MSAs Are The Republicans' Best Issue

April 18, 1996 by Phyllis Schlafly

What are Republicans going to do about the top election-year issue, which is jobs, wages and income? Real (inflation- adjusted) weekly wages have dropped almost 5 percent since 1979.

Business spokesmen are trying to downplay this data by arguing that employee fringe benefits have risen from 17 percent of total compensation in 1955 to 40 percent in 1994. Total compensation equals take-home pay plus fringe benefits, of which health care is a large component.

Workers aren't buying this argument because, while the employer's cost to provide the health-care benefit has risen, the value of the health care benefit to the employee has declined. Whereas in 1979, the employee's health-care package allowed him to go to any doctor or hospital of his choice, now employees are being herded into HMOs where they are at the mercy of gatekeepers.

HMOs suffer from a built-in conflict of interest; the gatekeepers and the CEOs make more money if they deny your right to see a specialist. That's why opposition to the tactics of the HMOs, and to the windfall profits these tactics produce for CEOs and stockholders, is bubbling over, and an anti-managed care march is planned for Washington in May.

Congressional Republicans have a good answer to these problems, if they will only use it. It could put extra money in the pockets of workers whose real wages have declined, and it could ease the strain of downsizing by allowing them to take some of their benefits with them when they leave the company.

This solution is Medical Savings Accounts (MSAs), which most House Republicans campaigned on in 1994. The Congress passed Rep. Bill Archer's excellent MSA bill in the Balanced Budget Act, which Clinton vetoed; and then the House passed it again in its health care reform bill, now pending.

But President Clinton and the Washington press corps are trying to bamboozle the Dole-Gingrich Congress into passing the Kennedy- Kassebaum bill without MSAs, which would take us a long way into the Clintoncare system we thought we had buried in 1994.

Medical Savings Accounts are the best solution to all the problems connected with health care: the high

cost, preserving your right to choose your own doctor, portability, pre-existing conditions, job lock, uninsured Americans, gatekeepers, capitation, deductibles, co-payments, paperwork, long-term care, Medicare going bankrupt, and even the decline in real wages. Here is how MSAs would work.

For those who are in a company plan, the employer would buy you a high-deductible policy and pre-pay your deductible (up to $2,000 per year for singles and $4,000 for families) by putting it each year into your individual Medical Savings Account. You can use this ready cash for your medical costs with the doctors, hospitals and clinics you choose, and the high-deductible policy covers you for additional expenses.

You would own your own MSA (just as you now own your automobile insurance). That means you can take it with you when you change jobs, thus solving the problems of portability, pre-existing conditions, and job lock.

What if you are self-employed, a part-timer, or are not in an employer-paid health plan? In those cases, you can set up your MSA and your high-deductible policy with your own money.

The Archer bill would give MSAs pretty much the same tax- deductibility that is now enjoyed exclusively by company-paid plans. Our present system is unjust, unfair and intolerable because it grants tax-deductibility only to plans owned by employers, but not to plans that allow individual employees to own their own health insurance, control their own health care spending, or set up their own plan.

That is probably the most discriminatory feature of the entire federal legal system. The officers of big corporations enjoy gold-plated health insurance paid for with tax-deductible dollars, but the waitress, the part-timers and the self-employed can buy health insurance only with after-tax dollars (which means it costs double).

The sweetest part of MSAs is that whatever you don't spend will stay in your MSA and build up as a tax-free, interest-bearing savings account (only 11 percent of all insured individual Americans spend more than $2,000 a year on health care). That will bring down health care costs dramatically because MSAs will put consumer discipline into the marketplace and provide incentives to save.

Your MSA will grow as you or your employer puts in a new payment every year. MSAs will be available now and in the future for many medical expenses often not covered by company plans (such as eye glasses, dental care, or preventive care) or by Medicare (prescriptions and long-term care).

Congress should reject the Kennedy-Kassebaum bill, ignore the HMO lobbyists, and instead give workers the MSAs that the Republican majority in Congress promised.