



# FACTS & OPINIONS

*On Public Interest Issues*

## Quotes

'Need' now means wanting someone else's money. 'Greed' means wanting to keep your own. 'Compassion' is when a politician arranges the transfer.

--Joseph Sobran

Politics is supposed to be the second oldest profession. I have come to realize that it bears a very close resemblance to the first.

--Ronald Reagan

The only thing that saves us from the bureaucracy is inefficiency. An efficient bureaucracy is the greatest threat to liberty.

--Eugene McCarthy

They that can give up essential liberty to obtain a little temporary safety deserve neither liberty nor safety.

--Benjamin Franklin

## Save Medical Savings Accounts

**Robert M. Goldberg**

If Republicans are serious about wanting to protect health care consumers, they should revive the campaign for medical savings accounts. Rather than joining the Democrats' push to let people sue their HMOs, Republicans should insist that MSAs be part of any Patients' Bill of Rights.

The MSA concept is simple: Allow Americans to pay for health insurance and out-of-pocket medical expenses out of tax-free accounts. Let individuals keep what's left in their accounts tax free (to be withdrawn only under certain conditions), giving them an incentive to spend carefully and so helping to contain the price of direct services. Design insurance to cover major medical expenses, protecting people from medical catastrophes, and the high expenses of old age, but leaving premiums far lower than for comprehensive coverage; then let employers, or individuals, deposit the premium

savings in their MSAs, to cover routine expenditures. The price of both insurance and direct medical services would drop—and doctors and consumers would gain increased control over medical decisions. It's an idea that could truly transform health care.

Back in 1995 Republicans introduced a simple plan intended to make MSAs widely available. Democrats, however, led by Ted Kennedy, claimed that the wealthy would use the accounts as tax shelters, leaving only the sick and poor in managed care and lower-deductible insurance pools. Although a RAND study showed that in fact MSAs would save money for low-income people with serious illnesses, the opponents succeeded in confining MSAs to a pilot program, available only to companies with 50 or fewer employees. Worse, they loaded it with other restrictions. For example, an employee and

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Dr. Don Racheter

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## Save Medical Savings Accounts

Robert M. Goldberg

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his company cannot contribute to his MSA in the same year. The legislation enacted in 1996 deliberately made the program hard to market and hard to administer, a bookkeeping nightmare.

Most harmful were a cap on the number of MSAs that could be created nationwide (750,000) and a time limit (no new MSAs could be opened after September 1, 2000). As a result, only 57,000 people have set up MSAs. Says Allen Wishner, CEO of Flexible Benefit Service Corporation of Chicago, one of the nation's largest marketers of health insurance to small business, "Compare the response of people to Roth IRA which has fewer advantages for people than the MSA. First, what bank is going to invest in the software and personnel to run MSA accounts if they are limited to only 750,000 and to four years? Second, why should insurance agents spend time on something so short term? Third, because they were an experiment, the press never picked up on MSAs as anything worth writing about."

And that's not all. Under the MSA program as enacted, the sum a person or his employer may deposit in his tax-free account in any given year is

perversely capped at less than his insurance deductible. As a result, the account may not cover all of the person's out-of-pocket expenses. (The cap is 65 percent of the deductible for an individual, 75 percent for a family.) Then there is the issue of keeping track of deposits and withdrawals and enforcing their proper use. It's hard enough to administer one MSA, let alone dozens as a small business must. Not surprisingly, it is difficult to find a bank in my home state of New Jersey willing to handle an MSA account.

The Democrats intentionally structured MSAs so as to discourage all but the most tenacious from pursuing them. Wishner notes, "You'd be amazed at how many employers and self-employed people had never heard about MSAs or heard about them from me for the first time." Indeed, most of his MSA customers turned to him in desperation: They were small business owners who had discontinued their workers' health insurance coverage after years of double-digit increases in premiums and futile efforts to keep costs down through HMOs.

That's where there is actually good news. Despite the thicket of limitations thrown at MSAs, they are performing as promised: providing low-cost health care coverage to people many of whom would otherwise be uninsured. Wishner, for example, recently signed up a small printing company that had been on the verge of canceling its workers' insurance. The company's new

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## Save Medical Savings Accounts

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MSA program cuts premiums in half. Most of the employees are modestly paid workers. Wishner says, "Everyone I switched over wound up saving money, spending more money on actual health care expenses and less on premiums, and wound up becoming a more careful consumer." In a review of the MSA program through 1998, the General Accounting Office found that 37 percent of participants had been previously uninsured.

The kinds of patient protections that Democrats — and some Republicans — are proposing (more lawsuits, more mandated health benefits) will probably make health insurance less affordable for small businesses, leading more companies to drop coverage. Hence, MSAs, if truly available, could become an important way for consumers to obtain health insurance. Whatever else a Patients' Bill of Rights contains, it must make MSAs permanent. It must make them available to everyone. Employers and employees must be able to contribute to MSAs at the same time. And people must be permitted to deposit all the money they'll need to cover their out-of-pocket expenses, up to the full amount of their deductible.

