treatment cost, he will say, do not worry about it. Your insurance will cover it.

My colleagues, your insurance may cover it, but you never see the bill. You do not know how much you are being charged by the doctor, the hospital, the health care provider. We think the American public ought to be able to enter into that contract, if you will. We think that they ought to be able to deal not only with the provider, the doctor or the health care provider that has offered the service, we think that you can look them in the eye and ask the price and find out what kind of value you are getting for your insurance dollar.

The way to do that is to let people choose medical savings accounts. A medical savings accounts, what happens, if the average cost of an insurance policy in this country, which it is, is $4,500, if you live in Keokuk, IA, it might be a little less than that. If you live in Long Island, NY, it might be a little bit more than that, but the average cost is $4,500. For about $2,200, you can get a $2,000 deductible health care policy, $2,000 deductible, what we call a catastrophic policy. The balance of that amount will go into a medical savings account.

Now, a medical savings account is like what we would call an IRA or we could call it a medical IRA. In that situation your dollars go into your savings account. The first $2,000 or $2,100 or $2,200, depending on the policy that you buy, will be paid by you. You choose the doctor. You choose it, and if you do not spend it, you get to keep it. That is the deal that the American people want. They want health care security. They want health care affordability, and they want health care availability. It is time to not be blocked by the Senate. It is time that we go to conference and get this job done.

The SPEAKER pro tempore (Mr. MCINTOSH). Under a previous order of the House, the gentleman from Indiana [Mr. BURTON] is recognized for 5 minutes.

[Mr. BURTON of Indiana addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Illinois [Mr. MANZULLO] is recognized for 5 minutes.

[Mr. MANZULLO addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

PERSONAL EXPLANATION

Mr. FRANKS of Connecticut. Mr. Speaker, I missed the first three votes yesterday due to my attending my daughter's graduation from preschool. I congratulate Jessica Lynn, and I thank the Bunker Hill Nursery School for doing such an outstanding job.

Had I been present, I would have voted yea on rollcall votes 249 and 250, and I would have voted no on rollcall vote 251.

I ask that my remarks be included in the appropriate place in the RECORD.

HOWARD TINNEY

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Connecticut [Mr. FRANKS] is recognized for 5 minutes.

Mr. FRANKS of Connecticut. Mr. Speaker, last Friday night I attended a testimonial in honor of former alderman and police commissioner Howard Tinney of Ansonia, CT. Mr. Tinney has had some medical problems of late and the 400-plus people in attendance at the Rapp's Restaurant wanted to honor him for all the good work he has done for the city of Ansonia and for the State of Connecticut.

As a black Republican for three decades, Howard Tinney has been a political inspiration for many of us, myself included. We actually have a lot in common beyond being black Republicans. We both have grown up in the same city which we live in today. We both have beautiful wives, Donna for myself and Esther for Mr. Tinney. We both have three children. We both have lovely mothers that are alive and well. We both served on the board of directors of our local YMCA's. And we were both all-star athletes, though he was far better than I had ever hoped to be.

We were both the first black Republicans to have been elected to the board of aldermen in our respective cities. Howard served as a police commissioner, and I served as a fire commissioner.

Howard Tinney, however, accomplished his feats more than 10 years before I even got involved in politics. Howard Tinney was a trailblazer. He made it easier for people like myself.

Yes, Mr. Speaker, Howard Tinney has been an outstanding parent, husband, role model, and community leader. We have been blessed to have had the good fortune to have been able to have worked, played, cried, and laughed with a man of Howard's caliber. May God continue to bless you and your family, Howard Tinney.

MEDICAL SAVINGS ACCOUNTS

The SPEAKER pro tempore. Under the Speaker's announced policy of May 12, 1995, the gentleman from Washington [Mr. MCDERMOTT] is recognized for 60 minutes as the designee of the minority leader.

Mr. MCDERMOTT. Mr. Speaker, my colleague from Illinois, Mr. HASTERT, has talked recently, very briefly, about the fact that there is a health reform act which is before the Congress and which I think in this instance we both agree is important. It has provisions which allow people to take their insurance from one place of employment to another, that is portability. It prohibits the use of preexisting conditions to bar people from insurance, but unfortunately it is probably not going to pass the House of Representatives; and it is about that issue that I would like to talk.

