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OPINION

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Timothy P. Carney: Down with the health insurers

By: TIMOTHY P. CARNEY Examiner Columnist August 14, 2009

Dear conservatives: Health insurance companies are not your friends. Keep opposing a new government-run insurer, a single-payer plan, and new regulations on the HMOs. But grant that Speaker of the House Nancy Pelosi is correct on this: Insurance companies are villains.

Insurance companies lobby for big-government regulations, subsidies, mandates, and tax-code distortions that funnel them money, keep out competition, and stultify innovation. These policies preserve the employer-based health-care system that mocks the idea of free-market competition. Then they cry "unfair competition" when government threatens to encroach on their government-protected monopolies.

But they're not just lobbying against a government option. Today, health insurers are lobbying to force you and me to buy their product or face a tax hike (the individual mandate).

They are lobbying to force entrepreneurs to buy insurance for employees (the employer mandate). They are lobbying for more subsidies paid for by us taxpayers. In short, they are lobbying against regular people and against the free market.

The insurers' lobbyists stood on stage with Rahm Emanuel and Nancy Pelosi in 2007 calling for the expansion of the State Children's Health Insurance Plan to cover adults and middle-class children--an unreasonable expansion Democrats used as a political cudgel against Republicans.

They also benefit from an absurd tax break--the exclusion on employer-provided health benefits that drags down wages, shifts money into their industry, increases the deficit, and dries up the individual insurance market where actual competition could take place.

Most shocking to the conscience, however, might be the special protection big government provides for insurers covering patients through employer-sponsored plans: even if an insurance company's negligent denial of coverage causes harm or death, federal law protects insurers from legal liability.

Also, Rep. John Shadegg, a conservative Republican from Arizona, has proposed a bill to allow interstate purchase of health insurance. Blue Cross has fiercely opposed this idea that could introduce more competition. Currently, Blue Cross companies typically have only a handful of competitors in each state.

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insurers.

"Existing government interventions have given us a health-care sector that relies too heavily on insurance and has shrunk the individual market," says Michael Cannon, director of health policy studies at the libertarian Cato Institute.

Big government is why almost all of us get our health insurance through our employer, and not on an individual market. Wage controls from World War II forced employers to compete on benefits--such as health care. Then the tax exclusion and other laws--laws like the Employee Retirement Income Security Act of 1974 pitched, of course, as regulating insurers and protecting consumers--have favored employer-based health insurance over an individual market.

The result: even if you feel you're getting a raw deal from your health insurer, there's not much you can do, short of leaving your job. This protects the insurers from real competition--which is why the insurers like it. "The last thing the health insurance industry wants," says Shadegg, "is to have to compete for every customer." Uncle Sam protects them from that horror.

A freer market might yield a more retail-oriented health-care market in which insurance is used more as insurance--guarding against large, unexpected expenses--and less as a way of pre-paying for health care. Such insurers would have to actually compete on price and on quality of service. Current law disadvantages such plans.

Alternatively, a freer market could yield more Kaiser Permanentes: you buy in at a set price, and they provide all your health-care needs, giving the company an incentive to actually keep you healthy at the lowest cost.

Too often--as with last fall's bailouts--Republicans and conservatives practice pinstripe protectionism: worrying about the fate of a profitable industry. This time around, they would do well to instead embrace creative destruction.

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Lanier Y Chapman

Aug 14, 2009

Fat chance that the insurance companies will be defeated. For people like me who can afford the health care that we think we deserve, what do we care?

ForFreedom

Aug 14, 2009

Thank you for exposing one of the many ways government has made health care more expensive. We need a free market in health care. Shadegg's bill is the best health care reform bill we have so far.

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