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Editorial: Don’t let bureaucrats set health insurance premiums

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State legislators are considering yet another unnecessary, counterproductive law to regulate the health care industry. As last year, with legislation passed in Sacramento and the Obamacare health law passed by Congress, this year's Assembly Bill 52 seeks to control health care costs by using government's heavy regulatory hand. It approaches the problem in the wrong way, and is all but certain to have unintended, opposite consequences.

Lawmakers refuse to accept that government's intrusive mandates and regulations are among the prime causes for escalating costs for health care and insurance coverage. Rather than adding more layers of expensive interference, legislators should lower prices and expand coverage and availability by removing government's impediments to a free market.

Instead, AB52 would duplicate elements of Obamacare that already added new regulations on health insurance premiums. It also would ratchet up the intrusion of last year's Senate Bill 1163 that authorized the government to police premiums and harass health plans that submit price increases beyond what state bureaucrats think is justified.

AB52 not only would empower the government to approve, modify and deny rate increases, it would empower the state Department of Managed Health Care and the Department of Insurance to roll back premiums, order refunds and impose penalties based on government bureaucrats' determination that rates are "excessive, inadequate or unfairly discriminatory."

Price controls by government have a long and troubled history. "The determining of market prices through the dynamic interaction of supply and demand is the basic building block of economics," writes economist Fiona Scott Morton for the Cato Institute.

Government price-setting, which may resonate with voters, will not constrain skyrocketing health care costs. Insurance providers only pass through the costs of treatment, tests, hospitalization and drugs. Imposing artificial, arbitrary limits on how much an insurance company can charge won't affect those costs. Prices will not find their market equilibrium because the government will err and price too low or too high. The inevitable end would be to drive private insurers out of the market because they ultimately will be prevented from recovering their own costs.

This worrisome trend of ever-more government control is moving the health care industry deeper into the clutches of inept government overseers and out of the hands of consumers and health care providers. It is the height of folly to believe health care can be improved or delivered more cost-effectively by cloistered government bureaucrats, insulated from the consequences of their decisions and incapable of calculating the myriad fluctuating factors of supply and demand.

Rather than more government involvement, lawmakers should remove impediments to lower costs. They could start by permitting consumers to pay for only the coverage they want by eliminating 49 coverage mandates imposed on California insurers. Consumers also should be permitted to buy insurance across state lines, and regulations should be eased, not increased.

AB52 is the latest step down the road to government-run, government-determined health care, a path that in reality will lead to higher, not lower, costs and less, not more, access for everyday Americans.