

COVID-19 Response: Helping the Uninsured



Nearly 40 million Americans have lost their jobs, and many their health insurance, as a result of the government's efforts to slow the spread of COVID-19. While most of these newly unemployed Americans have access to other sources of health benefits coverage, many of them (by one recent estimate, 5 million) lack such access. Meanwhile, generous unemployment insurance benefits have given many of these newly unemployed individuals strong incentives not to accept a new job, even if one is available, thus placing health coverage – already expensive – even further out of reach.

OVERVIEW

Some in Washington believe the best way to help newly uninsured Americans is to expand government programs like Medicare, Medicaid, or the Affordable Care Act. Others want to have taxpayers pay private insurance companies to cover this group via subsidies for so-called COBRA continuation coverage.

There's a better way. We can help these uninsured Americans with a simple but powerful reform: relax restrictions on tax-free Health Savings Accounts (HSAs) so families can buy the medical care or the insurance coverage that best meets their needs – at a significant financial discount.

CONGRESS SHOULD

- **Help People, Not Bureaucracies:** Any relief for those who have become uninsured as a result of government policies should be delivered directly to the affected families and not funneled through third parties like insurers or bureaucrats. Unemployed families know their situations best and can be trusted to provide for their own health care needs.
- **Help the Uninsured through Tax-Free Health Savings Accounts:** If Congress decides to help the involuntarily uninsured, it should do so by expanding the availability, usability, and contribution limits of tax-free Health Savings Accounts. (It could also create temporary “pandemic HSAs” to help families specifically affected by the pandemic.)
- **Understand the Power of HSAs:** An HSA is a unique and powerful savings tool that helps families pay their out-of-pocket medical expenses tax-free. HSA users enjoy the equivalent of a 15 to 40 percent discount each time they purchase a health care item or service, because all HSA contributions and health care-related withdrawals are exempt from federal income and payroll tax. HSAs give patients more choice and control and help slow the relentless growth of health care costs by transforming patients into shoppers.¹
- **Make HSAs More Flexible During the Crisis:** While these “pandemic” or “emergency” HSAs should be structured to closely resemble and largely operate under the same rules as regular HSAs, the accounts should also be more flexible than traditional HSAs: for example, owners should be free to use them to pay for diagnostic tests, personal protective equipment, telehealth services, concierge medicine (direct primary care), and health insurance premiums. Account owners should not be required to carry insurance, nor a particular kind of health plan.

- **Additionally, Make Coverage More Affordable:** Congress should move quickly to enact permanent reforms that make health care more affordable for everyone. At a minimum, lawmakers should strengthen and improve access to:
 1. **Short term health plans** (H.R.4811 by Rep. Biggs.). In some states, a short-term plan can cost up to 80 percent less than an “Affordable” Care Act plan.²
 2. **Health reimbursement arrangements** (H.R.5224 by Rep. Bishop of North Carolina). HRAs are a powerful tool that lets employees buy good private, portable health insurance using tax-free money from their employer.
 3. **Association health plans** (S.3610 by Sen. Paul, S.1170 by Sen. Enzi, H.R.2294 by Rep. Walberg). AHPs let individuals and businesses band together to buy affordable coverage at group rates.

CONGRESS SHOULD NOT

- **Subsidize employer-sponsored insurance via COBRA subsidies.** So-called COBRA subsidies, which allow workers to remain on their former employer’s plan, are extremely costly to families and taxpayers alike.
 1. **Cost to families.** Most employees take a pass on the COBRA continuation option because they must pay 102 percent of the premium cost themselves (full price plus a 2 percent administrative overhead charge). Employer-sponsored insurance premiums average \$600 a month for single coverage and \$1,700 a month for family coverage (= \$7,000 a year and \$20,000 a year, respectively).
 2. **Cost to taxpayers.** COBRA subsidies would cost taxpayers a staggering \$98 billion over just two years (2020 and 2021), according to a recent estimate by the congressional Joint Committee on Taxation (JCT).³
 3. **Loss of choice.** Importantly, COBRA subsidies go directly to insurance companies, needlessly restricting recipients’ choice and control.⁴
- **Expand government health programs, including Medicaid and the ACA.** Government health programs are marred by high taxpayer costs and substandard benefits, and unduly restrict access to doctors and nurses. Families who have lost access to coverage because of government decisions deserve better. They deserve the dignity that comes with the freedom to make their own choices.

1. HSAs slow the growth of health costs. See, for example: American Academy of Actuaries, “Emerging Data on Consumer-Driven Health Plans,” May 2009, https://www.actuary.org/sites/default/files/pdf/health/cdhp_may09.pdf, and Britt Trumbower and William West, “The HSA Effect: How Two School Districts Reversed Runaway Healthcare Costs,” Nov. 13, 2019, <https://www.hsatalk.com/blog/2019/11/13/the-hsa-effect-two-school-districts-reverse-runaway-healthcare-costs>.

2. Ehealthinsurance.com, “Short-term health plans cost 224 percent less than Obamacare plans per month,” Nov. 7, 2019, <https://www.ehealthinsurance.com/resources/individual-and-family/short-term-health-plans-cost-80-percent-less-obamacare-plans-per-month>.

3. Joint Committee on Taxation, “Estimated Budget Effects Of The Revenue Provisions Contained In H.R. 6800, The “Health And Economic Recovery Omnibus Emergency Solutions (‘HEROES’) Act,” As Passed By The House Of Representatives On May 15, 2020,” <https://www.jct.gov/publications.html?func=startdown&id=5261>.

4. Brian Blase, “Now Democrats Want Taxpayers to Subsidize Insurance Companies,” New York Post, May 2, 2020, <https://nypost.com/2020/05/02/now-democrats-want-taxpayers-to-subsidize-insurance-companies/>.