

## **Health Savings Accounts - A Primer**

Health Savings Accounts (HSAs) are a tax-preferred financial vehicle by which Americans can save for future health care expenses. While HSAs help individuals pay for health insurance coverage, they are not insurance in the sense of providing comprehensive coverage to all citizens and residents. Healthcare reform proposals from both HHS Secretary Tom Price and House Speaker Paul Ryan (R-WI) expand the usage of HSAs; some state Medicaid programs have also required certain recipients to use HSA-like accounts in order to receive benefits. There is continued speculation that healthcare reform proposals will include and expand the adoption and implementation of HSAs.

### **When Did Health Savings Accounts Come About?**

- The concept of the HSA began to take shape in the mid-1980s among a number of think tanks and policy groups and caught the attention of Congress in the early 1990s.
- President George W. Bush signed the Medicare Prescription Drug, Improvement, and Modernization Act on December 8, 2003, authorizing the creation and implementation of HSAs.
- HSAs have steadily gained popularity as a method of both paying for health expenses and as an investment vehicle since being signed into law – almost 20 million Americans were enrolled in HSA-eligible health plans in January 2015.

### **What Are Health Savings Accounts and What Do They Do?**

- HSAs are trusts set up by a certified HSA trustee into which individuals or employers can make tax-exempt contributions in order to pay for qualified medical expenses; funds deposited into an HSA can be used at any time to pay for a qualified medical expense.
- In order to qualify for an HSA, an individual must be insured under a high deductible health plan (HDHP) which is defined as having a minimum annual deductible of \$1,300 for an individual and maximum annual deductible and other out-of-pocket expenses of \$6,550 for an individual.
- Employers who offer HDHPs linked to HSAs often make a contribution to their employees' accounts on their behalf in order to offset some amount of the deductible.

### **How Do Health Savings Accounts Figure Into Republican Healthcare Reform Plans?**

- Republicans have championed the idea of HSAs for years; as noted above, they were signed into law by Republican President George W. Bush in 2003.
- HHS Secretary Tom Price's healthcare reform plan would distribute a \$1,000 refundable tax credit to HSA enrollees, expand HSA eligibility to more individuals, increase the annual contribution limit, and create high-risk pools for individuals with complex health needs. House Speaker Paul Ryan's (R-WI) healthcare reform plan relies heavily on HSAs, expands eligibility for their use, and increases the annual contribution limit.

### **What Are the Downsides of Using a Health Savings Account?**

- Opponents of HSAs note that the high deductible leads many HSA enrollees to forgo valuable preventative care while individuals with chronic conditions often delay care; many HSAs enrollees often face confusion over what services are or are not covered under the deductible.
- The benefits of HSAs being tax exempt are not typically realized by low-income individuals who do not generally have the spare resources to contribute to the HSA in the first place.
- The use of HSAs discourages an emphasis on primary care and preventative services, as individuals are less likely to seek out these services due to the high deductible; this in turn makes care coordination more difficult and makes individuals less likely to receive services such as reproductive healthcare and mental health services.

### **What Are the Benefits of Using a Health Savings Account?**

- Proponents of HSAs contend that the high deductible required with HSA coverage gives an incentive to limit seeking excessive in the game and discourages them from seeking out excessive medical care.
- Proponents also note that they give the consumer more of an incentive to compare price and quality for healthcare, which ultimately would have the effect of lowering healthcare prices based on market dynamics.
- Contributions to HSAs are tax-exempt, which means that contributions and withdrawals for healthcare expenses are not taxed; this effectively increases the purchasing power of the consumer with respect to HSAs.

The American Nurses Association advocates for a healthcare system that provides the following: universal access to a standard package of essential health benefits for all citizens and residents; utilization of primary, community-based and preventative services while supporting the cost-effective use of innovative, technology-driven, acute, hospital-based services; the economical use of health care services with support for those who do not have the means to share in costs; and a sufficient supply of a skilled workforce dedicated to providing high quality health care services. **While the ANA supports cost-sharing, consumer transparency, and the economic use of healthcare resources, we believe that the costs associated with the widespread use of HSAs outweigh the benefits and that the American healthcare system should aim to provide affordable access to healthcare for all.**