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THE HEALTH-CARE BLOG

Thursday, September 17, 2009

Cannon Fires at Federal Takeover [John Hood]

The Cato Institute's Michael Cannon did a bang-up job testifying in front of Dennis Kucinich's House subcommittee yesterday. Some key points he made at the hearing:

Researchers "have found considerable evidence that unregulated markets provide consumers with reliable long-term protection from the cost of illness," Cannon said. One team of researchers has reported that actual premiums paid for individual insurance are much less than proportional to risk, and risk levels have a small effect on obtaining coverage.

The increase in premiums as a result of risk represents only about 15% of the increase in risk, Cannon said.

Health insurer efforts to rescind policies as a result of alleged defects in applications have occurred in California, but insurers and their lawyers themselves know that the rescission cases are difficult to take to a jury, Cannon said. If Congress tries to make insurers hold prices down, the price controls would "punish insurers who provide quality coverage to the sick," Cannon said. "Price controls will eliminate the plans that sick people find most attractive."

If Congress tried to help health insurers hold down underwriting costs and spread risk by requiring individuals to own coverage, costs would go up, Cannon predicted.

In addition, if the government set up a government-run plan, patients might find that getting the government plan to live up to its benefits commitments may be far more difficult than getting private plans to pay benefits, because the government "wields the sole, legal, and unilateral power to breach its commitments without compensating those it harms," Cannon said.

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