

Health Savings Accounts in Georgia

Health Savings Accounts are intended to allow consumers to save for medical expenses on a tax free basis. To be eligible for an HSA, an individual must first be part of a high deductible health plan (HDHP). Once enrolled in the plan, partial credits are automatically made to an individual's HSA each month. The deductibles for the plan can be made out-of-pocket or can be paid from funds in the HSA and have minimums of \$1,100 for individuals and \$2,200 for families. The HDHP's also limit the amount of total out of pocket expenditures to \$5,500 for single coverage and \$11,000 for families.

The availability of HSA's under HDHP's claims to lower overall health care costs. The suggested savings come by making the consumers more conscientious of the use of their funds and by making health insurance more affordable for the uninsured by lowering health premiums. HSA's claim to give contributing individuals greater flexibility to choose how they use their health care benefits. Additionally, the funds in a HSA are portable and can grow tax-free with interest earnings each year.

HSA's do not address the cost of health care for low income individuals. Research by the Commonwealth Fund indicates that very few low-income individuals can afford a HSA plan if premiums exceed 5% of their income, which is often the case. In addition, should a health event occur, the high deductibles are not affordable for these individuals. Average premiums for HDHP's are equal to 6% of income for a 25 year-old man living at twice the FPL and approximately 20% of the income for a 60 year-old woman at the same income level. Current trends show that the uninsured are less likely to enroll in a HDHP than they are to enroll in a more comprehensive plan. In fact only 20% of enrollees in HDHP were previously uninsured, while 24% of enrollees in more comprehensive health plans were previously uninsured.

HDHP's/HSA's dissuade individuals from seeking care and add to their financial burdens. Individuals in HDHP's reported that they were more likely to delay or avoid needed care due to costs. Additionally, more than one half of individuals with HDHP's have deductibles that apply to all health care services. These individuals are

dissuaded from getting preventive services like a colonoscopy because of cost. Research shows that 75-80% of healthcare spending in Georgia is related to chronic illnesses and people suffering from these illnesses only receive 60% of all clinically related care. Identifying and preventing the illness early is a key component to driving down the cost of care for these individuals.

HSA's provide more financial incentive to the rich than the poor. Over half of the uninsured have no tax liability and no incentive to use an HSA. A family of four with an income of \$120,000 would accrue \$620 in tax savings by contributing \$2000 to a HSA, while a family of four earning \$20,000 would gain no tax savings benefit from an HSA. With little or no financial incentive, HSA's do not provide viable means for low income individuals to become insured.

HSA's threaten to increase the premiums of comprehensive health insurance through "adverse selection". The low premiums HDHP and the tax incentives of the HSA are more likely to attract healthy and wealthy individuals, who can benefit from the tax shelter with little risk of paying for the high deductibles. As these individuals move from comprehensive health plans to HDHP's, the risk in the comprehensive pool will increase, causing an increase in the rates.

HB 242 will cost the state 3.9 million in FY 2008, increasing to \$14.8 million in FY 2009, according to the Georgia and Budget Policy Institute. HB 242 proposes to exempt HDHP's from the 2.25% state tax. The money lost on tax incentives for HDHP's could be spent to insure between 7,000 individuals in 2008 and 25,000 in 2013 through the Medicaid program.

SOURCES: Kaiser Family Foundation:
<http://www.kff.org/uninsured/7568.cfm>;
Georgia Budget and Policy Institute: Analysis of HB 242, Updated Analysis of HSA's and CDHP's,
<http://www.gbpi.org/pubs-healthcare.htm>;
The Commonwealth Fund:
http://www.cmwf.org/publications/publications_show.htm?doc_id=430598, FamiliesUSA.org:
<http://www.familiesusa.org/issues/private-insurance/hsas/health-savings-accounts.html>

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