What Is a Health Savings Account?

Leading GOP alternatives to the Affordable Care Act (ACA) rely on Health Savings Accounts (HSAs), which do little or nothing to help the uninsured afford coverage but offer high-income people lucrative tax-sheltering opportunities.

Under current law, people in a high-deductible health plan — meaning a deductible of at least $2,600 for a family, which applies to virtually all services except preventive care — may establish an HSA to save for out-of-pocket health expenses.

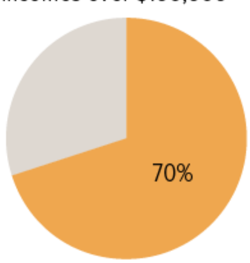
	Single	Family
Minimum deductible	$1,300	$2,600
Maximum out-of-pocket	$6,550	$13,100

For 2017, under current law

Uninsured receive little benefit. After paying premiums and paying up front for needed medical care prior to meeting the deductible, many low-income people won't have money left to put into an HSA. Even if they can contribute, their tax benefit is minimal: at least 90 percent of the uninsured before the ACA were in the 15 percent tax bracket or lower, so at most they would save 15 cents in taxes for each dollar put into an HSA.

High-income people get the biggest benefit. They are less likely to need a tax break to pay for insurance or health care, yet they receive the largest tax break for each dollar put into an HSA because they are in the highest tax bracket. Someone in the 35 percent bracket, for example, saves up to 35 cents in taxes for each dollar put into an HSA, can earn investment gains, and can withdraw the money tax-free.

70% of the total value of HSA contributions comes from households with incomes over $100,000



Comparing Health Plans

(Based on actual plans currently available in Virginia)

John Martinez

Age: 34

Marital status: married with one child

Annual income: $35,000 (10% tax bracket for married joint filers; 174% of the poverty line)

Pre-existing condition: Diabetes, requiring regular office visits estimated at $200 per visit, insulin, and other medical supplies. Without insurance, managing his diabetes would cost an average of $5,400 a year.

2017 Marketplace Plan	High-Deductible Plan with HSA
• Mr. Martinez enrolls in a silver plan with cost-sharing reductions. The plan has a $600 family deductible and caps total out-of-pocket spending at $4,700. • His plan covers many services, like doctor visits and prescriptions, without a deductible. For example, he only pays $15 per doctor visit.	• Mr. Martinez has a high-deductible plan with a $10,000 family deductible and an out-of-pocket cap of $13,100. • He pays the full cost of doctor visits — $200 per visit — and prescriptions until reaching the $10,000 deductible.
	Bottom line: Higher out-of-pocket costs
• Mr. Martinez's income qualifies him for cost-sharing reductions, which significantly cut his out-of-pocket costs.	• Even if Mr. Martinez can afford to put money in his HSA after covering his out-of-pocket expenses, he receives no more than a 10-cent tax deduction for every $1 he contributes.
	Bottom line: Little benefit for people with modest incomes
• Because of his plan's generous cost sharing, he typically spends around $1,280 each year to manage his diabetes.	• Mr. Martinez pays all $5,400 in diabetes-related costs out of pocket. If he never meets the $10,000 deductible, his plan pays none of his medical expenses, even though he paid monthly premiums plus other out-of-pocket spending.
	Bottom line: Challenges for people with significant health costs