Written by **Bob Adelmann** on July 6, 2012

ObamaCare Putting Squeeze on Health Savings Accounts

In anticipation that the Supreme Court might rule in favor of ObamaCare, Avik Roy wrote in *Forbes* magazine that Health Savings Plans (HSAs) would be negatively impacted and possibly forced out of existence.

HSAs were first allowed under law as part of President George W. Bush's prescription drug program passed in 2003. At the time it seemed a common sense answer to a sticky problem: over usage of health insurance benefits and the consequent rising costs to pay for that over usage.

Most of the health insurance offered by employers featured low-deductible, high-premium plans with some form of cost-sharing between employers and the covered employees. The premium for a family of four, for instance, might run $14,000 a year for insurance with a $200 deductible. The reason the premium was so high was because the plan covered nearly everything that could be crammed into the definition of "health care": regular checkups, coughs due to colds, elevated temperatures, minor scrapes, and so forth.

Plans with much higher deductibles, however, began to gain acceptance. That same family of four would have a premium of just $8,000 annually if their deductible were, say, $2,000 instead of $200. There were several obvious advantages: Aside from the $6,000 in annual savings in premiums, the plan rarely was used except for truly major medical expenses: serious illnesses, horrific accidents and the like. The deductible was paid by the family out-of-pocket, which meant that family was much more prudent about deciding if a doctor's visit was really necessary.

HSAs amplified the advantage by allowing employees to deposit some of that $6,000 savings into a plan with some tax benefits: Those deposits were "before-tax" and monies could be withdrawn from the plan, when needed, without incurring a tax penalty. It was like paying medical expenses on a pre-tax basis. Additionally, any amounts not used up in a year were allowed to accumulate tax-free, and could, upon retirement, be used for other purposes, with taxes levied the same as withdrawals from an IRA.

The only trouble with HSAs was that they were slow to catch on, and even after five years into the new law, only about half of those employees who had the option of creating their own HSA did so. This, of course, outraged those in government who know better what people should do with their money than the people who earned it. As Stanford economist Victor Fuchs put it, "The main effect of putting more [responsibility] onto the consumer is to reduce the social redistribution element of insurance."

Something had to be done.

Enter the Patient Protection and Affordable Care Act (PPACA), otherwise known as ObamaCare. Under the new mandates, ObamaCare makes HSAs much less attractive, not because they don't work, but because they don't qualify. As Roy wrote:

> Under our new health law, the government gets to decide these things on our behalf. Sections 1302

> and 1402 of the Affordable Care Act regulate insurance plans offered in the individual and small-group markets (i.e., the markets for insurance for those who buy it on their own, and for small companies with less than 100 employees).

Under the new rules, contributions made by employees to their own HSAs don't "qualify" to be counted when measuring the overall plan's effectiveness, as measured by "actuarial value." Roy Ramthun, an expert and proponent of HSAs, explained:

> This will make it much more difficult for high deductible plans to meet the minimum actuarial value standard of 60 percent. If they can't, these plans will either not be available, or these plans will have to raise their values by covering additional benefit expenses. This in turn means the premiums will have to be increased to cover the additional expenses, meaning HSA plans will not be as affordable as they are today.

Got that? In order to make health care more affordable to the masses, the new rules are making it more expensive. In speaking with *The New American*, Kevin McKechnie of the HSA Council said this "adjustment" in the rules isn't a conspiracy to force everyone onto the same egalitarian playing field dreamed of for years by politicians seeking equality in everything, by force, it's "just a happy coincidence." But the net effect is the same: The new rules are implementing the push toward a single-payer health care system, with the government being the single payer and everyone enjoying the same benefits at the expense of everyone else.

The problem isn't just adjusting the rules. The problem is that in the United States today, health insurance isn't really health insurance after all. It is nothing like auto insurance where the driver is covered for catastrophic events that he hopes never happen. It is nothing like fire insurance which covers an event that every homeowner hopes will never happen. This is true insurance: No one hopes they'll need it, but it they do, it's there.

As Thomas Szasz noted in *The Freeman*:

> What we call "health insurance" has little to do with health and nothing to do with insurance. We do not face a "health insurance crisis." We face the consequences of a set of economic and social problems rooted in a futile effort to make the distribution of health care…egalitarian…
>
> What we choose to call "health insurance" is, in fact, a cost-shifting masquerading as a system of insurance. We treat a public, statist political system of health care as if it were a system of private health insurance…
>
> [As a result] Americans now view their health insurance as an open-ended entitlement for reimbursement for virtually any expense that may be categorized as "health care," such as birth-control pills or Viagra.

And those who see through the sham, and want to take control of their own health care, and its related costs, through HSAs, now will find themselves unable to do so, all in the name of egalitarian health care.

Roy says there is a way out of this mess:

> The free-market approach to health care involves going in exactly the opposite direction: encouraging even more people to save money for their own health expenses using health savings accounts.
>
> It's when you pay for something directly that you are most likely to make sure that you're paying

for value.

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