The Republican health care bill contains provisions granting substantial tax incentives for medical savings accounts. Despite the fact that there is no public clamor for them, Republicans are obsessed with medical savings accounts.

Now, the Republicans in the House want us to believe that MSA's are the way to expand patient choice and to control health care costs, when in my opinion nothing could be further from the truth. The only things that are known for sure about MSA's is that they will provide lavish tax breaks for the healthiest and wealthiest in our society and that this will cause the cost of health care insurance to increase, making it more difficult and less affordable for employers to offer adequate health insurance.

I want to start at the beginning, because we talk about MSA's. I am not sure how many Members of the House, how many members of the general public really understand what the proposal really amounts to. MSA's are nothing more than tax-favored savings accounts for health care expenses, coupled with a high deductible health insurance policy. Under the MSA proposal which the House Republicans have advanced, health insurance for qualified employers either directly or through their employers are allowed to contribute yearly tax-exempt amounts to an MSA, a medical savings account, up to a specific ceiling. The ceilings in the House bill are $2,000 for an individual and $4,000 for a family.

The first question every American has to ask themselves is, do I have $4,000 that I can put into this medical savings account, money out of my pocket that I am going to put into that savings account. To be qualified to have an MSA, all a taxpayer needs to have beyond that money is to have coverage through a high deductible insurance plan.

This way people could use their money in the MSA. They have the high deductible. If they spend up to $10,000 or up to $3,000, whatever the deductibility is, then they would be covered by the insurance. But the first $3,000 or first $10,000, whatever that deductible is, is the responsibility of the individual patient. They have to come up with it.

They had this medical savings account that they can put up to $4,000 in. And when they have medical expenses, they can take that money out and pay the medical expenses toward the deductible which would get up to $3,000.

The problem with this latest insurance fad is that MSAs will do two things. They will destroy the health insurance market as it currently exists, and they will be an immense drain on the Federal Treasury during a time when Congress is supposed to be focused on reducing the national debt.

First, I want to talk about what MSA's are going to do to the current health insurance market and the premiums of those people who are covered by traditional health insurance. The general principle of health insurance is to spread the health care expenses across large groups of people to protect each of us from being bankrupted by unanticipated health care costs. Under today's insurance system, the premiums of younger and healthier workers subsidize the higher health care spending of less healthy, middle aged and older workers.

This is a continuous subsidy cycle. We have been doing it for years in this country. The last 50 years with our health insurance, the younger workers have put in, the older workers have used more of it. The younger workers of today will someday be relying on the workers who follow them to continue that process.

MSA's destroy that traditional concept of insurance by enabling millions of younger healthy people to opt out of this inadvisable subsidy.

With the availability of MSA's younger healthy workers could opt out of the main insurance pool by choosing to take the cheaper catastrophic coverage and keep the unused cash in that MSA as a tax-free savings to be withdrawn at a later date.

A study by the Urban Institute estimates that, if just 20 percent of workers switch to MAS's, the premium cost for the those workers who want to keep their present low deductible health insurance, if you have a policy today with a $200 deductible or $300 deductible, that is a low deductible. If you want to keep that and 20 percent of the policy holders go into MSA's, the cost of insurance would rise by 60 percent for those people who stay in traditional coverage.

Now, what happens then? Well, it is obvious. Some individuals may no longer be able to afford traditional health insurance and businesses will have two choices: either abandon the low cost, low deductible policy or lower their workers' salaries to pay for it.

I brought a couple charts here because it is easy or it is easier to sometimes work with a chart. I want to talk about employer A and employer B. Employer A is a situation that does not exist. You have five employees, one, two, three, four, five, and they all have the same medical experience last year; they each cost $3,000 in health care bills. Total cost, $15,000.

The employer who is buying their policy is spending $16,000 to cover them for their health insurance at an average cost of $3,200 per patient or per employee.

