Integrating Health Savings Accounts (HSAs) into Medicare and Medicaid

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Defining the Challenge

• For the next 19 years, 10,000 Baby Boomers will retire every day.

Every other employer provided health benefit plan (in companies with more than 20 employees) coordinates with Medicare.
defining the challenge

how much millennials, gen x and boomers have saved for retirement

millennials (18-34)
- 42.2%
- 29.8%
- 11.2%
- 6.3%
- 2.2%

gen x (35-54)
- 29.8%
- 21.9%
- 11.2%
- 10.3%
- 8.8%
- 12.1%

 Boomers & seniors (55+)
- 28.0%
- 17.3%
- 8.7%
- 7.1%
- 10.3%
- 22.4%

researched by gobankingrates.com

american bankers association
<table>
<thead>
<tr>
<th>Generation</th>
<th>Elections</th>
<th>Average Election</th>
<th>Participant Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gen Z</td>
<td>$1,884,149</td>
<td>$481</td>
<td>0.68%</td>
</tr>
<tr>
<td>Millennials/Gen Y</td>
<td>$236,062,584</td>
<td>$846</td>
<td>48.44%</td>
</tr>
<tr>
<td>Gen X</td>
<td>$252,597,616</td>
<td>$1,568</td>
<td>27.94%</td>
</tr>
<tr>
<td>Baby Boomers</td>
<td>$228,262,742</td>
<td>$1,741</td>
<td>22.75%</td>
</tr>
<tr>
<td>Traditionalists</td>
<td>$1,241,757</td>
<td>$1,191</td>
<td>0.18%</td>
</tr>
<tr>
<td>Unknown</td>
<td>$7,404</td>
<td>$1,234</td>
<td>0.00%</td>
</tr>
<tr>
<td>Coverage</td>
<td>Pays First</td>
<td>Pays Second</td>
<td></td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>-------------</td>
<td>-------------</td>
<td></td>
</tr>
<tr>
<td>Work for company with 20 or more employees</td>
<td>Employer Plan</td>
<td>Medicare</td>
<td></td>
</tr>
<tr>
<td>Work for company with fewer than 20 employees</td>
<td>Medicare</td>
<td>Employer plan</td>
<td></td>
</tr>
<tr>
<td>Employer's group plan after you retire</td>
<td>Medicare</td>
<td>Retiree benefits</td>
<td></td>
</tr>
<tr>
<td>COBRA after leaving work as an employee</td>
<td>Medicare</td>
<td>COBRA</td>
<td></td>
</tr>
</tbody>
</table>
HSA Value Proposition Unchanged

• Triple Tax Advantaged Vehicle
  1. Contributions are Deductible
  2. Account Balances Grow Un-taxed
  3. Health Care Distributions are Tax Free

• 2018 Contribution Maximum
  – Individual $3,450
  – Family $6,850
Nearly 43% of Non-elderly Americans already in an HDHP

Of those, approximately 40% have an HSA

More than 50% of the working population will be enrolled in HSAs by 2020.
The Coming HSA Wave

Total HSA Assets (in billions)

Source: Devenir Research
## HSA Owners Want HSAs in Medicare

<table>
<thead>
<tr>
<th>Feature</th>
<th>HSA Council Proposal</th>
<th>White House Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allow individuals who enroll in Medicare Part A, Part B or both (whether inadvertently or to avoid penalties and gaps in coverage) to remain HSA-eligible if they meet all other HSA eligibility requirements.</td>
<td>Included</td>
<td>Included</td>
</tr>
<tr>
<td>Allow Medicare enrollees covered on an MSA plan to make contributions to their MSAs (whereas current law restricts contributions to CMS only) and give enrollees a one-time opportunity to roll over their private HSA funds into a Medicare MSA</td>
<td>Not included *</td>
<td>Included **</td>
</tr>
<tr>
<td>Cost</td>
<td>Estimated to save $72 billion over 10 years (private score)</td>
<td>Estimated to affect the federal deficit by an amount TBD</td>
</tr>
</tbody>
</table>
Medicaid HSAs Work: Indiana HIP 2.0

Indiana

HAS accepted federal Medicaid expansion

1,470,010 Number of people covered by Medicaid as of June 2016

349,336 Increase in the number of people covered by Medicaid/CHIP, fall 2013 to June 2016

320,000 Estimated number of people newly eligible for coverage

29% Reduction in the uninsured rate from 2013 to 2015

healthinsurance.org™
Medicaid HSAs Work: Indiana HIP 2.0

Growth surge

The number of low-income Hoosiers enrolled in the Healthy Indiana Plan has soared since the program was expanded in 2015 into the larger HIP 2.0 program under the Affordable Care Act.

*As of April 2017

Source: Indiana Family and Social Services Administration