

Health Savings Account

2021

This document outlines the AMA position on Health Savings Account.

1. Preamble

- 1.1. Although Australians enjoy a generally high-quality health system at a relatively modest overall cost to the community, the cost of providing healthcare will continue to rise, driven by an ageing population and rising rates of chronic disease. New technologies bring welcome treatments for diseases that were previously considered untreatable but meeting the healthcare expectations of the Australian population places pressure on government outlays and private health insurers.
- 1.2. The AMA believes there are better options for managing rising health cost pressures than rationing patient access to timely treatment or leaving patients to choose between out-of-pocket costs they may not be able to afford or delaying the health treatments they need.
- 1.3. Health Savings Accounts are a viable solution to support Australia's mix of public and privately funded health care delivery. They encourage people to make provision for their future health costs, especially younger working cohorts on early career salaries who are struggling with cost-of-living pressures and leaving private health insurance as a result. Correctly designed, Health Savings Accounts have the potential to:
 - (a) Restore the perceived value of private health care, including private health insurance.
 - (b) Particularly help younger cohorts maintain private health insurance throughout the rise and fall of living costs in each life stage or in periods of financial hardship where they might otherwise discontinue premium payments.
 - (c) Support the health insurance system to remain viable in the longer term.
 - (d) Improve equity of healthcare access for public hospital patients by reversing the shift in patient demand away from private to public hospitals.
 - (e) Assist health care providers maintain access for all Australians to a high quality, affordable health system now and in the future.
- 1.4. The rationale for Government support of Health Savings Accounts is essentially the same as that for support for superannuation savings — helping to achieve intergenerational equity while helping people to provide for their needs in old age.

2. AMA Position

- 2.1. The AMA holds that the introduction of Health Savings Accounts could improve access to care for patients by supporting them to invest over the long term to meet their future health care needs, as part of a balanced model of public and private health care delivery. To that end Health Saving Accounts would adhere to the following principles:
 - (a) Incentivise Australians to open a Health Savings Account with the support of a progressive Commonwealth tax policy that rewards people equally, regardless of income level.
 - (b) The holding of Health Savings Accounts should be voluntary.

- (c) Health Savings Accounts operate with the primary objective of helping patients meet the out-of-pocket health costs that are not otherwise covered by public and private health insurance.
 - (d) Eligible payments from Health Savings Accounts should be aligned with services that are recognized as efficacious including out of pocket costs for:
 - Medicare eligible hospital treatments
 - MBS eligible health services
 - Capped non admitted allied health services
 - Private health insurance premium payments.
- 2.2. Health Savings Accounts should operate in a very similar fashion to contributory superannuation accounts. Superannuation funds are well placed to manage the earnings of consumers' Health Savings Accounts, and act as a highly efficient "clearing house" for all eligible health service payments.
- 2.3. Superannuation fund managers are also well placed to apply a strong prudential framework to Health Savings Accounts and provide account holders with transparent annual reports.
- 2.4. In recognition that Health Savings Accounts offer a new source of private revenue to boost the value of private health insurance, Health Savings Account earnings would be treated consistently with superannuation and assigned concessional tax status.
- 2.5. Health Savings Accounts should not be used for intergenerational wealth transfers.
- 2.6. Upon the death of the account holder, or a decision to close their account, the account holder/beneficiaries receive the residual balance after all government subsidies and accrued tax incentives (not deducted), is returned to the Commonwealth.