This is a hypotentical. There is no company where everybody in the company spends the same amount. What is more real is employer B. Nice, young, strong person, no problems, did not spend a dime last year. Next person had a throat infection, had a X-ray, had some penicillin, spent $600.

☐ 1830

Next person broke their arm. It costs them $1,000. The third person had a complicated pregnancy, and that cost $4,000 in health expenditures, and the last person in the employment had cancer and spent $9,000.

Now if you add those figures up, you come to the same $15,000.

Now the employer is paying $16,000 for the insurance. It is an average of $3,200 per year. Obviously, the young person's insurance is subsidizing the person who got cancer or the person who had a pregnancy that was complicated or the person that had diabetes or the person that had anyone of a number of things. These people who spent very little are actually subsidizing the other people. That is the idea of insurance.

We have the same idea with fire insurance. We all pay property taxes, we put the money into the treasury, they fire firemen, they buy fire engines, they build fire stations, and we hope that our house never burns down. We do not want to spend one single dime on our house. We hope that we do not have a fire and have to have the fire trucks come and put out the fire and spend a lot of money.

The idea of insurance is that we do not know what is going to happen to us in life, and we pool our money to take are of those of us who require some kind of care. It is absolutely the way insurance has always worked.

Now, with this idea of a MSA, you can see that the person who has spent nothing last year—this person spent nothing last year, so they figure let me put this money that I have got into a medical savings account, it is tax free, and I am not going to need any of it, and some day I could use it tax free. It is tax-free money. It is great for a young person who is healthy and strong and does not figure anything is going to happen to him. The next person spent $600 last year; MSA sounds pretty good to them. They did not spend $3,200. So they go into the MSA, the third person goes into the MSA, and the employer is left only with two people to say:

Well, I want the old account, I want to cover my expenditures because we got this complicated pregnancy, and we got now a child with a birth defect, and we are not sure how much this is going to cost, it is going to be a big expenditure, we do not want to be stuck with having to come up with $3,000 or $5,000 or $10,000 a year in that high-cost deductible insurance, we want the present plan.

The person with cancer the same way. They say:

Hey, look. I have got a big problem. I do not know how this is going to turn out. But I cannot go with—I know this medical savings account; I am going to spend every dime in that thing, and I am going to wind up paying more money out of my pocket.

If those three people opt out of the pool, now the employer looks. He has got $13,400 to pay between these two people. He has to buy a policy for $14,000. For two people he is paying $7,000 apiece. And you say, well, what happened to these people here? Well, let me show you what the problem with this whole proposal is.

The employer was spending $3,200 on each one of his employees, and he could, if he is the best—this is the best says scenario—if it was the best employer in the world, he would say, well, I spent $3,200 on him one way, I will spend $3,200 on him this way. A high-cost deductible insurance policy with a $3,000 deductible; in other words you, the individual, are responsible for the first $3,000 out of your pocket; that kind of policy costs $2,000 a year. So the employer says:

Well, I will buy one of those for everybody. That will cost me $10,000, $2,000 for each one of my employees. Now, I still got $1,200, and I will put that $1,200 into their medical savings account.

So now this person says, well, I can put up to $2,000. If I got more money in my pocket, I will put it in there. If I do not have more money, I will try and live off that $1,200 that my boss put in there, and that boss would spend—in effect, he would spend $16,000 just as he spent before. He spends exactly the same amount.

Now, why would an employer offer this to an employee? Well, there is no reason to. It is going to cost him the same whether he offers standard insurance as we know it today, with a risk pool with everybody in it, or offering these MSA's. And the gentleman from Illinois [Mr. HASTERT] was correct. It is possible for employers to offer MSA's today.

Now let us look at why in a worst-case scenario an employer might think it was a good idea to offer a MSA. He has $3,200, and he says to himself, well, I am going to buy him that deductible, that $3,000 deductible, high-deductible plan, that catastrophic insurance. So $2,000 apiece for five of them is $10,000. And then he says, why should I put anything in their medical savings account? Nothing in the House proposal from the Republicans requires him to put in anything; nothing in there, absolutely nothing.