These changes in the law would pull a lot of uninsured people off the sidelines. Billions of dollars now locked up in insurance premiums would flow into investment accounts earmarked for health care services, and the play of money and incentives throughout the health care

system would be realigned. Consumers would have more control over decisions about their own health care. Whatever Republicans do in the name of patient protection or health care coverage this session will pale in comparison to making MSAs available for every body. Nothing else they have proposed comes close to creating a real market for health care in America.

*Robert M. Goldberg is senior research fellow at the Ethics and Public Policy Center in Washington, D.C.*

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## The “Berry Bikes”: A Lesson in Private Property

Daniel L. Alban and  
E. Frank Stephenson

*The bright red bicycles, each with an identifying plate reading “Berry Bike,” were available to all students on a “first-come, first-served” basis, making them a common property resource.*

Berry College is a private college located on a large campus adjacent to Rome, Georgia. In March 1998, the Berry College Student Government Association (SGA) used student activity funds to purchase 20 bicycles for student use on campus.

The bright red bicycles, each with an identifying plate reading “Berry Bike,” were available to all students on a “first-come, first-served” basis, making them a common property resource. In spite of the relatively favorable environment for common-property bicycles at Berry, it took less than two months for many of the bikes to be lost, stolen, or abused. This story illustrates the importance of private property rights and the folly of common property.

The SGA purchased 20 Schwinn Cruiser bicycles for \$190 each. The rationale for spending student fees was that the distance between some buildings on campus made getting to classes on time difficult. Several factors would seem to favor the plan. The campus is relatively self-contained; it is unlikely that townspeople would enter college property to use the bikes or that students would ride them off campus where they could be abandoned, lost, or stolen. Berry students probably have a more cooperative ethic than students at many other colleges. For example, there is relatively high participation in student organizations, many of which are campus religious

groups. Observers report a tendency for students there to split the difference during in-class market simulation exercises, rather than compete to maximize personal gain, suggesting that Berry students are not unusually self-centered.

Moreover, the student body is relatively small. Anyone who abused a bicycle could be readily identified, and the students harmed by having bicycles mistreated would not be strangers. These factors would presumably deter would-be vandals. Finally, and directly pertinent, privately owned bicycles were not being lost or abused.

### Dismal Results

Unfortunately, the results of the Berry bike project were dismal. It took little time for the misuse of the bicycles to become evident. Writing in the April 2, 1998, *Campus Carrier*, student Liz Hill reported that “Chains have been broken, tires punctured, handlebars bent, and seats torn” after “only a couple of weeks.” Recognizing the underlying cause of the mistreatment, Hill implored students to “treat the bikes as if they were your own property.” Evidently, her column spurred little change.

On April 21, SGA President M. Lynsey Morris e-mailed all students that “It has come to our attention here in the SGA office that many students are failing to take care of the Berry Bikes. . .

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These bicycles are top quality and should not be bending and breaking the way they are. The [SGA] officers and other students have seen many people riding the bikes at absurd speeds, doing tricks, and just abusing the bicycles in general.” She too requested that students “treat [the bikes] as you would your personal property.” Morris’s appeal apparently met with little success; a survey at the end of the semester revealed that four of the 20 bikes were lost or stolen and 11 were in a state of disrepair—a 75 percent casualty rate in a mere two months.

Undeterred, the SGA had the bicycles repaired over the summer recess and resumed the program in the fall. It soon became apparent that the abuse would continue. The September 10 Campus Carrier editorialized about “mangled corpses of twisted red metal that lie about campus” and concluded that “Perhaps SGA put too much trust in human nature and Berry students’ respect for property.” Was that the problem? Or was it that the SGA did not understand the role of incentives? Only a month into the new semester, the SGA suspended the program with the intention of leasing the remaining bicycles to students on a semester-by-semester basis, thereby alleviating the problems associated with common-property resources.

Although it may seem cynical or impolitic to point out the failure of the project, we think just the opposite. A primary goal of college is for students to learn, both in and out of the classroom. At a cost of about \$2 out of each student’s activity fees, the failed Berry bike experiment provides an inexpensive example of the “tragedy of the commons” that students can remember vividly for the rest of their lives.

*Daniel Alban is a senior with an interdisciplinary major at Berry College, in Mount Berry, Georgia. Frank Stephenson is an assistant professor of economics in Berry College’s Campbell School of Business.*

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*<<http://www.fee.org>>*

## What's New at Public Interest Institute?

Doug Strickler

*The purpose of the conference was to initiate discussion about the extent to which environmental curricula are science- and economics-based.*

On December 10, 1999 Public Interest Institute hosted an environmental education conference at Embassy Suites in Des Moines. The purpose of the conference was to initiate discussion about the extent to which environmental education curricula are science- and economics-based. Public Interest Institute saw a need for this type of discussion in the findings of a joint policy study, "Status of Environmental Education in Iowa and America," by PII and the Center For Environmental Education Research. The policy study was coauthored by PII Research Analyst Arlan DeBlieck and Dr. Michael Sanera of Competitive Enterprise Institute.

