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Summary

By giving patients choice, responsibility and economic participation in all aspects of their care, Health Savings Accounts have the potential to revolutionize healthcare in Oregon for the public and private sectors and to reduce the cost of the Oregon Health Plan.

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Better, Cheaper Healthcare for Oregonians

by *Steve Buckstein*

As the last decade ended, healthcare spending by Oregon’s state and local governments was 57 percent higher than in demographically comparable states. This startling statistic, from Cascade’s just-released report, *How Does Oregon Government Spending Rank?* should energize policy makers to look for better, cheaper ways to deliver healthcare services to Oregonians.

Now, thanks to a provision in this year’s Medicare Modernization Act, a better, cheaper way is here. Health Savings Accounts (HSAs) are now available to all Americans not eligible for Medicare. HSAs allow individuals to purchase high-deductible policies and combine them with IRA-type savings accounts that grow tax-free. Paying routine healthcare costs from a savings account reduces the overall cost of healthcare by reducing the time and money healthcare providers must spend processing insurance paperwork. And only buying high-deductible insurance for catastrophic care greatly reduces the cost of insurance, allowing many people to afford it who otherwise couldn’t.

HSAs are similar to the old Medical Savings Accounts, but are much more flexible. Accounts can be funded by employers or individuals. For those on public assistance, they can be funded by the state. But, whoever funds them, Health Savings Accounts are owned by the individual, even when he changes jobs. Savings not spent on healthcare can be rolled over tax-free year after year. As the savings grow, they can be used for future healthcare needs, rolled over into a retirement account or used to purchase long-term care insurance.

HSAs will also make consumers more aware of the actual cost of health services, which will give people greater incentive to keep costs down by living healthier and seeking preventive care. They will also change the relationship between the patient and physician. It’s a good bet that professional fees and time spent in waiting rooms will both go down once consumers become doctors’ clients, as well as their patients. Consumers will also have greater access to nontraditional and experimental care not covered by most insurance plans.

Health Savings Accounts have the potential to revolutionize the healthcare market for three segments of Oregonians:

The private sector: High-deductible policies typically cost roughly half as much as an HMO, allowing many previously uninsured people to afford insurance and making many companies better able to provide health benefits to their employees. The Internal Revenue Service recently documented that about one third of HSA purchasers were previously uninsured.

The public sector: About 179,000 Oregonians work for some level of state or local government. Rising health insurance costs are increasingly a bone of contention in labor negotiations and in public debates.

A temporary increase in the Multnomah County income tax, for example, was approved by voters last year partly because they were promised that the Portland Public School District would get a handle on its employee healthcare costs. Those costs have since risen to \$930 a month per teacher. A new contract will reduce those costs for a while, but they are scheduled to rise above \$900 again before long.

All federal workers and their families will have several HSA plans to choose from next year. Shouldn't our state and local governments offer at least a few such options to their employees?

Reducing the cost of all Oregon state, local and school district workers' health insurance by just \$200 per month could save taxpayers \$400 million every year, while giving employees more control over their healthcare decisions.

The Oregon Health Plan: The Oregon Health Plan has clearly failed to control taxpayer-funded healthcare costs. Offering HSA-type options to Medicaid patients would allow these low-income Oregonians to have more control over an important aspect of their lives, while saving money for the taxpayers who pay for their care.

The HSA philosophy says patients should have choice, responsibility and economic participation in all aspects of their care. Individuals should determine their own needs, not the "system." HSAs represent a bottom-up world view, where patients come first.

Putting patients first could revolutionize the Oregon Health Plan. Health Savings Accounts can put patients first in Oregon's private and public sectors too. They truly can deliver better, cheaper healthcare for millions of Oregonians.

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