



## More Government Is Not The Answer

by Amy K. Frantz

Is more government intervention the answer to the problems of our nation’s health care system? The answer is a resounding **no**, according to Raymond J. Keating, Chief Economist of the Small Business Survival Committee (SBSC) and author of *Medical Savings Accounts: The Necessary Centerpiece of Health Care Reform*, a new publication from SBSC.

Keating argues that calls for the government to step up its involvement in health care is the real crisis we face. Expanding government health-care programs, placing more regulations on the delivery of health care, or converting to a system of socialized medicine is the greatest threat to our health care system.

While the government has failed to take over our health care system completely, government has become more involved little by little since the 1930s. More and more of our nation’s health care expenditures are now government expenses rather than private costs, as can be seen in Table 1.

**Table 1: National Health Care Expenditures**

Year	Percent Private	Percent Public
1929	86.4%	13.6%
1940	79.7	20.3
1950	72.8	27.2
1960	75.4	24.6
1970	62.2	37.8
1980	57.6	42.4
1990	59.5	40.5
1998	54.5	45.5

Data Sources: Health Care Financing Administration and U.S. Census Bureau.

Table 1 is from *Medical Savings Accounts: The Necessary Centerpiece of Health Care Reform* by Raymond J. Keating, Small Business Survival Committee’s 21<sup>st</sup> Century Small Business Policy Series, Analysis #1, April 2001.

Insurance was meant to protect us against “large, unpredictable costs.” We don’t turn in the bills we pay for an oil change or tire alignment — routine maintenance — on our automobiles to our auto insurance company. But the expansion of employer-provided health care plans and government health care programs, in which a third party pays for most of our health care expenses, virtually eliminates the need to worry about the cost. If someone else “picks up the tab for reasonable and predictable health care spending” demand will increase for such service.



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More government involvement in health care is not the answer. “[I]ncreased regulation and mandates simply drive up costs, resulting in reduced access to affordable, high quality health care,” says Keating. “One of the most pro-consumer health care reforms would be lifting the artificial, government-imposed constraints placed on tax-free [Medical Savings Accounts] MSAs.”

Medical Savings Accounts “combine a traditional high-deductible, catastrophic insurance policy and a tax-exempt savings account, or MSA. Consumers use the funds deposited tax free in their MSA to pay for routine medical care. If they have a year with high medical expenses, use up all the funds in their account and reach their deductible on the insurance policy, then the insurance policy kicks in to pay remaining medical bills. If they have a year with minimal medical bills, then they keep the funds left in the account and the interest earned.”

An MSA eliminates the disregard for health care costs and inflated demand created by the third-party payer system. If consumers are spending their own money, they will be more likely to “check prices and bills, and work to keep costs down.”

Consumers are not restricted to certain physicians, as many are now with their current health insurance plans. MSA funds can be spent on any medical expenses, including prescription drugs, which are not covered by all health plans now.

In 1996 Congress authorized a limited pilot program for MSAs, however this program has many restrictions, including a cap on the total number of MSAs. These restrictions must be removed, allowing the expanded use of Medical Savings Accounts and providing more choice to health care consumers.

“[B]ig government is being sold as the answer to what ails our health care system,” says Keating. “In reality, more government involvement is poisoning health care. Pro-market reforms — most importantly, lifting the burdensome rules and regulations placed on tax-free MSAs — are the correct remedies.”

*Raymond J. Keating’s Policy Analysis, Medical Savings Accounts: The Necessary Centerpiece of Health Care Reform, can be found on the Small Business Survival Committee’s web site at [www.sbsc.org](http://www.sbsc.org).*

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