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Inject competition into health care

By Devon M. Herrick

The debate over health care in America continues to rage. Although everyone agrees something should be done to provide health care to the 45 million Americans currently uninsured, no one can agree on the best way to achieve it.

Should Americans use employer-based coverage, or should we implement universal coverage like Canada? Overlooked in this debate is a third option: creating a competitive insurance market.

Also missing from the debate is why 45 million Americans are uninsured. It is not because 45 million people in the U.S can't afford health care. For a good portion of the uninsured, lowering insurance costs would help. However, a growing number of people don't feel health care is a good value for their money, simply because they can't tailor their coverage to their needs.

That may change if the Health Care Choice Act, versions of which have been introduced in both the House and the Senate,

becomes the law of the land. Sponsored by Sen. Jim DeMint, Republican of South Carolina, and Rep. John Shadegg, Republican of Arizona, the Health Care Choice Act would increase access to individual health coverage by allowing insurers licensed to sell policies in one state to sell policies in any other state.

Why is this important? Under the current system, many localities have only one insurance product available, so the consumer is forced to buy an overpriced product or forgo insurance altogether.

The state markets are simply not competitive. Under current law, each state has the right to regulate health plans sold within its borders, which means 50 states have 50 sets of regulations. And because each state insurance market is protected from interstate competition, legislators mandate that insurers cover services that drive up premiums. Proponents often claim that a given mandate costs very little - but they add

up. Some estimates suggest these mandates have priced as many as one-quarter of the uninsured out of the market.

And because the regulations and the mandates are made on a state-by-state basis, the cost of insurance varies widely. For example, a 25-year-old man living in Kentucky could get an individual insurance policy for \$960 per year. That same man, were he a resident of New Jersey, could expect to pay \$5,880 per year for similar coverage. Kansas would price the policy at \$1,548, and New York state would rate it at \$5,172.

As if legislating coverage for acupuncturists and hairpieces weren't enough, many states also require guaranteed issue and community rating. Guaranteed issue means any insurance company offering policies must sell coverage to all applicants who qualify, regardless of medical condition. On the surface, this sounds like a consumer protection, but it harms consumers by driving up prices.

Community rating means an insurer cannot adjust its premiums to reflect the individual health risk of consumers. In other words, healthy people are charged more than they otherwise would be to offset the cost of sick people who are charged less. Because most people are healthy, most see their premiums rise.

Both of these regulations drive up the cost of health coverage. As prices rise, healthy people drop their insurance, leaving an increasingly unhealthy risk

pool. Subsequently, business dwindles, insurers leave the market and rates go up as competition diminishes. As a result, insurance is a poor value for everyone except those with serious health conditions, and people often wait until they become sick to buy it.

The Health Care Choice Act would allow consumers to shop for individual insurance on the Internet, by phone or through a local agent. Residents of any state would be free to choose among policies from any insurer that offers them.

The policies would be regulated by the insurer's home state. Thus, if consumers do not want expensive "Cadillac" health plans that pay for acupuncture, fertility treatments or hairpieces, they could buy from insurers in states that do not require such benefits. Consumers would be more likely to find a policy that fits their budget - giving more people access to affordable insurance.

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