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Opening Statement
Senator Jack Reed
Joint Economic Committee Hearing
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Thank you, Chairman Bennett. I want to thank the Chairman for holding today's hearing on the issue of "adverse selection" in health insurance markets. This is obviously an important issue given the amount of attention that has recently been given to high-deductible health plans, such as Health Savings Accounts (HSAs).

This hearing gets to the heart of the debate over HSAs, which is whether or not they will encourage healthy and wealthy people to opt for higher-deductible plans, while less healthy people are left in increasingly expensive traditional insurance plans. Unfortunately, illness affects everyone, regardless of age, race or economic status.

Since HSAs appeal to a healthier population with fewer health care costs, they could actually have negative consequences for less-healthy people seeking insurance. The clear danger is that HSAs will divide the insurance market between healthy and less healthy people, making the health care system even more inequitable than it is today as insurers adjust pricing to reflect the risk pools in each type of insurance.

If HSAs attract the healthiest people, those Americans with traditional insurance will face higher premiums and increased cost-sharing. Higher premiums will put tremendous pressure on companies to stop offering comprehensive, traditional insurance. Companies will either pass on the higher costs to employees, make them switch to an HSA or simply drop coverage. While proponents of HSAs argue that they offer consumers more choice, those may not be terribly attractive choices to many people.

President Bush has proposed spending \$41 billion on HSAs and high-deductible plans, which will at best extend health insurance to a tiny fraction of the 44 million who don't have coverage today. Clearly, this policy is not directed toward insuring the uninsured. It looks more like HSAs are another tax shelter for the wealthy – who have no trouble affording insurance or quality health care – rather than an innovative approach to expanding health care coverage.

I'm skeptical of the benefits of HSAs, which probably won't reduce costs or increase health coverage. Nevertheless, I hope today's hearing will shed some light on whether or not HSAs will make it easier for patients to get the care they need.

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