

## Health Care Proposals Highlighted in the State of the Union Address

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In his 2006 State of the Union Address, President Bush highlighted several health care initiatives. These and other health care proposals are discussed in a paper recently released by the White House. The President's health care agenda for the coming year includes: expansion of health savings accounts (HSAs); reform of the medical liability system; creation of new health IT standards and tools; efforts to increase the availability of price and quality information for health care consumers; grants to promote coverage of the chronically ill in the individual market; changes to allow for the purchase of health insurance across state lines; association health plans; and increased funding for community health centers. Key components of these proposals are described below.

### **Health Savings Accounts**

Create additional tax advantages by:

- Allowing taxpayers to deduct the cost of premiums for high-deductible health plans (HDHPs)/HSAs purchased in the individual market.
- Providing a tax credit to offset payroll taxes paid on premiums for HSA-eligible policies by the self-employed, unemployed, and employees at companies that do not offer health insurance.
- Allowing individuals who are not working (including early retirees) to use HSA funds to pay for individual market HDHPs.
- Providing a tax credit to offset payroll taxes paid on HSA contributions by individuals.

Increase contribution limits by:

- Allowing individuals and their employers to make annual HSA contributions to cover all out-of-pocket costs. Under current law, contributions may not exceed the lesser of the amount of the HDHP deductible or \$2,700 (for individual coverage) or \$5,450 (for family coverage).

Make HSAs more portable by:

- Allowing employers to offer workers "Portable HSA" insurance policies that employees can take with them when they change jobs or leave employment. Employer contributions to the account would be tax-free.

Increase access to HSAs for low-income individuals and families by:

- Providing a \$3,000 refundable tax credit to low-income families (i.e., a family of four with an annual income of \$25,000 or less) for the purchase of an HSA/HDHP that provides coverage for major medical expenses. Families could put up to \$1,000 of that amount directly into an HSA to cover routine expenses. Unspent funds can be carried over from year to year and earn tax-free interest.

Enable greater HSA contributions for the chronically ill by:

- Allowing employers to make greater contributions to HSAs for employees with chronic conditions.

### **Medical Liability Reform**

Enact medical liability reform that will:

- Limit punitive and non-economic damages.
- Limit the statute of limitations for medical liability suits.
- Establish a “fair share” rule that limits a party’s liability in proportion to its responsibility for injury to the plaintiff.

### **Health Information Technology**

Encourage the adoption of health information technology to lower medical costs and reduce medical errors by:

- Developing nationwide health IT standards to accelerate patients’ access to electronic health records that include “medical clipboards” (accessible only with patient consent) with data on medication history and lab results.
- Developing IT tools to monitor potential outbreaks of disease, such as pandemic flu.

### **Price and Quality Information**

Increase consumer knowledge by:

- Encouraging health care practitioners and health insurers to make information about price and quality available to individuals prior to treatment.

### **Support for Innovative Ways to Cover the Chronically Ill in the Individual Market**

Assist chronically ill workers with their medical needs by:

- Providing grants of \$500 million per year to help as many as ten states test innovative ways to cover chronically ill residents in the individual market. These could include efforts to build on existing high-risk pools, risk-adjusted subsidies or disease management initiatives.

## **State Regulation of Insurance**

Allow the purchase of health insurance across state lines by:

- Allowing Americans to purchase health insurance sold in other states while retaining consumer protections of enforcement and licensing currently provided by state regulation. This proposal, while lacking details, is similar to the “Health Care Choice Act” (H.R. 2355/S. 1015) that has been introduced by Rep. John Shadegg (R-AZ) in the House and by Sen. Jim DeMint (R-SC) in the Senate.

## **Coverage Options for Small Employers**

Help small businesses provide health coverage to their employees by:

- Allowing small businesses to form association health plans (AHPs) to purchase coverage.
- Allowing civic, community, and religious groups to purchase coverage through AHPs.

## **Community Health Centers**

Increase health care access in low-income communities by:

- Establishing 80 community health centers or rural clinics in low-income counties that do not currently have them.

## **Entitlement Reform**

To address the rising cost of the federal government’s entitlement programs:

- The President called on Congress to join him in creating a commission “to examine the full impact of Baby Boom retirements on Social Security, Medicare, and Medicaid.”



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