



Testimony

HCR 90 Testimony Before the Texas House Insurance Committee

by David Balat, Director

My name is David Balat, director of Right on Healthcare with the Texas Public Policy Foundation, and I am in support of HCR 90.

Mr. Chairman, committee members, thank you for inviting me today to discuss this important resolution. Before we proceed, it is important that we establish some working definitions for today's discussion.

- **Direct primary care** is an affordable primary healthcare model based on a monthly membership which is also allowed under the ACA as what they call a medical home. A provision of the ACA, Section 1301 (a) (3), would allow direct primary care medical homes to be offered in state marketplaces in combination with qualified health plans. Direct care doctors take no insurance and opt out of all third-party relationships.
- **Health savings accounts** are accounts that use pre-tax dollars for qualified medical expenses when coupled with a high-deductible health insurance plan.

This resolution to urge Congress to allow health savings accounts (HSAs) to be used for direct primary care is no small matter. The reason we are having this discussion today is because the IRS has continually interpreted direct primary care to be a health care plan. This is an important detail because only individuals who have a qualifying high-deductible health plan can have an HSA. The presence of a second plan would invalidate the eligibility, and the HSA benefit could not be used.

For the sake of example, I have a high-deductible health plan, but I also utilize a membership with my direct primary care physician in my area for my primary care needs. I have an HSA funded by my employer, and I'd like to use those dollars to pay my membership. The IRS, however, does not recognize my relationship with the doctor as a qualified medical expense but rather as a second plan.

This is nothing new for the state of Texas. In the 84th Legislature, Rep. Greg Bonnen introduced HB 1945 that subsequently was signed by the governor in 2015. This act delineates what direct primary care is and explicitly asserts that it is not a plan. Many other states have followed suit, but the IRS interpretation stands.

Why is this important for Texas? As we all know, our healthcare system in this country is broken, and we need options that focus on wellness and that are affordable. The direct primary model uses no actuarial data and assumes no risk transfer from individuals. It is not insurance, nor is it coverage of any kind. To date, this is one of only a few models that use a reimbursement methodology that is focused on pro-active health care and not reactive sick care.

I am happy to answer any additional questions and thank you once again for your consideration of this resolution. ★

David Balat is the director of the Right on Healthcare initiative with Texas Public Policy Foundation. With special expertise in healthcare finance, he is a former congressional candidate and a seasoned hospital executive with more than 20 years of healthcare industry leadership and executive management experience.

