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OBAMACARE KILLS HEALTH COMPETITION

By MICHAEL TANNER

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PRESIDENT Obama has repeatedly said that one of his "reform" goals is to increase "competition and choice" in the US health-care system -- but the policies he's pursuing would actually reduce competition and give consumers fewer choices. Meanwhile, he's ignoring reforms that would bring more choices and competition.

The nation now has some 1,300 insurance companies, but most consumers actually have far fewer choices. An American Medical Association survey found that in 299 of 313 largest metro areas, one insurer controls at least 30 percent of the market.

In New York, just two insurers, GHI and Empire Blue Cross, represent 47 percent of the market. In New Jersey, a single insurer, Horizon Blue Cross and Blue Shield, controls 43 percent of the market. And in Connecticut, Wellpoint holds an astounding 55 percent.

There's nothing *inherently* wrong with one company earning a large market share, but the lack of significant competition helps contribute to higher insurance costs and poorer service. Moreover, this market concentration hasn't necessarily flowed from consumer preference in a free market, but results in good part from barriers to entry erected by state insurance regulation.

Obama's answer to this problem is to set up a new government-run insurance plan to compete with private insurers. But such a plan will ultimately result in *less* competition, not more.

A government-run plan would have an inherent advantage in the marketplace, because it ultimately would be subsidized by taxpayers. The government plan could keep its premiums artificially low or offer extra benefits, because it could turn to taxpayers to cover any shortfalls.

Plus, the government plan also could use its market power to impose much lower reimbursement rates on doctors and hospitals -- Medicare and Medicaid do that now, to the point where they often pay *less* than cost. Providers would be forced to recoup the income lost thanks to the "public option" by raising what they charge to private insurance -- driving up premiums and making private insurance even less competitive.

In the end, the private-insurance market would be eviscerated, leaving millions of Americans with no choice but the government-run program. No choice. No competition.

To *truly* create more choice and competition, Obama should tear down the regulatory barriers to choice by letting people buy insurance from states other than the one in which they live.

Though few realize it, it's illegal to purchase health insurance across state lines. This effectively creates insurance cartels in each state.

Tear down this barrier to interstate commerce, and you'd instantly increase competition. If someone in

New York or New Jersey is unhappy with the insurance choices available in that state, he or she could buy a policy in Vermont, Pennsylvania or Delaware. For that matter, he or she could go online and purchase a policy anywhere in the country.

There'd be another benefit as well. Different states have different regulations and mandates that can dramatically affect insurance costs. New Jersey, for example, requires insurers to cover a wide range of procedures and care, including in-vitro fertilization, contraceptives, chiropodists and children until they reach age 25.

Those mandated benefits aren't cheap. To buy a standard health-insurance policy, a healthy 25-year-old man must pay five times as much in New Jersey as in Kentucky, which has far fewer mandates. Why shouldn't Jersey residents be free to decide whether those state mandates are worth the added cost, and buy a cheaper policy in Kentucky or elsewhere?

Ironically, one group has this ability today: big businesses. The federal ERISA law (the Employee Retirement Income Security Act) lets larger companies ignore state mandates and avoid uncompetitive state markets: They can create their own plans, and their employees can take that insurance anywhere in the country.

Thus, when Jerry Hairston Jr. is traded to the Yankees, he doesn't have to buy a new health policy in New York. But the Yankee fan who works for a small business, or buys insurance on his own, is stuck with high New York prices.

More competition in insurance markets would be a good thing. It would, as the president likes to say, "keep insurers honest." As it has with other goods and services, it would lead to lower prices and improved quality.

But true competition comes from expanding free markets, not from the heavy hand of government. If President Obama truly wants to give consumers more choices, that's a lesson he should heed.

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