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For Immediate Release

February 24, 2004

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BUSH'S PROPOSED TAX DEDUCTION FOR HIGH-DEDUCTIBLE HEALTH INSURANCE UNDERMINES COVERAGE, SQUANDERS \$25 BILLION

Washington, D.C. – A new report from the **Joint Economic Committee (JEC) Democrats** finds that the \$25 billion proposal in President Bush's FY 2005 budget to add a tax deduction for high-deductible health insurance premiums for taxpayers with health savings accounts (HSAs) and coverage in the non-group market will not help the uninsured and will undermine current insurance coverage. *(Full text of the report is available at <<http://jec.senate.gov/democrats/Documents/Reports/hsas24feb2004.pdf>>.)*

“This new tax deduction for health savings accounts is another tax shelter for the healthy and the wealthy who can afford the higher out-of-pocket expense and risks of high-deductible insurance,” said **Rep. Pete Stark** (D-CA), Senior Democrat on the JEC. “The President supports spending \$41 billion on HSAs and this new tax break for people who can already afford health insurance, but he has no serious plan for covering nearly 44 million uninsured Americans or helping working families afford the ever-rising cost of health insurance,” he added.

The report, *The President's Costly Tax Deduction for High-Deductible Health Insurance Offers Little to the Uninsured and Could Undermine Existing Coverage*, finds that the vast majority of families lacking health insurance would get little or nothing from the new tax deduction. High-income healthy families with HSAs can shelter more each year, but the new tax deduction for health insurance premiums is worthless to low-income families. Middle-income families may save at most 10 to 15 percent on their health insurance premiums.

“Working families aren't losing health insurance because it is only ten to fifteen percent too expensive for them, yet that's all the President's plan offers. This is not health reform. It's yet another tax break for people who don't need it at the expense of America's uninsured families,” said Rep. Stark.

Health savings accounts were a last minute addition to the Medicare Prescription Drug legislation passed last year. While seniors will need to wait until 2006 before they get prescription drug coverage, access to HSAs starts this year – though seniors are not even eligible to open an account. The real losers from HSAs are those with fewer resources or chronic and costly health conditions. Combined with the high-deductible insurance covered required to establish an account, HSAs have the potential to undermine traditional employer-provided coverage, drive up insurance deductibles, and raise out-of-pocket costs for working families.

The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.

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