

New York state faces a health-insurance crisis: Coverage costs so much that too many of us must go without. But a new federal law, promoted by President Bush, provides at least part of the answer - if our state government acts.

Health Savings Accounts - a reform passed along with this year's Medicare expansion - offer a tax-free way to bring down insurance costs for individuals and business. HSAs let people save tax-free for out-of-pocket health costs - so that they can buy a "no frills," high-deductible policy to cover more expensive, less routine care.

Just as important, HSAs help keep down overall costs by involving consumers in the basic questions that we ask when we buy anything else: What does it cost, and what am I getting for my money?

Those "no frills" policies still cover true emergencies: Under the new law, a policy combined with an HSA must have an annual deductible of not less than \$1000 per individual or \$2,000 for family coverage. Out-of-pocket expenses can't be more than \$5,000 per individual or \$10,000 per family.

Meanwhile, an individual can put up to \$2,600 a year into the savings account; a family, \$5,150. Like an IRA, these contributions are made from pre-tax income. And you can roll over whatever you don't use in a given year, and spend them later on any health-related expense.

Employers could subsidize insurance premiums for employees to make the HSA option more affordable. And, as in traditional employer plans, that subsidy is deductible.

HSAs represent a paradigm shift in how we pay for health care. Right now, the people best qualified to weigh costs and benefits - patients and providers - rarely do think about them, because insurance pays the bill. Is it any wonder costs are rising so swiftly? (Today's system also means lots of needless paperwork - and painful reimbursement battles with insurers.)

HSAs are already being marketed aggressively in much of America. But New York has a problem - a host of legal requirements that push up insurance costs, especially for individuals and small business. If New Yorkers are to fully take advantage of the new HSA law, the Legislature needs to act:

* Repeal the 8.18% tax on health premiums for high-deductible plans - a tax that raises costs for those buying insurance in the small group market.

* Lose the "community rating" mandate for high-deductible HSA policies.

This 1992 law has greatly increased costs for the small-group market. Rather than easing the burden on small business and individuals, this requirement has unquestionably priced many people out of the insurance market.

- Eliminate insurance-coverage mandates, which add costs for small groups and individuals. HSAs let the individuals decide how to spend their "routine" health-care dollar: They don't need a law forcing insurers to cover chiropractic or fertility coverage, because they can choose for themselves, without the company or the government horning in. If they don't want such coverage, why should the state require them to pay for it?

Let some insurance risks, like smoking, be calculated in the cost of providing insurance. Incredibly, current law bans this - so nonsmokers wind up subsidizing people who indulge in this serious health risk.

Make high-deductible policies available to state and local government employees. This would trim taxpayer costs and give employees who don't plan to spend a whole career in government a chance to take their HSA with them when they leave public employment.

High-deductible policies are not for everyone and HSAs are only part of the solution to the health-care crisis. But they should be made available to those who could benefit from them, along with more traditional coverage.

It's all about choice.

Through the fog of political rhetoric about health care, citizens must come to grips with the reality of health-care costs. Demographics, longer life expectancy and our insatiable demand for more and better technology and treatments make higher costs inevitable. But HSAs offer an opportunity for people to take control of their own health-care spending budgets and buy only those services they need. The Empire State shouldn't miss the chance to help its citizens take advantage.

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