So the person who once had a policy that covered everything and had a $200 deductible now has a $3,000 deductible and has to reach into his own pocket for his family and put his own $4,000 in here. The employer who offers this program, this high-deductible plan, is saving $6,000 a year simply by saying:

Hey, I will buy everybody a high-deductible plan, and then you can open a medical savings account, and you will then be stuck for everything up to and including that $3,000.

Now, if you think about this, you can begin to see why people wonder where this is all going to come out. MSA's are very bad health policy. The extremely high-deductible insurance coverage associated with MSA's of at least $1,500 for an individual and $3,000 for a family will encourage some patients to delay the necessary care and ignore preventive measures. If you put money in a MSA, it is tax free up there, and you say, well, if I spend it, it is my own money; I do not think I will go to the doctor.

Now, if you have high blood pressure and you should go to a followup visit to the doctor, you say, well, I do not think I am going to go. So you wind up having a stroke because you did not control your high blood pressure, and at that point you spend $3,000 in deductible plus whatever beyond that under this high-deductible plan. It is bad health care; not only fiscal policy, but bad health care.

Now, the opponents of MSA's believe that this will lead to unnecessary acute care and higher overall costs because people do not do prevention because they are trying to keep that money in that account, they do not want to go to the doctor, they can stay away, and they are not going to get prevention at all. In addition, between the amount of money an individual has in their MSA and the level at which the catastrophic policy kicks in could yield tremendous financial difficulties for many unsuspecting families and individuals.

If you take this first person—you remember this young person who did not spend any money last year—young people tend to think they are never going to get sick. I got a couple of kids. They think they are going to live forever without trouble, but I got one who is a skier. If you get in a skiing accident, break your leg, and it costs you 10 grand, you suddenly have gone from zero to 1 grand here with nothing in that account to cover it unless you have taken the money out of your own pocket and put it in there. All the deductibles are on you up to $10,000.

So, if you break your leg and it costs you $10,000 and you have nothing in your MSA, it is all out of your pocket. And people do not think in those terms, young people, so they would opt for this MSA, get hooked in, and suddenly wind up with a debt they never anticipated.

MSA's and high-deductible insurance policies that accompany them often can and will define the medical services differently, making it easy for some individuals to exhaust their money in that MSA on things like vision and dental care that are not counted toward the deductible on the high-deductible plan.

So you could have $4,000 in your MSA, spend it on all kinds of medical expenses and then have something bad happen to you and find out that you spent $4,000, but the deductible policy does not count any of that. So then you have to pay another $3,000 in deductible before you are eligible for your insurance plan. There is no connection between what you spend the money from your medical savings account on and what is accepted or counted by the insurance policy.

People will have to read the insurance policy when they spend money out of their MSA to see does this count against my deductible or does it not, and if you figure you are healthy and this is no problem, you are not worried about that.

But unfortunately, young people get leukemia, young people get Hodgkin's disease, young people have all kinds of things happen to them. In fact, middle-aged people who are in good health—you know, as 45 you are going like a bandit, and all of a sudden something comes, the heart attack, and suddenly you go from being healthy and strong and running a marathon and whatever and winding up in a hospital needing coronary bypass surgery which has cost you $30,000 or $40,000. Suddenly things change dramatically, and you got to remember how much you got in there and how much you paid in your deductible.

The connection between those two is not there, and the Republicans are unwilling to write that in as a protection for the consumers, that if you spent this money, it counted against your deductible. They did not want to do that; they wanted to leave that vague so that the insurance companies over here with those high deductibles could define what was covered and what was not.

Now, if this happens to individuals, they could be faced with hundreds of thousands of dollars of unreimbursed medical costs for which they are simply unprepared.

To make matters worse, there is no requirement in this House proposal that employers deposit any money into these employers' MSA's. There is no requirement. People have to be very careful when their employer comes and says:

Hey, would you like an MSA? I am going to buy you a catastrophic plan and then you can put your money in this MSA. That will qualify you. I will buy you this so that will qualify for an MSA.

