

The WCYR Advocate

Williamson County Young Republicans

December, 2004

Joshua Edlin, editor

Officers

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Next Meeting

Tuesday, January 13, 2005
Executive Meeting: 6:00 PM
General Meeting: 6:30 PM
Location: Republican Headquarters
Speaker: TBA

Announcements

- Nominations for the 2005 YR officers will be made at the January meeting.

Upcoming Events

Jan 13 January YR Meeting

2005 YR Nominations at January Meeting

Every January, nominations are made for YR officers for the upcoming year. Nominations can be made at the January meeting. Elections will be held in February. The offices are as follows:

- ◆ **Chairman**
- ◆ **Vice Chairman**
- ◆ **Treasurer**
- ◆ **Secretary**
- ◆ **Parliamentarian**

The True Cost of Health Insurance

by Josh Edlin

Much has been said in recent months about the role of tort reform as a solution to the rising costs of health care, but another aspect of these costs has gone largely unmentioned. When most people talk about the cost of health care, what they are really concerned about is the cost of health insurance. This confusion of ideas is a major force in increasing the costs of healthcare.

Health insurance covers practically any visit to a doctor, hospital, or other medical facility with only a negligible “co-pay” by the healthcare consumer. This system has become ingrained in the American conscience. In fact, the average citizen might even become surly if asked to pay for his own doctor's visit. Health insurance has ceased to be insurance – that which is designed to protect against unforeseen circumstances – and has become an all-encompassing system of prepaid health care. The buyer and the seller have become disconnected with devastating consequences.

From the consumer side, the primary issue is similar to the typical behavior in a socialized system. Participants want to contribute as little as possible while drawing the maximum amount of benefits. In the healthcare arena, this manifests as an increased burden on emergency rooms and doctor's offices. Modern emergency rooms are flooded with people with ailments so minor that if they were footing the bill, they might never seek treatment at all. As any high school economics student can tell you, such an increase in demand leads to an increase in prices.

The disconnect between buyers and sellers eliminates proper incentives on the supplier side as well. In a healthy economy, competition leads to innovations, improved methods of service, and lower prices. In the healthcare economy, however, there are no customers rewarding these achievements. Since patients aren't paying the bill, they have no reason to price compare, and with the artificially heightened demand, providers have no reason to compete for their business. The costs of this competitive void aren't higher prices, but rather a lack of naturally declining prices.

Finally, costs are added into the equation due to the fact that insurance companies add substantial overhead. In addition to the provider's price for healthcare, costs are accrued for processing the payment, managing the customer's account, rewarding the insurance company's investors, and selling the policy to the customer in the first place. Ultimately, the customer pays for these additional costs in the form of higher insurance premiums, making the cost of healthcare substantially higher.

Fortunately, the beginnings of a solution to this dilemma are in place. In December, 2003, President Bush signed a bill which allows anyone to contribute to tax-deductible Health Savings Accounts (HSA). The use of HSAs will allow consumers to pay for routine medical services themselves, while allowing insurance to function as insurance. However, while the tax-deduction eliminates any benefits of choosing insurance over an HSA, there are no compelling incentives for consumers to switch from insurance to an HSA. To fully appreciate the benefits of this legislation, the administration still faces the hurdle of educating people on this option and convincing them to abandon their now-instinctive reliance on health insurance. ◆