

HAS ARTICLE

On August 12, 2009 The Wall Street Journal had an editorial called "The Whole Foods Alternative to ObamaCare" it was written by John Mackey the CEO of the company. I had begun to do research on Health Savings Accounts (HSAs) and I recognized that the Whole Food Company was one of the companies that had begun using Health Savings Accounts. In the article Mackey described what he wanted for health care reform. The first reform he listed was to:

"Remove the legal obstacles that slow the creation of high-deductible health insurance plans and health savings accounts (HSAs). The combination of high-deductible health insurance and HSAs is one solution that could solve many of our health-care problems. For example, Whole Foods Market pays 100% of the premiums for all our team members who work 30 hours or more per week (about 89% of all team members) for our high-deductible health-insurance plan. We also provide up to \$1,800 per year in additional health-care dollars through deposits into employees' Personal Wellness Accounts to spend as they choose on their own health and wellness.

Money not spent in one year rolls over to the next and grows over time. Our team members therefore spend their own health-care dollars until the annual deductible is covered (about \$2,500) and the insurance plan kicks in. This creates incentives to spend the first \$2,500 more carefully. Our plan's costs are much lower than typical health insurance, while providing a very high degree of worker satisfaction."

Here we have a CEO of a large Fortune 500 company talking about reducing health care cost. The issue we have with the City and the GASB 45 and the future of our health insurance may well benefit from exploring the HSAs.

On September 14, 2007 ABC News did a story by John Stossel called Health Savings Accounts: Putting Patients in Control. In that segment Stossel reported about making choices under HSAs: "Apparently, most individuals are making smart choices.

Regina Herzlinger, a Harvard Business School professor and author of "Who Killed Health Care?" said that "people who have these high-deductible health-insurance policies take better care of themselves. & they have more yearly physicals," she said. "Because they're saying, if I keep myself healthy, in the long run, I'm gonna be spending less money."

Whole Foods employee Cheralyn Schmidt used her account when she wanted to get a physical. Because it was her money, she shopped around. She found prices varied by hundreds of dollars.

"If I had regular insurance, I would have never called around and asked for prices," she said. "I would have just walked in, showed my card, said, 'I need a physical,' & and I don't even really know what they would have given me."

The fact that she was paying changed the way she thought about that physical.

"I started thinking, 'Well, what I am getting for this price? For \$1,200 what I am getting?'" she said.

Grace-Marie Turner of the Galen Institute, which studies free-market solutions to health-care problems, said doctors don't often know what to say when patients like Schmidt ask them what things cost.

"I mean, that shows you how dysfunctional our health-care system is," Turner said. "That people don't have the vaguest idea how much they're spending on health care, close to the closest \$10,000 or \$20,000, often, when they go to the hospital. And the sellers don't have any idea what it costs."

Competition forces Whole Foods to pay attention to prices. "We know what [Texas supermarket chain] H-E-B is selling broccoli for right now, so we have to reflect our prices to the

competition," Mackey said. But in health care, "No one's trying to think, 'Yeah I'm going to cut 5 percent below that price, so I can increase my business.'"

If the City is able to save money on health care cost for employees there will be less money going to the GATB 45 account. Overall the City would benefit by lower cost and that could be something for negotiation.

The Mayo Clinic has an article on line entitled Health Savings Accounts: Is an HAS right for you?

<http://www.mayoclinic.com/health/health-savings-accounts/GA00053>

The Mayo Clinic reports in part:

"A health savings account (HSA) is an account into which you can deposit tax-free money to be used for future medical expenses. Health savings accounts were established in 2003 and are becoming more common. Health savings accounts are part of a larger trend known as consumer-directed or consumer-driven health care. HSAs and consumer-driven health care plans have been promoted by companies and the government as one way to help control health care costs. The goal of an HSA is to reduce the money spent on health care by placing more of the responsibility on you to shop for health care.

Supporters and critics of HSAs have different takes on the pros and cons of HSAs:

Pros (Benefits of HAS)

Cons (Potential risks of HSA)

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| More control over health care decisions. | Favors healthy people. Older, sicker people may pay more. |
| Allows you to set aside and budget money for health care costs. | Illness can be unpredictable, making it hard to accurately budget for health care expenses. |
| Ability to shop around for care based on quality and cost. | Some information, including cost and quality, is difficult to find. |
| Your employer may contribute toward your HSA. | Some worry that the pressure to save the money in your HSA might cause you to avoid seeking preventive treatment. |
| Money can be placed in your HSA on a pretax basis or may be deducted from your taxable income. | If you withdraw funds from a health savings account for nonmedical expenses before you turn 65, you have to pay taxes on it plus a 10 percent penalty. |

Under the web site Blogspot.com I found <http://liujiaoourhealth.blogspot.com/2009/07/pros-and-cons-of-health-savings.html>

In part the site described the advantages to the City:

"A Win for Employees, Employers and Insurers" because the HSA is based on a high deductible insurance plan the employee takes on a higher level of responsibility and risk for medical expenses than a traditional insurance policy. Employees who run their family to the doctor office every time someone has the sniffles (because the visit only costs them \$10, while the insurance company pays the remaining \$65 under a traditional plan) will think twice when they pay the full \$75 out of their own pocket under a HSA.

That said, those out of pocket costs are all with pre-tax dollars that were contributed to the HSA.

By utilizing a HSA employers can reduce their premium costs by as much as 50%, passing most or all of those savings directly to the employees. Many employers, particularly in "guarantee issue" states like New Jersey , are implementing a HSA based on these benefits.”

I think that the CCPOA should explore the possibility of moving into an HSA this appears to be a way the City can save money that they in turn could pass the savings on to us.

Please look up HSAs on your own and do your own due diligent investigation.

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