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GUEST COMMENTARY

## BENJAMIN POWELL From the community: Deregulate the health insurance industry

• TWENTY percent of Californians lack health insurance. This fact is not a failure of a free market in medical care; it's a product of government interventions that drive up the cost of care and leave many Californians without the incentive or the ability to purchase insurance. To fix the problem, fewer government regulations and interventions are needed — not more, as Gov. Arnold Schwarzenegger has proposed.

The governor's proposal requires all Californians to have health insurance, and would force employers with 10 or more employees to provide it or pay the state a tax so that the government can provide the insurance.

He also proposes taxing hospitals and doctors to expand Medi-Cal, requiring insurers to issue policies to everyone regardless of their health and forbidding charging different premiums based on health or age.

To assess the governor's plan, a fundamental question must first be asked: Why are there 6.5 million uninsured Californians?

This statistic causes many to envision poor people who are perpetually uninsured. However, because employers often provide health insurance, many of the uninsured are between jobs and will soon be re-insured by a new employer.

A 2003 Congressional Budget Office study found that of the uninsured people nationwide at any one time, 45 percent of them get insured within four months.

The California Medical Association found that 30 percent of uninsured Californians have family incomes more than \$50,000. Many of these families could afford insurance but choose not to buy it.

More government involvement in health care is not necessary to extend insurance to many of the uninsured.

Reforms that equalize the tax treatment of individually purchased insurance and employer-provided insurance would help alleviate the temporarily uninsured, because more people would not have their insurance tied to their employer.

At the national level, President Bush has proposed a move in this direction by including employer-provided insurance as income, but allowing everyone who gets health insurance, whether individually or through their employer, to deduct \$15,000 from their income when computing taxes.

To help more poor people afford health insurance, and to entice the uninsured who can afford it to buy insurance, Schwarzenegger should focus on making insurance less expensive.

State regulations that mandate specific coverage of various treatments such as alcohol- and drug-abuse treatment, chiropractic treatment and in vitro fertilization drive up the cost of health insurance.

These and many other requirements all drive up the cost of health care by eliminating people's ability to choose to purchase inexpensive bare-bones coverage that would insure only against major accidents and illnesses.

In Connecticut, one of the least-regulated states, a 35-year-old male can get coverage for as little as \$50 a month, or \$600 per year.

The governor claims his proposal will not, on net, cost anything, because by eliminating the uninsured they will no longer deprive hospitals of revenue and drive up the costs of the insured.

Yet the Council for Affordable Health Insurance estimates that the cost of care for the uninsured is just 2.5 percent of health expenditures nationwide.

Even if the cost of the uninsured in California is double the national average, Schwarzenegger proposes to use a chain saw to fix a problem that requires a scalpel.

Deregulation would fix some of California's health care problems without the draconian requirements Schwarzenegger proposes.

Laws should be changed to allow health insurance entrepreneurs greater freedom to experiment with the types of coverage they offer, such as offering levels from bare bones to full.

Changing the tax treatment of individually purchased insurance policies could help limit the problem of the temporarily uninsured.

For the few who still couldn't afford insurance, medical charities should be encouraged to step

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in and help.

The American health care industry suffers from government regulations that limit entry through occupational licensure, and interferes with drug adoption and many other aspects of health care beyond the health insurance market.

Increasing reliance on markets in insurance will help bring health care costs under control and within the reach of more Californians, but more comprehensive reforms should try to instill greater reliance on free markets in other aspects of health care as well.

Powell is the director of the Center on Entrepreneurial Innovation at the Independent Institute, an Oakland-based policy think tank and an assistant professor of economics at San Jose State.



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