -- \$11,000 family
- Maximum contribution
  - \$2,850 self-only      -- \$5,650 family
- Catch-up contribution
  - \$800