

**Senate Finance Subcommittee Hearing**  
**“Health Savings Accounts: The Experience So Far”**  
**Written Statement of Senator John D. Rockefeller IV**  
**September 26, 2006**

Health insurance makes a substantial difference in the amount and kind of health care people are able to obtain. The consequences of not getting needed medical care are not trivial and can result in unnecessary hospitalizations and serious health problems, not to mention the effect it can have on a person’s or a family’s finances.

According to the Census Bureau, over 46 million Americans were uninsured in 2005, including 8.3 million children. Even more troubling, the number of uninsured children increased last year for the first time since 1998. The weak economy, unemployment and the increasing cost of health care all made it harder last year for American workers and their families to retain affordable, comprehensive health insurance coverage.

The growing uninsured problem in this country deserves immediate attention by Congress, if not this last week of session, then when we return. We should get started before the recess for the year. Unfortunately, I do not believe Health Savings Accounts (HSAs) are the answer, and I remain concerned that these tax-preferred accounts continue to be pushed by the Administration as a meaningful health insurance option.

We know that the majority of uninsured Americans are in working families with low to moderate incomes. Recent research indicates that 71 percent of the uninsured are in a 10 percent or lower income tax bracket and more than half (55%) of the uninsured have no income tax liability at all. This means they would benefit very little from health savings accounts. According to the GAO, the vast majority of people who purchase HSA policies are healthy, affluent workers – with an average adjusted gross income of \$133,000 in 2004. That’s not the average citizen from West Virginia, Utah, Iowa or Montana. These individuals are betting on not getting sick, and they are using their HSAs primarily as a tax shelter.

Furthermore, the use of HSAs could significantly undermine the employer-based insurance system on which most people (60 percent of workers) rely. As healthier and more affluent workers shift to HSAs, older and sicker workers will be left in traditional employer-sponsored policies. This type of adverse selection will drive up premiums for traditional employer-based coverage, further encouraging firms to provide less desirable coverage or to drop health coverage altogether.

Indeed some research has even concluded that if the savings limits for HSAs were increased, they would also undermine employer provided *retirement* savings programs. This perverse incentive would be dangerous. As small business owners have the option of saving more money, tax preferred, in an HSA, they would have less incentive to provide 401(k) accounts to their employees. We need to do more to encourage small businesses to provide retirement and health care benefits.

Our experience with the Trade Adjustment Assistance Health Care Tax Credit is instructive regarding the limitations of trying to use the tax code to expand coverage. Even with a tax break, health insurance is still too expensive for many, if not most, people to purchase, and therefore the take-up rate on the Health Care Tax Credit has been very low. I believe that HSAs present the same problems. Many people will not be able to afford health insurance in the private market even if they receive some tax subsidy.

Finally, a note about the ability of HSAs to encourage consumer responsibility. Patients generally lack both the medical expertise and complete information about costs and quality that would be necessary to “comparison shop” as we are accustomed to doing for other goods or services. What patients are doing instead is cost avoidance. Many HSA enrollees are avoiding needed care because they cannot afford the high deductibles. And, anyone who knows anything about healthcare knows that this will lead to greater costs to our health care system down the road.

If the current purchasers of HSAs would not recommend these plans to people who have chronic conditions, have children, are on medication management, or cannot afford the high-deductible, then why should we with a strong tax advantage? These are the characteristics of most uninsured Americans. We must find a better solution to address this growing problem, one that helps the majority of the uninsured instead of a privileged few. I am eager to learn more about the experience so far; I think it tells us a lot about we should and shouldn't do.

I look forward to the testimony of all the witnesses here today. I thank the Chair.