


**HTNYS**


# Trustee Leader

*Information, policy developments, and educational opportunities for health care trustees*

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information  
and details  
on the latest  
HTNYS  
AudioConnect  
program  
on this topic.*

## “Consumer-Directed” Health Care: Health Savings Accounts

The emergence of “consumer-directed” health plans is redefining the health care marketplace. Health Savings Accounts (HSAs) are the latest and highest profile entry into this market. As envisioned by congressional champions of HSAs, the goal of consumer-directed plans is to empower consumers to take more responsibility for health care decision-making.

HANYS supports expanding health care coverage for all Americans. However, as consumer-directed plans begin to take hold, it is not yet clear if it is possible to achieve both cost savings and high satisfaction levels among consumers. Also uncertain is the fiscal impact these plans will have on providers.

According to recent reports, HSAs are gaining momentum in both the individual and small group health insurance markets. The Blue Cross Blue Shield Association said in November 2004 that its companies are expected to have HSA-compatible policies virtually nationwide by 2006. However, larger employers have been slower to adopt HSAs. One of the major concerns for employers, especially larger employers, is the HSA rule that allows employees to take the employer’s contribution with them when they retire or move to another job.

### What is a Health Savings Account?

An HSA is a tax-exempt trust or custodial account established to pay any qualified medical expenses of the account holder and his or her tax dependents. To contribute to an HSA, an individual must be covered by a high-deductible health plan (HDHP) and not be covered under any other type of health plan, with certain exceptions.

An HDHP is an insured or self-insured health plan with a minimum annual deductible of at least \$1,000 for single coverage or \$2,000 for family coverage. In addition, the maximum out-of-pocket limit under an HDHP cannot exceed \$5,100 for single coverage or \$10,200 for family coverage in 2005—amounts that are subject to annual cost-of-living adjustments. These minimums and maximums apply regardless of income.

Either an individual or his/her employer may contribute to an HSA. Up to \$2,600 per year for an individual or \$5,150 per family or the amount of the health plan’s deductible, whichever is lower, can be contributed in pre-tax monies. The money put into an HSA may roll over from year to year and may be invested. As such, HSAs are not subject to an annual “use it

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[www.htnys.org](http://www.htnys.org)

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or lose it” requirement. The HSA balances belong to the individuals and remain theirs if they switch jobs, become unemployed, or retire.

Distributions may be made from an HSA at any time. If they are used to pay qualified medical expenses, they are excluded from an individual’s gross income. Distributions not used to pay qualified medical expenses are subject to an additional 10% penalty tax.

## What are the Challenges?

While HSAs are starting to gain popularity, a number of their complex and somewhat opaque characteristics have raised concerns with both providers and consumers. These concerns include:

- **Restrictions on coverage:** Many HDHPs may exclude or restrict coverage for rehabilitation, prescription drugs, or other services and/or may limit the total amount paid. A patient recovering from a serious illness could end up with large out-of-pocket costs. If patients are unable to cover these costs, providers may not be compensated for the care they deliver.
- **Deferral of care:** HSA plan structure may create an incentive for patients to delay seeking care in order to build up or maintain savings. Such deferrals of care could result in poor health outcomes. Patients may put off or delay necessary health services, resulting in much sicker

patients with more complicated needs and ultimately leading to rising rather than decreasing health care costs.

- **Adverse selection:** Young, healthy consumers are more likely to choose HSAs. The traditional health insurance population would thereby become older and sicker, increasing the cost of traditional insurance for these patients as well as those with chronic health care problems.
- **Uncompensated care increases:** There can be a substantial gap between the level of an HSA and the HDHP deductible, exposing the insured to significant costs. If a consumer is unable to meet the high HSA deductible and pay for the services provided, providers will see their bad debt rise.

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## WHAT’S NEXT?

HANYS and its members are examining how HSAs will evolve. The implications of HSAs for health care providers remain unclear. In the meantime, HANYS is supporting the importance of including appropriate insurance coverage practices, provider protections, and responsible payment practices in the development of HSA products. It is critical that HSAs contain these characteristics to ensure continued health care coverage. HANYS is also encouraging stakeholders to discuss the viability of simplifying and streamlining the complex HSA and HDHP models.



HTNYS is pleased to announce an AudioConnect session where trustees and other health care leaders can learn more about the issues described in this *Trustee Leader*. Please join us for *Consumer-Directed Health Care: A Detour or a Panacea?* on January 17 from 1 to 2 p.m.

This dial-in conference call will feature a presentation by Jeffrey Gold, HANYS’ Vice President Managed Care and Special Counsel. He will discuss the trend toward consumer-directed health care and how it will potentially affect health care organizations.

**TO REGISTER,**  
please use the registration form in this newsletter, or go to [www.htnys.org](http://www.htnys.org).

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**FOR MORE INFORMATION ABOUT THIS TOPIC, CONTACT**

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## REGISTRATION FORM

AUDIOCONNECT SERIES PRESENTATION

*Consumer-Directed Health Care: A Detour or a Panacea?*

January 17, 2006 / 1 – 2 p.m.



NAME: \_\_\_\_\_ TITLE: \_\_\_\_\_

FACILITY: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

TELEPHONE: \_\_\_\_\_ FAX: \_\_\_\_\_

E-MAIL: \_\_\_\_\_

*There is no fee for this program.*

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Please return this form:

**BY FAX:** Billi Loomis, Meeting and Sponsorship Coordinator, at (518) 431-7812

**BY MAIL:** Billi Loomis, Healthcare Trustees of New York State  
One Empire Drive, Rensselaer, NY 12144

**BY E-MAIL:** Send an e-mail to bloomis@hanys.org with your name, facility, telephone number, and e-mail address. Please include the name of the program you wish to participate in: *Consumer-Directed Health Care: A Detour or a Panacea?*

After you register,  
HTNYS will send you an e-mail confirmation with the conference call details.

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