Medical Savings Accounts

by Earl P. Holt III

I've been healthy enough to go without health insurance for most of my adult life, so the details of how the federal government funds low-income healthcare have remained a mystery to me for decades. On the rare occasions when I've needed care, I've paid out of pocket, just as I do now at 73, so I've never charged a dime to ***Medicare***. Yet, it's clear that the sheer complexity of ***Medicaid*** and ***"ObamaCare"*** have militated against reform in past decades.

Serious people who study the subject of federal healthcare financing recognize that *ObamaCare* imposed an army of bean-counters and bureaucrats between patients and their physicians. This is a primary reason American healthcare became so unaffordable. Hence, serious reformers recognize that there are TWO KEYS to reducing health care costs in America: The first is to minimize the parasitic elements that come between patients and their physicians; And, the second is for consumers to *"manage"* their own healthcare expenses.

Earlier Republican proposals incorporated these two principles, which go by a variety of terms, but I'll use ***"Medical Savings Account"*** (**MSA**) in lieu of others. These are bank accounts -- established by individuals or families -- to be used exclusively for health care. If the ***Medicaid Program*** were replaced by **MSAs**, this would greatly simplify the task of providing healthcare to low-income Americans, and do so at an ***ENORMOUS*** savings to taxpayers. It would nearly eliminate fraud if **MSA** recipients were cross-checked with ***Social Security*** numbers.

There are currently 24 million people participating in ***ObamaCare***. If each established an **MSA** that was funded with $2,000 each year, it would cost the federal government a mere $48 Billion per year from the $900 Billion-*plus* ***Medicaid Budget*** (Fiscal 2025.) Establishing an **MSA** would be no more difficult than establishing a checking account or savings

account at any bank, and unused funds could accumulate and be *"rolled over"* until they are needed. This would have the added benefit of eliminating an army of bean-counters, health insurance company pitchmen, TV ads, and loathsome bureaucrats.

Here's a personal experience: I've had a prolapsed cervical disc in my neck since my college wrestling days. In 2011, I decided to have surgery, so my physician ordered an MRI. At the MRI facility, I asked about the cost -- just as I always do -- and was told it was $1,800 if billed to my health insurance company. When I asked what the charge would be if I paid cash, I was told $500. Obviously, that **$1,300 difference** helps to pay the salaries of all those bean-counters, salesmen or loathsome bureaucrats who take a *cut* from every healthcare transaction.

That experience illustrates the second key to reducing health care costs. I routinely ask what anything costs because I'm paying *out-of-pocket* rather than shifting the cost to a third-party, such as ***Medicare*** or a private insurance company. It's clear that an important factor in accelerating ***Medicaid*** costs is its routine abuse. When people have no skin in the game, they tend to be cavalier about overusing ***Medicaid***, such as bringing their kids to the emergency room for some trivial condition like a cold. ***Medicaid*** recipients would become more frugal if they paid

for healthcare from their own **MSA**, rather than just shift the cost to ***Medicaid*** or ***ObamaCare***.

From the 70 million ***Medicaid*** beneficiaries currently enrolled, let's assume 60 million are legitimate. (Fraud and illegal aliens account for the difference.) If the ***Medicaid Program*** annually transferred $2,000 to the MSAs of 60 million recipients, the cost to ***Medicaid*** would be approximately $120 Billion each year. Including the $48 Billion cost of transferring 24 million ***ObamaCare*** recipients into MSAs and funding them, the total would be about $170 Billion per year. (There may be some overlap between the two programs.) Theoretically, this would allow a 75 percent reduction in the annual ***Medicaid Budget***, and leave a very significant *"cushion"* for emergencies.

Medicaid ----- $ -----> MSAs ----- $ -----> Practitioner

My figures may well be very imprecise, and probably exaggerate the savings from converting *Medicaid* into MSAs. Yet, two things should be obvious: transferring *Medicaid* recipients to a program where they are required to actively participate in managing their own or their family's MSAs would generate enormous savings in every Federal Budget, well into the foreseeable future. It would also simplify the task of eliminating *Medicaid* fraud that is inevitably found in BLUE cities and states like Minnesota, California, Illinois, and New York.

No doubt there are marginal citizens who will balk at being required to get off their sofas -- and out from in front of their TVs -- to actively participate in managing healthcare for themselves or their families. However, that seems like a pretty small demand to make of those who expect free healthcare, paid for by complete strangers.