

Pols intrude on insurance premiums

BY FERGUS CULLEN

Despite the complaints about our health-insurance system, in one respect Connecticut is the envy of other states: our individual insurance market. Unfortunately, the politicization of rate adjustments is putting a good thing at risk.

Neighboring states marvel at the amount of choice and competition we enjoy in the market. Consumers, including many who are self-employed, can choose plans from eight companies, including Aetna, Anthem and ConnectiCare. They can shop for the best rates and the benefits that make the most sense for them.

If rates get too high or customers become dissatisfied with the service they are getting, they can switch to another company. This possibility is a strong incentive for insurers to provide quality plans and good service at affordable prices. As a result of competition, Connecticut has some of the least expensive individual insurance plans in the Northeast. They may be higher than many of us would like, but they are much better than the alternatives. The free market works.

Unfortunately, the legislature is considering new, increased regulation of the individual market that jeopardizes a good system. Worse, what is driving this regulatory push isn't the best interests of consumers, but politics.

Insurers are subject to strict regulation and can't just raise their rates arbitrarily. Increases have to be approved by the state after a careful review that includes an independent actuarial analysis of statistics and financial data. The insurance commissioner has the authority to have hearings and can reject rates requested by insurance companies. The state did just that with one such rate increase request last year.

But politicians have noticed it is easier to pander to consumers who are frustrated by rising health-insurance costs by bashing insurance companies, rather than tackle the causes of increasing insurance premiums: higher medical costs and greater use of medical services. It is telling that some politicians, including Attorney General Richard Blumenthal, have taken to staging news conferences during rate-adjustment hearings to denounce the insurance companies.

The politicization of rate-adjustment reviews is behind a bill before the legislature that would give the attorney general and the healthcare advocate formal roles in reviewing rate increases without bestowing any responsibility on them for making sure insurers take in enough money in premiums to pay doctors for the services they provide to their members. The bill would require companies to propose changes six months in advance, require hearings, and require insurance companies to pay for a mailing to all of their customers notifying them of the proposed rate change and the hearing. It also would allow politicians to hire outside experts for hundreds of thousands of dollars to challenge the insurers, and then stick the insurance companies with the bill for those experts.

The result of this increased regulation will be higher prices for consumers because insurance companies' costs and risk would go up. It also likely would prompt at least some carriers to withdraw from the market, resulting in less choice, less competition and higher prices. This is what happened in New York and Maine when their rate-adjustment processes became politicized.

The choice before the legislature is this: Do we want to maintain a competitive marketplace for health insurance, or do we want to turn health insurance companies into highly regulated service providers granted government-protected monopolies in exchange for a low but guaranteed profit?

Politicizing rate changes would not lead to lower prices or better service for consumers. If Connecticut wants to keep its status as having the lowest insurance prices and most choices in the individual

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