

# NEW YORK POST

## OBAMACARE'S BAIT & SWITCH

By MICHAEL TANNER

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PRESIDENT Obama has stopped talking about "health-care reform." The new poll-tested phrase of the day is "health-*insurance* reform."

Specifically the president says he wants to protect people with "pre-existing conditions." He would require insurance companies to accept anyone who applies for coverage, regardless of their current health (a rule known as "guaranteed issue") and prohibit them from charging higher premiums to people who are sick (called "community rating").

But if that's what the president wants, he could already have a bill through Congress, with significant Republican support. In fact, even the insurance companies have agreed to it.

But the 1,017-page bill making its way through the House devotes all of six pages to insurance reform -- 30 pages, if you count all the definitions and supporting provisions, still less than 3 percent of the bill.

So why the bait and switch?

Well, one reason might be that Obama realizes that these insurance reforms aren't all they are cracked up to be.

After all, prohibiting insurers from charging more to older and sicker customers amounts to a tax on the young and healthy who must pay higher premiums to subsidize their less-healthy counterparts. And letting people buy insurance after they get sick means healthy people have little incentive to buy insurance.

Put the two together and, as the Congressional Budget Office has warned, the young and healthy are much more likely to simply do without insurance.

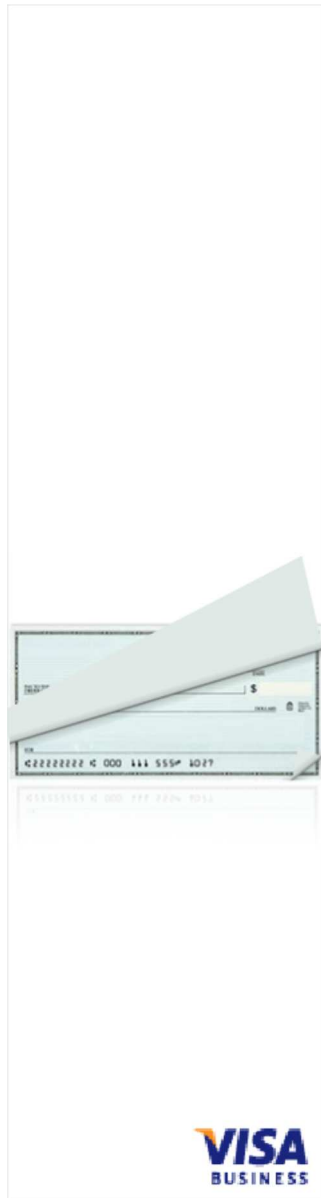
As the healthy leave the insurance pool, the proportion of sick in the pool grows ever greater, leading to higher premiums -- which in turn causes the healthiest remaining individuals to leave in what amounts to an insurance death spiral.

That's exactly what happened when New York adopted community rating and guaranteed issue in 1993. In the first year under the new law, an average healthy 55-year-old man in New York saw his health-insurance premiums fall by \$415 -- while an average healthy 25-year-old was hit with a premium hike of

more than \$500.

As a result, more than 500,000 mostly young and healthy people dropped their health insurance in the first year. As the pool grew sicker and the death spiral escalated, premiums began to rise even for those older New Yorkers who initially had their premiums cut. In the end, *ev eryone* ended up paying more.

Today, only six states have guaranteed issue: New York, New Jersey, Maine, Massachusetts and Vermont. New Hampshire and Kentucky tried it, then repealed their statutes. Just nine states, including New York and New Jersey, have strict forms of community rating.



These two "reforms" are two big reasons why health insurance costs much more in New York and New Jersey than in states without those requirements. Perhaps that clear record of failure is why insurance reform is such a tiny part of the health-care-reform bill.

Or maybe lawmakers realize there are better ways to deal with the problem of pre-existing conditions, such as direct subsidies, high-risk pools or a new product called health-status insurance.

Or maybe -- just maybe -- it's not really about insurance reform after all.

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