

# HEALTH CARE NEWS

## HSA-Based Reform Proposed as Post-ObamaCare Option

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A Michigan physician, Dr. Roger Beauchamp, has offered a comprehensive plan to reform the nation's health care payment system based on knowledge acquired over more than fifty years of practical experience. He is offering the reform as an alternative if Congress decides to repeal ObamaCare.

With assistance from **Devon Herrick** of the Dallas, Texas-based **National Center for Policy Analysis**, Beauchamp has developed the “180-Degree Approach to Health Care Benefits Reform,” which he says will control rising health care costs across the nation and help save Medicare from its expected bankruptcy.

### **Would Restore, Expand HSAs**

Herrick says the 180-degree approach would widen the use of health savings accounts (HSAs) across the nation. It would involve instituting a \$10,000 tax exemption for health care costs on both payroll taxes and income taxes for those who purchase their health insurance individually or obtain it through their employer. The tax exemption would be capped at \$10,000.

The amount of foregone FICA and payroll tax on the \$10,000 would be directly deposited into each individual's HSA, amounting to \$1530.00 for an individual or \$3060.00 for a married couple to use solely on their health care.

Kathryn Nix, a researcher at the Heritage Foundation in Washington, DC, notes Obama's law dramatically restricts HSAs both in terms of what the funds can be used for and in the tax penalty for withdrawing funds.

“The new law restricts the types of health products you can purchase with your HSA money, and it doubles to a whopping 20 percent the tax penalty for withdrawing HSA funds to cover nonmedical expenses,” Nix said.

### **Lowering Bureaucratic Control**

Beauchamp says giving these popular accounts a primary role in a post-Obamacare world would empower consumers and lower bureaucratic control over personal medical decisions.

“Seventy years ago, health insurance was individually owned and portable. Then the social planners and bureaucrats gave special tax treatment to employer-provided health care, and said it

would lower overall costs,” Beauchamp said. “However, granting bureaucrats greater control over health care resulted in health care spending going from 4.7 percent of our GDP to 17 percent today. My approach would reverse that.”

### **Rescuing Medicare**

The 180-degree approach would also save the nation from the impending fiscal explosion of Medicare, Beauchamp says. According to U.S. Treasury Secretary Tim Geithner, the Medicare fund is projected to become insolvent in 2017.

“By allowing all Americans to accumulate over their lifetimes more money that is completely tax-free to be used for their health care, we make them less dependent on Medicare when the time comes to retire,” Beauchamp said.

“By allowing married couples to dedicate up to \$20,000 each year, completely untaxed, for their HSA, and for single people \$10,000, we would allow them to accumulate up to \$250,000.00 per individual or \$500,000.00 per couple,” he explained. “Barring a catastrophic event, that is money Medicare will not have to spend on them when they reach their sixties.”

### **Cutting Third-Party Payment**

Beauchamp says his solution will also improve the financial position of U.S. businesses and establish fairness for the first time between people who buy health care individually and those who get it from a company plan.

“By requiring that the tax code treat both people who purchase their health insurance individually or receive it from their company the same, the principle of fairness is maintained,” Beauchamp said. “It is essentially a no-tax approach for earned dollars one dedicates for their health care needs.”

Of every dollar spent on health insurance, only a little over 70 percent actually gets spent for patient care, Beauchamp notes.

“The 180-degree approach dramatically increases the number of dollars directly under the control of the citizen who earned the money,” Beauchamp said. “The single biggest contributor to [the] high cost [of health care] is third-party payment for routine services. The most cost-effective manner to receive those services is direct payment—and this does it.”