But there is no requirement they put a single dime in there, so all of the $4,000 for a family or the $2,000 for an individual is the responsibility of the employee. They could simply, the employer could simply, pocket the savings, which is what he does in this instance in the worst-case scenario.

Most health insurance policies today operate on the principle that the employer buys the policy for the employee and the employee is responsible for all the costs below the deductible that is the $200 or $300 and then any required copays. MSA's are an incentive for employers to offer no-insurance insurance because there is no limit on how high the deductible can be. There is nothing to stop an employer from offering his employees a health care plan with a $10,000 deductible.

I am a physician. The American Medical Society sent us out a proposal that is one of these high-deductible plans with a $10,000 limit. Now, maybe doctors can go for that; I mean, maybe they could, but how many of the rest of America could do that? And that is the issue that you have to be careful of in thinking about how great MSA's are. The employer is not required to put a single thin dime into the medical savings account. That is your responsibility. They may put some in if they are really good people, or they may say this is free money, I am putting it back in my pocket, you put it in, Mr. Employee. Now, even if the employer made contributions to his employees' MSA's, there is still a large coverage gap.

To compound that lack of coverage, under a high-deductible plan, once an employee meets the new higher deductible, there is no requirement in the House bill that the high-deductible policies be required to cover 100 percent of medical expenses.

☐ 1845

So you have put your $4,000 into the MSA and you spend it and that pays your deductible; so now your insurance plan kicks in, at what, 70 percent of the cost, 80 percent of the cost? Who knows? The Republicans were not willing to demand that once you had spent this money on your medical savings account, that then the insurance had to cover 100 percent. They gave the insurance companies the latitude to say, well, we will cover you up to 80 percent.

So you have now spent $4,000 here, and then you come and your bill is $100,000. If you have a bone marrow transplant at the Hutchinson Cancer Center in Seattle, it will cost you $120,000. So you spend the $4,000. Now your deductible, that is covered, your $3,000 is covered, so then the plan coverage kicks in; $4,000 from $120,000 is $116,000, of which you are going to get 80 percent paid by the insurance company. You pick up 20 percent, or 30 percent, or whatever. There is no consumer protection on these catastrophic plans whatsoever.

The Republicans have based their arguments that MSAs will bring more economic efficiency to the health care market on the false premises, and my dear friend, the gentleman from Illinois [Mr. HASTERT] said it; he said that patients, individuals will have the tools they need, the ability to bargain shop for health care.

Maybe it is because I have been a physician and have seen what kinds of situations bring people into the health care system, but buying health care is not like shopping for groceries. You do not go in there kind of cool and say, shall I have this avocado or this avocado, or shall I buy this breakfast food or that breakfast food, or this steak or that steak, or this loaf of bread. When you are in the ambulance on the way to the hospital, you are in no condition to be shopping for how you are going to spend the money in your medical savings account or anything else that happens to you.

When their own money is at stake, some people might not rush to the doctor at the first sign of a cold, so health care spending can be reduced marginally. You can say, well, I am sniffling, I do not think I need to go to the doctor, because I would have to take it out of my medical savings account. You can make some marginal changes.

But the fact is, the indisputable fact about medical expenditures is that 70 percent of all health spending is done on 10 percent of Americans who are seriously sick. These Americans have heart attacks, AIDS, cancer, complicated pregnancies, liver disease, diabetes, whatever. Catastrophic insurance will cover their health care costs, so the MSA concept will have no impact whatsoever on 70 percent of the health care spending in this country, because most of the money, 70 percent, is on 10 percent. They blow the roof off the costs.

In addition to being an example of an extremely poor health care policy, because it does not encourage people for prevention or follow-up care, MSAs are really a thinly veiled scheme to provide lavish tax breaks for the wealthy. While the lower- and middle-class workers in this country who are worried about their wages, who are worried that their paycheck has not gone up significantly since 1970, they are getting the same amount of buying power today; in fact, less than they had in 1970. They could be hurt by the widespread use of MSAs, as I have already described, because the premiums will go up. If the young and healthy leave, the premiums for the rest of the folks are going to go up, but MSAs will benefit the wealthiest Americans who can afford to pay all of their medical expenses below the high deductibles for catastrophic health plans.

