



**Goodman  
Institute**  
FOR PUBLIC POLICY RESEARCH

## **Father of Health Savings Accounts Says They Should Be Used in Every Aspect of Medicine**

September 14, 2016

Health Savings Accounts have enormous potential to control costs and increase the quality of care if only the government would allow it, according to the economist who is credited with being the "father" of the idea.

"Right now HSAs are being used to pay small medical bills below the deductible because that is all the government allows," said Dr. John Goodman, president of the Goodman Institute, a Dallas based think tank. "But they could and should be used in just about every aspect of medicine, including expensive surgery, chronic illness, custodial care and even emergency room visits."

Goodman says there is mounting evidence that patients suffering from diabetes, heart disease, cancer and other chronic illnesses can (with training) manage a lot of their own care as well, or better than traditional doctor therapy. "If they are going to manage their own care, they will do an even better job if they are also managing the money that pays for that care," he said. In addition, Goodman says patients should be encouraged to manage almost all the money used for primary care, including routine doctor visits and most diagnostic tests – spending from an HSA that they own and control. "If patients are controlling the money, everything will cost less. They will substitute less expensive phone and email consultations for doctor office visits; they will shop for better options for everything from blood tests to mammograms; and they will opt for walk-on clinics and free standing emergency care instead of hospital emergency rooms when appropriate," he said.

Goodman says that on the east coast and the west coast, Uber-type doctor visits at nights and on the weekends are an increasingly popular alternative to the emergency room. "A doctor house call costs about \$100 and the doctor usually arrives within an hour. Emergency room charges average about five times that much. Give patients control of the money and you will see this service all over the country," he said.

Goodman presented these ideas at a Cato Institute briefing on Capitol Hill with Sen. Jeff Flake (R-AZ), Rep. Dave Brat (R-VA) and Cato Institute Scholar Michael F. Cannon.

To take advantage of the full potential of HSAs, Goodman says we need three policy changes: (1) HSAs need to be completely flexible, wrapping around any health insurance plan and paying for any services the plan does not pay for; (2) HSAs need to be encouraged by tax relief equal to

the tax benefits of paying premiums to insurance companies; and (3) insurers should be able to deposit unrestricted amounts into a patient's HSA without any tax penalties.

Here are some potential uses of HSAs Goodman favors that are not allowed under current law:

- Patients should be able to shop in the marketplace for all forms of preventive care, paying from their HSA (not allowed under Obamacare, which mandates coverage with zero deductible).
- Patients should be able to pay monthly fees to concierge doctors who provide primary care services (not allowed under current tax law).

In addition, all of the following are not allowed or are penalized under current tax law:

- Employers and insurers should be able to deposit a fixed sum of money in an HSA for such expensive procedures as knee and hip replacements, letting patients gain financially if they secure the service for less money.
- Employers and insurers should be able to deposit unrestricted funds for patients who agree to travel for their care, with the patients gaining financially from the lower cost of the surgery. (medical tourism)
- Employers and insurers should be able to deposit unrestricted sums in the HSAs of chronic patients, giving them financial control over the management of their care.
- Employers and insurers should be able to deposit funds allowing the disabled to manage their own custodial care, much as is now done in Medicaid's highly successful Cash and Counseling program.
- Private and public entities should be able to deposit funds so that patients can make their own decisions with respect to custodial care and palliative care, a practice that is widely followed in Europe.