



KITCHEN TABLE ECONOMICS

Putting Patients in Charge: Medical Savings Accounts

As has been covered in previous Kitchen Table Economics editions, health insurance - whether provided by government or employers - is not really insurance. It covers too much and hides the prices we really pay. Hidden prices can unwittingly turn us into ignorant customers. Without the ability for consumer to pay close attention to costs, prices have skyrocketed and health coverage is too expensive for millions of Americans (or their employers.)

Government tax policies encourage the purchase of too much insurance that hides costs of care from patients. Government insurance programs - like Medicare and Medicaid - replicate this mistake. The new government health reform law does nothing to fix these underlying problems.

Employers can give a worker's family a \$16,000 health insurance policy, and the worker will not be taxed. But if that employer put \$16,000 into a worker's health savings account dedicated to health care spending, the worker would be taxed on a lot of it.

Getting rid of this tax bias would make it easier for employers to just give workers the money to buy their own health care. This would cause a lot of us to buy much less, lower cost insurance, so that we could keep the extra savings in our health savings accounts.

It would also allow us to have fully portable insurance, meaning no more changes of insurance every time we change jobs. Patients/workers could fully control their healthcare dollars.

Rather than buy insurance that covers everything, they could buy catastrophic insurance that covers only the big, expensive emergencies like cancers, serious injuries and hospitalizations. This kind of insurance would cost much less - perhaps even less than \$10,000 per family - leaving the rest to be spent on everyday medical expenses, and socked away in a savings account that grows each year.

If we all spend our own medical savings account dollars when we go to the doctor, have tests performed and undergo minor surgeries, we're going to become customers who care about what medicine costs. We'll shop around for the best deal on tests, office visits and procedures.

For low income Americans on Medicaid, a similar system could be worked out with Medicaid dollars going into personal health savings accounts.

With almost everything else we buy, price matters. But not so for medicine: The prices are so high because few of us ever know or worry about what we're paying. Medical savings accounts are one way to put that pricing power in the hands of patients who need the care, and help more of us afford it.