



What's Missing From the Health Care Debate

A business school professor tells Michigan Capitol Confidential some surprising facts about the U.S. health care system

By TOM GANTERT | Sept. 29, 2010

September marked the six-month anniversary of when the Patient Protection and Affordable Care Act became law.

Antony Davies is an associate professor of economics at the Palumbo-Donahue School of Business at Duquesne. Davies argues that much is left out of the debate on the rising costs of health care:

"The cost of insurance is frequently misrepresented because regulatory proponents quote prices for low- or zero-deductible insurance. According to America's Health Insurance Plans Center for Policy Research, the national average cost for individual coverage is \$3,300 per year. This varies markedly by state. The highest cost states are New York and Massachusetts, where individual insurance averages over \$6,300 (for New York) and \$5,000 (for Massachusetts). The lowest cost states are Iowa and North Carolina, where individual insurance is around \$2,500. The reason for the discrepancy is state laws that regulate insurance. For example, New York has "community rating" (meaning insurance companies are not allowed to charge more for people who are of higher risk) and "guaranteed issue" (meaning that insurance companies must insure anyone who asks for insurance). If we look at insurance costs across states, we see that much of the cost of insurance is due to existing regulation, which calls to mind the late Robert LeFevre's quip that government is a disease masquerading as its own cure.

"To put these numbers in perspective, the average American family spends \$5,500 per year on vehicles and gas, almost \$7,000 on food (eating in and out), and \$3,500 on entertainment. By comparison and given that insurance coverage is integral to longevity, the cost of insurance is not overwhelming.