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## EYE ON WASHINGTON

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### the State of the Union speech and health care

Health care was not a high-profile topic in President Bush's State of the Union address. Nonetheless, the president has significant plans for the nation's healthcare system.

This year, the president's State of the Union speech was heavily focused on two areas: national security and defense-related issues, and strategies to make the United States more competitive. If you weren't following closely, you might not have paid much attention to the president's comments about health care. But what he said, though brief, was important.

The basic theme for health care was the need to confront rising costs, strengthen the physician/patient relationship, and help people afford coverage. This theme—particularly the focus on affordability—fit within the larger message to keep America competitive, as did three issues that the president mentioned specifically: electronic health records and health IT, health savings accounts, and medical liability reform. Although EHRs and health IT are often discussed as ways to improve patient safety and reduce medical errors, and medical liability has become as much an access issue as it is a cost issue, all three issues have one thing in common—they each involve strategies whose effect could be to make health care more affordable.

The president focused, in particular, on the importance of strengthening HSAs for individuals and small businesses. Given the substantial

growth in HSAs since their introduction in 2004, the president stressed that individuals and small businesses need to acquire the means to purchase these accounts on the same or similar terms as big business. He also underscored the importance of providing portability for HSAs, an issue that has received far less attention than other health issues raised in this speech.

#### The Details—A Look Behind the Scenes

As is often the case in State of the Union speeches, specific policies designed to implement the president's statements were described in white papers issued on the day of the speech by the White House Office of Communications rather than included in the speech itself. Although the themes and general policy positions towards health care were consistent with past statements by the White House, some important new proposals have also been included. How seriously Congress ultimately will treat these proposals in an election year remains to be seen.

**Expanding HSAs.** The president has proposed to make the premiums used to purchase high-deductible health plans that are compatible with HSAs deductible from income tax if purchased by individuals outside the workplace. An income tax credit would also be provided to offset payroll taxes paid on these premiums. This combined deduction and credit would "level the playing field" for those who don't have access to employer-sponsored health plans and the subsidy that goes along with such plans, thereby

correcting what has long been regarded as a particularly inequitable aspect of the current reliance on employer-sponsored insurance. HSA advocates believe that these changes would make HSAs much more attractive to persons without employer-sponsored insurance, including early retirees who do not have retiree health benefits.

The president also proposed that individuals and their employers should be allowed to make contributions to HSAs that would cover the cost of all out-of-pocket expenses and not just the deductible, as is the case under current law. This proposal also is aimed at ensuring that expenditures made out-of-pocket receive the same kind of treatment as those currently covered by insurance.

**Making health insurance portable.** One problem with employer-sponsored insurance that has been particularly vexing to a mobile labor force is that changing jobs essentially guarantees a disruption in health insurance coverage. Recognizing that employer-sponsored insurance will remain the dominant form of insurance in the near future for the under-65 population, President Bush has proposed to mitigate this problem by allowing employers to offer portable HSAs that workers would own and take with them when they change jobs. Employers would be able to contribute to these HSAs no matter where they were purchased. Moreover, the premiums would be tax-free to employees, and they could not be increased when an employee changes jobs or leaves the labor force—regardless of the employee's health status.

The president also supports legislation that allows the purchase of health insurance across state lines. This strategy is designed to allow for more choice among plans and to enable consumers to circumvent regulatory barriers that increase costs.

**Making health care more transparent.** HSAs and high-deductible health plans encourage people to be more concerned about the costs of health care and more interested in participating in decisions involving their use of healthcare services.

Empowering consumers also requires ensuring that they have easy access to good information on the price and quality of healthcare services. Insurance companies and providers are encouraged to make this type of information available to patients. The president has directed the administrator of the Centers for Medicare and Medicaid Services and the director of the Office of Personnel Management to take leadership roles in having their organizations make price and quality information available to their covered populations.

### Other Proposals

Most of the other proposals discussed in the white papers have been presented previously by the Bush administration but have not as yet been enacted into law. These proposals include:

- > Passing medical liability reform, which has been passed by the House but not by the Senate
- > Allowing small businesses to form association health plans to purchase health insurance
- > Expanding the use of health IT, with a focus on developing national health IT standards
- > Providing refundable tax credits of \$3,000 to help low-income families buy HSA-compatible policies and contribute up to \$1,000 to their accounts
- > Providing \$500 million per year to encourage states to test innovative methods for covering chronically ill individuals
- > Allowing employers to make higher contributions to the HSAs of chronically ill employees

### Make Haste—Wisely and Steadily

The challenges facing the U.S. healthcare system are great, and the price of inaction costly in years to come. With his State of the Union address, President Bush has outlined a vision for the future of the nation's health care, and a clear call to action. It is now up to the nation's congressional leaders to come together and decide how best to act. ●

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