

**New Tools for Lowering Small Business Health Care Costs:
Health Savings Accounts and Association Health Plans Offer Solutions to Small
Business Owners' Most Pressing Problem**

By Michael Pappas

There is a powerful new tool in the arsenal of small business owners who want to provide health care insurance for themselves, their families, and their employees.

The tool is called the Health Savings Account, or HSA. Signed into law by President George W. Bush late last year, HSAs offer small business owners and employees what they need from their health care coverage: affordability, portability, and freedom.

HSAs are tax-free savings accounts that individuals can use to pay for routine medical expenses. Anyone can own an HSA. Employers and employees alike can contribute. Contributions are tax free. Interest is tax free. Withdrawals for routine medical expenses are tax free.

If you open an HSA, it belongs to you. That means you choose how much to put in. You choose which health care services you want to purchase. You choose your own doctor.

It also means that your HSA goes with you wherever you go. You might change jobs. You might choose to stop working altogether. You might move across the country. It doesn't matter -- your HSA is yours, and it is always there to help you afford the health care you need.

HSAs are not only a powerful tool for the people who own them. They also offer a tremendous opportunity for small business owners who want to offer health insurance to their employees but previously could not afford it. HSAs can save small business owners up to 40 percent in health care costs. That means some small business owners who never could offer health care to their employees before can do so now if they take advantage of HSAs. It also means that small businesses that switch to HSAs from other, traditional health coverage plans can save more money to buy new equipment, grow their businesses, and create even more jobs for hard-working Americans.

Here's how it works: To set up an HSA, a worker or his employer must first obtain a high-deductible insurance policy to cover major medical expenses. The premiums for such high-deductible plans are much lower than traditional plans, but they provide coverage for surgery, hospital stays and other large expenses. Having obtained coverage for major medical bills, workers can then open an HSA to cover routine medical expenses, such as visits to the doctor or over-the-counter drugs. Those individuals or their employers can contribute up to \$2,600 for an individual or \$5,150 for a family to their HSA account.

Small business owners across America are taking advantage of HSAs – but I hope even more will discover this powerful new tool. That is why the U.S. Small Business Administration is coming to Bergen County Community College in Paramus, New Jersey

and bringing small business owners together to talk about HSAs -- to help pass the word to their fellow entrepreneurs about this new way of providing health care to their employees.

Of course, the fight for affordable health care is far from over. Small businesses are still at a distinct disadvantage when it comes to finding affordable ways to provide for their employees. For example, while large corporations can leverage their considerable buying power to negotiate lower cost health care plans, small businesses have no such advantage. But if small businesses were allowed to band together to purchase health insurance for their employees, they would be able to command the same respect – and low costs – that big corporations do. That is why President Bush supports Association Health Plans (AHPs). The idea behind AHPs is simple: the law should not prevent small business owners from joining together and pooling their resources in order to provide affordable health care. AHPs would level the playing field, by giving small businesses the same buying power that large companies already have.

Small businesses are the engines of our economy. They are the innovators and job creators of America. President George W. Bush and the SBA are committed to helping them find new ways for them and their employees to succeed. Affordable health care must be part of that success, and HSAs and AHPs are a big step in the right direction.

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