Featured speakers at the conference were:

- Dr. Michael Sanera, director of the Center for Environmental Education Research at the Competitive Enterprise Institute in Washington, D.C.
- Senator Kitty Rehberg, Iowa Senate District 14, Vice Chair of the Iowa Senate Education Committee and member of the Iowa Senate Natural Resources and Environment Committee.
- Duane Toomsen, Policy Consultant for the Iowa Department of Education.

The floor was opened for discussion among attendees after the speakers concluded. Attendees included a number of educators, conservationists, state legislators, and at least one concerned parent.

Public Interest Institute president Dr. Don Racheter and staff members Jennifer Crull, Arlan DeBlieck, Amy Frantz, and Doug Strickler attended the annual conference of the Iowa Conference of Political Scientists on November 6 in Ames.

On October 29, Dr. Racheter was elected president and Amy Frantz was elected secretary of the Iowa Chapter of the National Association of Scholars at its meeting in Pella. Public Interest Institute staff members Jennifer Crull, Arlan DeBlieck, and Madeline Swailes also attended.

The staff of Public Interest Institute welcomes new intern Adam Streetman. Adam is a senior history/political science major at Iowa Wesleyan College. He will be taking on some of the regular duties of a Public Interest Institute staff member.

**Focus on Iowa  
Wesleyan College**

**IWC Marketing Office**

*Iowa Wesleyan  
College is profiled  
in the Faculty  
and Curriculum  
Programs section  
of The Templeton  
Guide for its Real  
World Learning  
Program.*

Iowa Wesleyan College has been recognized for leadership in the field of student character development in *The Templeton Guide: Colleges that Encourage Character Development*, a guidebook released nationwide. Designed for students, parents, and educators who believe that character matters, *The Templeton Guide* contains profiles of 405 exemplary college programs in ten categories.

Iowa Wesleyan College is profiled in the Faculty and Curriculum Programs section of *The Guide* for its Real World Learning Program. This program, implemented in 1996, features an innovative approach to education. Real World learning blends the positive elements of the liberal arts tradition with career and service opportunities to offer a distinctive model that effectively bridges college and career. The field experience component of the program gives every student professional experience and career-related skills before graduating, making them better prepared for the world of work beyond college. The Real World Learning Program includes career experience, a service learning project, and a curriculum-wide emphasis on life skills.

“We are very proud of Iowa Wesleyan College’s work through the Real World Learning Program to help students develop the strong

values that will serve them well beyond their college years,” said Dr. James Halseth, president of Iowa Wesleyan.

“Character development is a lifelong process, and we believe that colleges and universities have a very important and unique role to play. We are delighted to be among the institutions profiled in *The Templeton Guide*.”

Established in 1987, the John Templeton Foundation works closely with educators, scientists, theologians, medical professionals and other scholars. The Foundation’s College and Character Initiative supports programs that offer meaningful opportunities for college students to learn about, reflect upon, and practice the virtues of personal and civic responsibility.

For more information about this initiative, see the website: [www.collegeandcharacter.org](http://www.collegeandcharacter.org)

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## Surprise... Government Waste

Neal Boortz

A new study on government waste by the House Budget Committee has turned up a cornucopia of fresh government outrages. Among the committee's findings:

—The Supplemental Security Income (SSI) program is losing \$1 billion a year to fraud.

—The Medicare program made “massive overpayments” totaling \$12.6 billion in a single year.

—The Department of Housing and Urban Development wasted some \$18 billion and has allowed public housing to “fester with crime and drugs.”

—Baltimore's public housing authority purchased eight new Chevy Blazers as take-home cars for top managers, hired a security firm that employed 29 convicted felons, and sold over \$25 million in contracts for building repairs to friends and relatives of the staff. In spite of these disclosures, HUD still gave Baltimore \$115 million to build new apartments.

—Three years after 920 food stamp recipients defrauded the government of \$6.5 million in benefits, only 582 of those recipients have been suspended from the food stamp program.

—The infamous “freeway killer” of California, William Bonin, received more than \$75,000 in SSI disability benefits because he claimed mental illness while on death row. Bonin's mother used the money to pay off her mortgage. The payments ended after Bonin's execution.

--From *Nealz Nuze*, on the Neal Boortz Radio Show, January 5, 2000.

*Do you have an idea or topic you'd like to see covered in FACTS AND OPINIONS? Let us know! See page two for information on how to contact us.*