If you make $100,000 or $200,000 a year, $3,000 is not very much. Certainly it is a significant amount of money, but if you make $30,000 a year, which is around the average income, $35,000 in this country, $3,000, $4,000 for paying that deductible is 10 percent of your income. Three percent to somebody making $100,000 is 3 percent. That is the difference.

Wealthy people have a little extra in their pocket, and they can pay these deductibles. They have money to put in the MSA out of their own pocket. There is no doubt that the promise of these generous tax-sheltered personal savings will draw the healthy and wealthy individuals into MSAs. In fact, in my mind, it would be better to call the MSA ‘‘medical sheltering accounts.’’

MSAs offer a number of new tax sheltering opportunities that make it very attractive to people in higher income brackets. Some of these generous tax benefits include an exclusion from income for employer contributions; if your employer is paying for it, I do not have to pay the taxes as an individual; a personal deduction for independent contributions, so as an individual, if I am rich and can put it in, I get a deduction.

If you are making $35,000 you might want to put it in, but where are you going to get it? Between paying for rent and a car and buying food for your family and clothes and trying to help one of your kids go to community college, where are you going to get that $3,000? Where are you going to get that deduction for independent contributions? It also allows tax-free accumulation of interest, exclusion from estate taxes, and penalty-free withdrawals from the MSA's at 59½.

The reason this bill is here is to give these tax breaks. That is why it came though the Committee on Ways and Means. Companies can offer this kind of thing today. They can say, hey, look, let us get out of the regular insurance plan. I will buy you the high-cost deductible. I will put some money in the medical savings account for you. They can do it today, but they cannot get these tax breaks today.

This bill is a tax-break-for-the-rich bill. It is a medical sheltering account. Contributions to the MSA's are deductible tax purposes when made at the time you put them in, and the amounts in the account accumulate tax-free. If this year you put in $4,000, you do not spend it, next year you put in $4,000, it just keeps accumulating, and all the interest is tax-free. This is similar to the way tax benefits are provided for IRA's, the Individual Retirement Accounts, before the Congress limited the deductibility of IRA contributions.

What is interesting about this, it is under the guise of more affordable health care that Republicans are pushing MSA's, which do nothing for health care whatsoever. They destroy the insurance pool, they put people at risk who do not understand how it works, but they are a better sheltering device than individual retirement accounts, really, for the following reasons: IRA's merely provide deferral of your taxes on contributions, but MSA's provide complete tax forgiveness when the amount is used for medical expenses.

No. 2, the IRA provisions contain penalty taxes to force withdrawals after age 70 in order to prevent excess accumulations in IRAs. The MSA provisions do not include any penalties, so individuals could indefinitely accumulate monies in their accounts.

No. 3, wealthy individuals would have incentives to pay their medical expenses from other sources. Since they have $100,000 or $200,000, they put the $4,000 in there tax-free, why not pay the health care benefits out of something else, because making the payments out of the MSA would reduce the amount of assets receiving the favorable tax treatment. Put the $4,000 in there, forget about it, it goes up and continues to make money, and meanwhile you pay it from other monies that you have. A wealthy individual attempting to maximize their tax advantage would be likely to use other assets to pay their medical expenses.

The forth reason is that IRA's are subject to the estate tax. When you die, the government looks at your IRA's and says, we are going to tax a certain amount. MSA's are not. I really find it difficult to think what the rationale for that benefit is. How does exempting funds in an MSA from estate tax relate to encouraging tightly targeted purchase of health care? What is the relationship between exempting from estate tax when you are talking about health care costs?

There is clearly no connection except to give a break. There is no medical policy argument for excluding the MSA's from the estates of the holders of these MSA's. People do not need medical self-insurance reserves when they are dead, nor do their surviving spouses need their accumulated reserves free of tax. This estate tax treatment was not inadvertent. It did not just happen. It was elaborately thought out because of the phobia many Republicans have and small business owners have about estate or transfer taxes.

