

**Statement of Sen. Orrin G. Hatch
Chairman of the Subcommittee on Health Care,
Senate Finance Committee
Introductory Statement for Hearing on
“Health Savings Accounts: The Experience So Far”**

September 26, 2006

I strongly believe that government should encourage—rather than stand in the way of—individual responsibility for critical decisions involving one’s livelihood and economic choices. This freedom of opportunity is a core commitment of American democracy, and has led to a quality of life that our forebears may have anticipated, but would nonetheless have a difficult time comprehending. Facilitating these opportunities is usually preferable to an unwieldy, top-down government solution. The federal government does not always have the right answer or the appropriate solution for everyone, and all of us can admit that often times, the federal government’s solutions are inflexible and unyielding.

That is the beauty of health care savings accounts, or HSAs. HSAs give individuals the ability to take responsibility for their health care needs. Who knows best – the federal government or the person needing the care? I believe the answer is fairly obvious.

I know that some are uncomfortable with the HSA approach but I believe that today’s hearing will help answer many of the valid questions surrounding the details of HSAs.

Both our Subcommittee Ranking Minority Member, Senator Rockefeller and I want to take the time to address this important issue and ask relevant questions regarding HSAs. Senator Rockefeller, it is always a pleasure to chair a hearing with you at my side.

Often times in the Senate, it is difficult even to agree on the existence of a problem. That is not the case when it comes to our nation’s health care system. Everybody in this institution understands the frustration of ordinary Americans, insured and uninsured, who have to navigate our health care system.

As is evident in the report released yesterday by the Citizens’ Health Care Working Group, which I worked on with my good friend and Finance Committee colleague Senator Ron Wyden, Americans want an improved health care delivery system, with better access for those who cannot afford care. They are tired of insurance that is too expensive, benefits that are too difficult to decipher, a bureaucracy that many times lacks a human touch, and a system that is too unresponsive for a mobile twenty-first century workforce.

The administration believes -- and a number of our congressional colleagues and I concur -- that Health Savings Accounts are a part of the answer. By combining lower premiums with higher deductibles, they have the potential to make health care costs more manageable for individuals and for employers.

The idea is easy to grasp.

When individuals are more responsible for their own health care decisions, they will make better and more cost-conscious health care decisions. When someone else is paying the whole bill, there is no incentive to monitor one's spending. No wonder that the yearly premiums for traditional, first-dollar coverage have exploded. By making health care more affordable, these plans will provide moderately priced insurance to those who are currently uninsured or underinsured and reduce the nation's health care expenditures as well.

That is the theory.

Today, we hope to hear how these plans work in practice.

One thing seems certain to me. HSAs are here to stay. Their growth has been remarkable. They were only created in 2003 through the Medicare Modernization Act. I served as member of that House-Senate conference committee and to this day believe that the creation of HSAs was probably one of the important aspects of that legislation.

By March 2005, one million individuals were covered under HSA-eligible plans. Only nine months later, that number had grown to 3.2 million. Not only are individuals and small businesses turning toward HSAs, but some of the giants of American industry and retail are as well.

These plans appear to be gaining in popularity. They are definitely growing. And I think it is incumbent upon us to take the task of improving them seriously.

For me, just picking up the paper in the last few weeks confirms their promise and shows the way forward.

The GAO has released its latest in a series of studies, demonstrating that both HSA-eligible plans and high premium plans cover similar services, including preventive services, and that for many people there are substantial savings associated with participation in these plans.

The decision by some companies to offer almost 300 generic prescription drugs at \$4 for a 30-day supply to those living in Tampa, Florida, is an important step in the right direction. Let us hope that this decision will be expanded to other parts of the country because it will have a significant impact for HSA participants who may have to pay for some prescription drugs out-of-pocket.

And yesterday's Wall Street Journal had two stories that provided a balanced vision of the future of consumer-driven health care.

The first was an account of one small-business' experience with HSAs. The bottom line is that the plan has been good for the bottom line—for both the employer and his employees. This story shows that we need to be careful to compare apples to apples in this debate.

For the employees at Russ Moore Transmission, the choice was no longer between paying more out-of-pocket with an HSA plan or sticking with the status quo of a low employee deductible and premiums paid for by the employer. Faced with a 29 percent premium increase to renew the traditional plan, employees were going to face out-of-pocket expenses one way or another. They could either accept the certain cost of increased premiums,

picking up this tab themselves to the tune of \$165 a family each month, or, they could switch to a low-premium, HSA plan where they would be responsible for a higher deductible

The company transitioned to HSAs, saving the employees from these premium increases and even contributing to their yearly deductible. The evidence suggests both that there have been cost savings, and that employees have become cost conscious. But this transition has not been without struggles. Taking charge of one's health care decisions can be a jolt, and just as challenging for these new consumers is the shortage of available pricing information.

But in a related story that same day, the Journal reported that WellPoint, the nation's largest health insurer, at the encouragement of General Motors, has established a pilot program for the Dayton, Ohio area. They have created an internet tool that will allow health care consumers to compare the itemized cost for 40 common procedures at Dayton-area hospitals.

As more individuals and businesses elect HSA-eligible plans, I do not doubt that private consumer pressure will correct some plan deficiencies on their own.

At the same time, I believe that Congress has an opportunity to improve HSAs for those already participating in them.

HSAs are still in their infancy. The evidence is starting to come in, however, and our excellent panel should help us to navigate through some of these critical issues.