

EXPANDING ACCESS & ENHANCING AFFORDABILITY: HOW TAX LAWS CAN HELP

Presenter

- **Congresswoman Kay Granger**, U.S. House of Representatives

Panelists

- **John Goodman**, President, National Center for Policy Analysis
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Overview

A number of current tax incentives under federal law encourage Americans to obtain health care coverage. However, these laws favor tax breaks for those who receive employer-provided coverage. But for millions of Americans without access to employer-provided coverage, there is little to no assistance with respect to tax breaks. In addition, some employees who do have access to employer-sponsored coverage still struggle with the affordability of their plans. Furthermore, the current tax code does not encourage consumers to be wise consumers of health care.

Key Issues

Uninsured individuals

Today, over 40 million Americans are uninsured. Many have lost their jobs, are self-employed or work for companies that do not offer health insurance benefit packages. The main reason cited for going uninsured is the high cost of health care.

Tax Incentives for the purchase of insurance

Initiatives are currently in-progress to provide all Americans with some type of tax break for dollars spent on health insurance. Lawmakers are focusing on two main solutions.

- **Tax deductions would:**
 - Allow individuals to deduct specific percentage of dollars spent on health care coverage from their tax responsibility
 - Encourage more individuals to obtain coverage (however, this structure would favor middle to upper-class Americans)
- **Refundable tax credits (as proposed by President Bush) would:**
 - Vary based on income and family size with a maximum refund of \$3,000 per family
 - Be advanceable and available prior to filing the specific year's tax returns
 - Be available even to those who do not owe any income tax

Tax incentives to be a wise consumer of health care

- **Health care IRAs would:**
 - Allow both employers and employees to contribute tax-free to a health care account, used to pay for insurance premiums, out-of-pocket costs and qualified health care services.
 - Have a cap similar to the current 401k limit, and give consumers "skin in the game"
- **Allowing FSAs to roll over would:**
 - Allow individuals who participate in FSAs to rollover a certain amount of their pre-tax contributions from year-to-year
 - Prompt 20 million Americans who currently have FSAs to think about and use their health care dollars differently.
- **Expanding MSAs would:**
 - Make MSAs permanent and remove burdensome restrictions that limit the availability and places barriers on participation.