The estate tax affirmatively encourages rich people not to use that MSA for medical purposes by giving them roughly a 30 percent advantage for letting the money accumulate in that account. It becomes really an IRA. They are still going to pay their deductible over here out of their pocket, but this money is going to go up tax-free and can be drawn out tax-free. This provision undermines the credibility, in my opinion, of the whole MSA propoal.

All of thee new tax sheltering opportunities will result in a drain on our Federal Treasury at a time when the majority in this House says they want to balance the budget. The Joint Tax Committee, House and Senate Joint Tax Committee, controlled by the Republicans, both the House and Senate, says that MSA's will drain the Federal Treasury of more than $2 billion over the next 7 years as the increased savings by the wealthy are placed in MSAs and are therefore sheltered from Federal taxation.

What is worse, the Republicans plan to pay for the budget shortfall caused by the MSA's by taking billions of dollars out of Medicare. Here we are, back to our old friend. We have been saying all along that they want to cut $270 billion out of Medicare to pay for their tax breaks. Here is one of them. The MSA costs $2 billion, and it is coming out of the hides of the health care for senior citizens. That is another reason why this medical savings account is not a good idea for the American public.

Mr. Speaker, I find using Medicare as a piggybank to pay for those MSA tax schemes is particularly disingenuous, considering the fact that the Speaker and the Republicans continue to claim they want to save Medicare. They are taking money away from Medicare to pay for this kind of scheme.

I wash that the Speaker or somebody on the Republican side would come down here and explain how taking money out of Medicare to pay for MSA's helps save Medicare, how taking money away from Medicare is going to make it better. I thought the problem was they were short of dough, and here they are taking another $2 billion out for this kind of scheme that really benefits a very small part of the society.

It seems very odd to me that by taking the billions from Medicare to pay for a tax shelter from which most Americans are priced out of, most Americans are not going to be able to put money in that medical savings account, but the Speaker and the Republicans are acting in the best interests, they say, of the American people and Medicare.

In addition to robbing Medicare, MSA's will clearly only appeal primarily to the wealthy. The Republican-controlled Joint Tax Committee, again, and this is not some lefty group way out there, or some liberal Democrat group that says this, this is a committee run by the Republicans. It is the Joint Tax Committee. It is one of the most conservative staffs in the whole Congress.

They estimate that MSA's will appeal to less than 1 percent of all the people in this country who make $30,000 or less a year, even though those families make up 50 percent of the country. One percent of half the country will be able to take advantage of this, because they do not have $4,000 laying around on the dining room table to put into an MSA. That is ridiculous. Anybody who would stand out here and seriously proclaim this is something that a lot of people can take advantage of simply has never had any kind of difficulties with money.

In contrast to the 1 percent below $30,000, 12 percent of those buying MSA's will have incomes over $100,000. Even though those kinds of people in this country only make up 5 percent of the taxpayers, they will have 12 percent of the benefit.

Mr. Speaker, all these statistics show that MSA's are biased toward the healthy, the ones who do not expect to ever have to use it, or the wealthy, because thousands of Americans do not have the thousands of dollars to put away each year, and cannot afford to incur the substantial out-of-pocket costs that would be created by this medical savings account and these high deductibility catastrophic plans.

☐ 1900

On a final note, some consistency needs to be required of politicians. Both the chairman of the House Ways and Means Committee and the Republican majority leader have condemned the current tax structure. They have called for a flat tax: ''We have to get a flat tax. Let's get all these deductions, all these tax shelters, let's get all of that out. We'll charge everybody a flat 15 percent.'' I think the phrase the majority leader used was they want to tear out this present system by its roots so it will never come back. Yet when it comes to MSA's, they are willing to kill this bill that the Senate passed and the House passed by insisting on MSA's because they want to milk the current system in every way possible to benefit their wealthy constituents.

If our current tax system is replaced, many of the tax incentives that I just outlined under the MSA's will no longer exist. So 1 minute they are out here saying ''Let's rip out the system and have a flat tax'' and on the next day they are saying, ''We're not going to pass health care reform unless you stick MSA's in because it's got big benefits for our friends.''

