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# Congress of the United States

## U.S. House of Representatives

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### HSAs HAVE NOTHING TO DO WITH MEDICARE: JUST ANOTHER REPUBLICAN GIFT TO THE WEALTHY

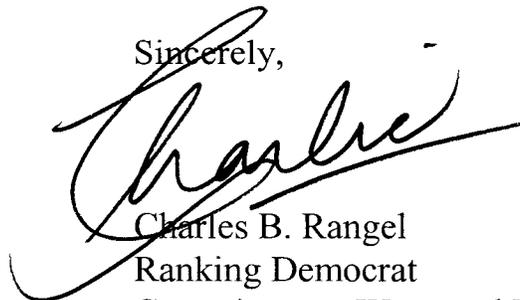
Dear Democratic Colleague:

The attached editorial from yesterday's *Washington Post* rightfully criticizes our Republican colleagues for proposing to include Health Savings Accounts (HSAs) in the Medicare Prescription Drug bill.

Experience shows that these accounts, which are coupled with high deductible health insurance policies, skim the wealthy and healthy from the general insurance market and significantly increase premium costs for everyone else. In other words, instead of expanding access to affordable health insurance, HSAs actually undermine current coverage.

Don't be fooled. It's simply another tax shelter for the rich. This time, however, it comes at the expense of Medicare beneficiaries and all other taxpayers. As if the accounts weren't bad enough, they will be paid for in this bill with revenue raised by dropping good retiree drug coverage. That's a raw deal if I've ever heard one. **HSAs should not be part of any Medicare bill.**

Sincerely,



Charles B. Rangel  
Ranking Democrat  
Committee on Ways and Means

# The Washington Post

AN INDEPENDENT NEWSPAPER

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## *Unnecessary Measures*

**G**IVEN THAT IT'S usually referred to as the "Medicare prescription drug bill," most people assume the main purpose of the large health care bill—now the focus of acrimonious House and Senate negotiations—is to add prescription drugs to the services provided by Medicare. Why, then, has House Speaker J. Dennis Hastert (R-Ill.) been quoted as saying that "one of the most important pieces" of this bill is a measure that has nothing to do with Medicare?

Mr. Hastert was referring to a measure to create "health savings accounts"—tax-free savings accounts for medical expenditures. These accounts are intended to be used by anyone, not just those eligible for Medicare. Originally, House members wanted the measure to provide \$163 billion worth of tax relief. Negotiations have whittled the measure to a mere \$6 billion, according to some, partly by making the accounts available only to people who use at least a portion of the money to purchase high-deductible health insurance policies—a proposal that makes the accounts attractive only to those in good health and those with spare cash to stash away. The reduction in funding may make what was already a dubious proposition even worse.

The principle behind the medical savings

accounts is a good one: Over time, this country should find a way to move from an employer-based health care system to one that allows people to carry health insurance from job to job. In practice, however, removing a small pool of what will be relatively wealthy and healthy people from the employer-based insurance groups will serve only to increase the price of health insurance for everyone else. Several studies have found that premiums for comprehensive insurance could more than double if the use of such accounts became widespread. Some in Congress, such as Sen. John Breaux (D-La.)—a longtime supporter of health care reform and a major influence on this bill—have voiced their dislike of the provision precisely on those grounds.

What Congress appears to be talking about—along with a gaggle of interest groups—is not a measure that would serve as a transition to a more sophisticated health care system but a particularly lucrative tax shelter for the rich; the medical savings accounts, in some versions of the legislation, would allow people to invest as well as withdraw money tax-free. This almost unprecedented double tax break sets a bad model. It can only be construed as another piece of congressional fiscal irresponsibility.