

MEDICAL SAVINGS ACCOUNTS PRODUCE OPPOSING VIEWS

By Marta McCloskey
Staff Writer

■(GIT) Currently, changes are taking place in the American health care system. Some of those changes could include the implementation of Medical Savings Accounts (MSAs). Accordingly, Oklahoma Congressman Don Nickles is urging others in Washington to join him in the adoption of legislation permitting the establishment of MSAs. However, John Burry Jr, chairman and CEO of Blue Cross and Blue Shield of Ohio, said that programs such as MSAs "pose a danger to the entire health care system."

Burry said that proponents of MSAs believe that individuals will act "wisely," when purchasing their own health care, and that, "overall national spending will drop dramatically."

"They believe that by simply switching people from low-deductible health insurance policies to high-deductible catastrophic policies, and by putting the cost difference in tax-free MSAs, Americans will magically become wiser consumers of health care." Burry continued, "If you accept the theory that people will do what is in their own self-interest, then you must accept the fact that MSAs will lead to a massive self-selection process, which will pull the healthy out of the larger insurance pool and drive up costs for those unable to profit from their own health."

"For these people, the vast majority of Americans, an annual \$3,000 MSA paid by their employer would amount to a yearly \$2,000 tax-free bonus, for the rest, MSAs would turn the cost of health care and insurance into a living nightmare."

John Burry Jr.

Burry explained that although MSAs would be a "financial windfall" for approximately 70 percent of Americans, it would only benefit those who are relatively healthy. "For these people, the vast majority of Americans, an annual \$3,000 MSA paid by their employer would amount to a yearly \$2,000 tax-free bonus, for the rest, MSAs would turn the cost of health care and insurance into a living nightmare."

Others concurred with Burry's comments. Bruce Vladeck of the Health Care Financing Administration, agreed that MSAs were a "terrible idea." Adding, that MSAs "would only exacerbate the problem of private health insurers seeking to cover only people in good

nothing," Nickels explained. "This medical savings provision will extend favorable tax treatment to persons who wish to purchase a MSA, regardless of their employment status."

Also, Nickels explained that MSAs are portable. "They belong to you, not the company you work for, and you take your plan with you when you change jobs. That's true portability combined with maximum health care flexibility, which translates into savings for the employer and employee."

Nickels further explained that MSAs are "basically individual retirement accounts," used for medical rather than retirement purposes. "They permit individuals to accumulate tax deductible funds in a savings account which can be used only for medical expenses. Medical Savings Accounts are now used in 17 states, and by 3,000 businesses."

health."

Nevertheless, Nickels said MSAs would provide choice and flexibility. "Medical savings accounts give individuals and families more control over their health care dollars, and when you spend your own dollars, you spend them more wisely than you would spend company dollars or government dollars."

"The present tax code discriminates against individuals who do not have a generous employer. Today, employers can deduct up to 100 percent of the cost of health insurance for their employees, but self-employed individuals can deduct only 30 percent and unemployed individuals can deduct

oil wells ... passed but stuck in conference committee.

— \$5,500 income tax exemption for private sector retirees, matching an existing exemption for government retirees ... passed but stuck in conference committee.

— Repeal of the burdensome franchise tax ... killed by Senate Finance Committee.

— Tax exemption for first \$25,000 in income for new businesses ... killed by Senate Finance Committee.

— Tax credits for computer upgrades by Oklahoma firms ... killed by Senate Finance Committee.

— Tax credit for hiring Oklahoma college graduates ... killed by Senate Finance Committee.

Sen. Cal Hobson, D-Lexington, and vice-chairman of the Senate Appropriations Committee, responded to Keating's charges.

"I am glad Governor Keating has started to follow the legislative process, but I wish he would follow it a little more closely before he issues his next erroneous press release on the progress of tax reduction incentives," he said.

"For example, the proposed tax cut on marginal wells is not stuck in conference committee as Governor Keating believes, it has been reported out for floor action. The Governor also failed to mention another tax reduction, a \$30 million cut in unemployment taxes for existing Oklahoma businesses, that is currently moving toward passage. I am sure Governor Keating would

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GOVERNOR, LEGISLATOR AND CONGRESSMAN SPEAK OUT ON TAXES

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■(OKLAHOMA CITY) Wednesday, Governor Frank Keating urged the Oklahoma Legislature to honor Tax Freedom Day — the day when Oklahomans finally pay their federal, state and local tax bill and begin keeping the money they make — by passing three of his tax cuts still buried in conference committee and resurrecting four others previously killed by the Democratic majority.

"Since January 1, Oklahomans have been working full time to pay their taxes for

1996," Keating said. "Today is Tax Freedom Day for Oklahoma. After 122 days of working for government, our citizens finally get to keep the first dime. I would think the Democrats who control the Legislature might want to honor that day by moving on my proposed tax cuts."

The Governor listed his tax cuts and credits, noting action taken so far by the legislative leadership to delay or kill them:

— Tax credits for investing in agricultural co-ops and value added processing ... passed but stuck in conference committee.

— Gross production tax cuts on marginal