The House leadership is holding up the enactment of the health care bill that Senators KASSEBAUM and KENNEDY put together, simply over this issue. The losses that will result from MSA's far exceed the gains. MSA's will drain the health insurance pool of the healthiest and wealthiest. It will cost the Government more than $2 billion at a time when we are supposed to be focusing on balancing the budget.

MSA's do nothing, absolutely nothing, to address the problems of affordable health care. Nothing. They are just another way to give a tax break to the wealthy. For the Speaker and the Republicans to threaten the passage of the Kennedy-Kassebaum health care bill by insisting on the inclusion of MSA's is wrong. It is poor leadership, it is bad politics and, worst of all, it is terrible public policy.

THE ADVANTAGES OF MEDICAL SAVINGS ACCOUNTS

The SPEAKER pro tempore (Mr. MCINTOSH). Under a previous order of the House, the gentleman from Iowa [Mr. GANSKE] is recognized for 5 minutes.

Mr. GANSKE. Mr. Speaker, I have been very interested in listening to the discussion by my colleague from Washington concerning medical savings accounts. My colleague is a physician and I am a physician prior to coming to Congress. I hold a different viewpoint about medical savings accounts and I think it is only fair to express some of the differences in our opinion.

One of the criticisms by the opposition to medical savings accounts is that they would be for the healthy and the wealthy. I think, quite to the contrary, medical savings accounts could function in exactly the opposite way. Let me tell my colleagues an anecdote.

A couple of weekends ago I was flying home from Washington to my hometown of Des Moines, IA. I was sitting next to a middle-aged gentleman who was asking about how the health care reform legislation was coming along. He asked me what I did for a living and I told him I was a Congressman. He said, ''Well, I am very interested in medical savings accounts. I really hope that medical savings accounts are part of the health insurance reform plan.''

I thought this was a little unusual, for somebody to be so specific about a piece of legislation. I said, ''Why are you interested in medical savings accounts?''

Mr. Speaker, he said: ''My wife and I have a 7-year-old boy. We live in Minnesota. We have a managed care plan for our health insurance.

''We are constantly having struggles providing care for our 7-year-old boy because he has severe cerebral palsy and he has a lot of special health care needs, and we find frequently that our managed care company does not allow us to get him the type of care that we think is important for him. He has a lot of special needs. We would like to take him to centers of excellence. We do not have that leeway.

''I will tell you, Congressman, if I had tax equitable treatment for medical savings accounts, I would switch into a medical savings account just like that, because if I had a medical savings account, this is how it would work. I could spend the same amount of money.

''Let us say I am spending $5,000 a year for my managed care plan. I could purchase a high deductible plan, say with a deductible of $2,500 or $3,000 a year, for about $2,500. I could then put the other $2,500 into a medical savings account. I would then draw those funds out of the medical savings account to pay the deductible during the year, so there would be effectively no out-of-pocket expense for me in comparison to the amount that I would be spending for a managed care plan. After I would hit the $2,500 of my deductible, I would then be into the catastrophic plan.''

My colleague mentioned how there could be deductibles and things like that in those catastrophic plans, and that is true. but most catastrophic plans function as major medical plans. That means that once they have met their deductible, all of their subsequent costs are covered.

''That would mean that if, for instance, our 7-year-old boy is getting too big now for my wife and I to lift all the time into and out of his bed, into the tub, we will need some special lifting equipment, we will need to purchase equipment for our van, we might want to take him to the Mayo Clinic for some cerebral palsy treatment, we would then run up expenses of $2,500. However, we would have that money in the account to pay that deductible, so there would be no disincentive for us to provide the type of treatment that we need to provide for him.''

This has been one of the other, I think, myths about medical savings accounts; in other words, that people would avoid taking the type of prophylactic care that they need. But I will tell my colleagues what the advantage of this is, not just in terms of the freedom that it would allow people who have special health care needs, but it also basically addresses the issue of our rapidly rising health care costs in this