



February 4, 2002

The Craig-Torricelli Health Security Amendment

Five Reasons to Expand the MSA Option

1. Archer MSAs aid the economy by encouraging private savings.

Archer MSAs combine a low-cost catastrophic health insurance policy with a tax-preferred personal medical savings account for out-of-pocket medical expenses.

MSAs help consumers build up savings by lowering their health premiums and encouraging them to spend only what they need on medical care. **These savings are then invested back in the economy.**

2. Archer MSAs mean health security for dislocated workers.

In a September 8, 1992, "dear colleague" letter seeking cosponsors for their MSA bill, Senators Breaux and Daschle wrote: "Once [an MSA] is established for an employee, it is fully portable. **Money in the account can be used to continue insurance while an employee is between jobs or on strike.** . . . Any money not spent out of a given year's allowance could be kept by the employee in an account for future medical needs during times of unemployment or for long term care."

Archer MSA funds can pay for medical services, COBRA premiums, individual insurance premiums or long-term care, making them a much better option for dislocated workers than proposals to have the federal government pay COBRA premiums.

3. Archer MSAs are extremely cost-effective at expanding coverage to the uninsured.

That nearly 40 million Americans cannot afford health coverage is a national emergency. Rising unemployment and skyrocketing health care costs are contributing to this crisis.

The IRS reports that more than one-third of all MSA purchasers previously had no health insurance.

Archer MSAs expand coverage to the uninsured at a fraction of the cost of government health programs – about \$650 per previously uninsured household.

MSAs further save taxpayer dollars by helping control health costs generally (see below) and by saving the government money on uncompensated care and long-term care.

The Congressional Budget Office and the Joint Committee on Taxation [estimate](#) expanding Archer MSAs would cost \$120 million in 2002, \$1.8 billion over five years, and \$4.7 billion over 10 years.

4. Archer MSAs help contain health care costs.

Rising health costs are a national emergency. Employer health premiums rose 11.2 percent in 2001 and double-digit increases are expected for the foreseeable future. MSAs help employers and employees contain health care costs.

Senators Breaux and Daschle (1992): “Unlike many standard third party health care coverage plans, [MSAs] give consumers an incentive to monitor spending carefully because to do otherwise would be wasting their ‘own’ money. That is, money that they would be able to save in their account for future needs.”

5. Archer MSAs enjoy widespread, bipartisan support.

Expanding Archer MSAs is a crucial component of President Bush’s health security initiative.

Eighty-six percent of voters want the option to purchase an Archer MSA, yet the law denies most Americans this option. Support for an MSA option is overwhelming among Republicans (88 percent), Democrats (84 percent), independents (85 percent), whites (81 percent), blacks (87 percent) and Hispanics (90 percent). (Source: [July 2000 Zogby poll](#).)

MSA supporters include the [American Medical Association](#), Nobel Prize-winning economist [Milton Friedman](#), District of Columbia Commissioner of Insurance Lawrence Mirel, and a diverse array of provider, insurer, employer, and consumer groups.

In 1994, **Rep. Dick Gephardt** said of MSAs, “This is an idea the Ways and Means Committee has worked on for three or four years. It’s very popular. A lot of people like that option . . . I think it’s a great option” (CNBC’s *Equal Time*, 8/2/94).

According to *Modern Healthcare*, “Even as politicians continue to debate the future of MSAs in the U.S., the accounts are flourishing in South Africa, a country less than one-fifth the size of the U.S. There, MSAs already cover 4.6 million residents, more than any other type of private insurance, and their popularity keeps growing.”

The RAND Corporation estimates “MSAs with tax advantages could attract 56 percent of all employees offered a plan by a small business.”

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