Miami Herald

Restrictive Government Regulations Are Strangling Health-Insurance Options in Florida | Opinion

Michael F. Cannon

November 7, 2022

It's open-enrollment season and, once again, Floridians are facing a bigger jump in Obamacare premiums (7.2%) than the rest of the country (6.2%). This year's increase means that, since the law took effect, Obamacare premiums have risen a cumulative 265%. A new federal study points to one potential cause of rising premiums: Florida's health-insurance markets are becoming less competitive. Lawmakers can inject greater competition — and make health insurance more affordable for both consumers and employers — by removing the state's ban on consumers and employers purchasing health insurance from Puerto Rico and other U.S. territories.

It's a bedrock principle of market economics: Insufficient competition means fewer choices and higher prices. Health-insurance markets are no exception. "Insurance premiums . . . respond strongly to competition, and markets with more insurers have substantially lower premiums," writes economist Martin Gaynor. For example, "Eliminating an insurer for an employer to choose from can lead to large (16.6%) premium increases."

Health-insurance markets nationwide have become increasingly less competitive in recent years. A new federal report shows that trend continues apace in Florida. In the state's individual market, where consumers purchase health insurance themselves, the market share of the three largest insurers increased by 20 percentage points from 2011 to 2020. The largest part of the individual market is the Obamacare Exchange. In that market:

- The average market share of the largest insurer in each area of the state increased to 68% from 59% between 2015 and 2020.
- Since 2017, the combined market share of the three largest insurers has hovered between 95% and 100%.
- The average number of insurers from which an enrollee could choose fell from 6.1 in 2015 to 3.8 in 2020.

Small businesses are facing an even bigger reduction in their choices. In that market:

- The market share of the three largest insurers reached 95% in 2020.
- The average small business in Florida could choose from among 16 insurers in 2011. That figure fell to seven by 2020.

Even large employers have fewer choices. From 2011 to 2022, as the number of insurers in that market fell from 14 to nine, the three largest players increased their combined market share by nearly 10 percentage points. This isn't market failure. It is the result of government regulation. In general, government regulation encourages market concentration because small firms must increase prices by more than large firms must to cover the same regulatory costs. Health-insurance regulations are no exception. Obamacare's price controls, network-adequacy requirements and other regulations all have the unintended consequence of reducing competition.

Other regulations seem as if their purpose is to reduce competition. Florida outright prohibits state residents from purchasing perfectly acceptable health plans available in other states and U.S. territories. Congress inhibits entry and competition in health-insurance markets by penalizing workers unless they enroll in employer-sponsored plans.

The most promising path to reviving competition in Florida's health-insurance markets is to end the ban on health plans from Puerto Rico and other territories. Obamacare's costliest regulations do not apply in the territories. Lifting the ban would free Floridians to purchase plans with broader provider networks than Obamacare plans and at premiums that are as much as 70% less. Aetna, UnitedHealthcare, Humana and BlueCross BlueShield already do business in at least one territory and have provider networks in Florida. Floridians could purchase plans from these carriers or others that receive regulatory approval from territories. With greater competition, insurers will face greater pressure to offer quality products.

As a backstop, lawmakers could require such carriers to include the territory's governing regulations in the insurance contract, allowing Floridians to enforce consumer protections in Florida courts. Florida lawmakers have a choice: They can let the dwindling number of domestic insurers continue to squeeze Sunshine State residents. Or they can give Florida consumers and employers better, more-affordable and more-secure health-insurance options.

Michael F. Cannon is director of health policy studies at the libertarian Cato Institute and author of "Market Concentration in Health Care: Government Is the Problem, Not the Solution."