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## The Macroeconomics of Health Savings Accounts

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### Abstract


We analyze whether a consumer driven health care plan like the newly established Health Savings Accounts (HSAs) can reduce health care expenditures in the United States and increase the fraction of the population with health insurance. Unlike previous literature, our analysis relies on a dynamic general equilibrium framework with heterogeneous agents. We endogenize health care expenditure and insurance choice, so that the model fully accounts for feedback effects from both factor markets and insurance markets. We then highlight the importance of including general equilibrium effects into the policy analysis. Specifically, our results from numerical simulations indicate that the success of HSAs depends critically on the productivity of health and the annual contribution limit to HSAs. In addition, we find that taxpayers can face substantial costs when HSAs are introduced to insure more people and to curb aggregate health expenditures.

**Keywords:** Health Savings Accounts, Consumer Driven Health Care Plans, Health Insurance, Privatization of Health Care, General Equilibrium Health Uncertainty Model, Numerical Simulation of Health Care Reform

**JEL Classification:** H51, I18, I38

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