

POINT OF VIEW | INTERSTATE INSURANCE SALES

A race to the bottom

BY JEFF RAYMOND

One of the few parts of health care reform everyone seems to agree on is that selling insurance across state lines should be allowed. “Competition” is the buzz word.

When asked on “Meet the Press” about the GOP’s health care reform agenda, the party’s Senate leader listed interstate insurance sales near the top.

In Oklahoma, gubernatorial candidate and U.S. Rep. Mary Fallin, R-Oklahoma City, has endorsed interstate insurance sales. Two bills up for consideration in the Legislature this year would allow insurers to sell across state lines. Both were filed by Democrats. It appears as though Fallin’s party doesn’t share her enthusiasm at the Capitol.

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That’s probably a good thing because interstate insurance sales would trigger a race to the bottom. Healthy Oklahomans may see lower prices and more choices. Older Oklahomans, those with medical conditions and small-business owners, however, would find insurance harder – if not impossible – to come by, with higher prices because of healthy people leaving the risk pool.

If you’re like many credit card holders, you probably have wondered why so many banks are chartered in South Dakota and Delaware. Card issuers flocked to the states with the loosest laws, and South Dakota and Delaware had no caps on interest. Usurious interest rates that change at the bank’s whim soon followed.

The same free-for-all would happen to

health insurance. Idaho’s 13 mandates are the nation’s fewest, so expect insurers to relocate there en masse and to other states with fewer rules. If you value emergency or maternity care, prepare to lose it: Alabama requires neither.

States protect policy holders by requiring certain care to be covered, restricting rate increases and accepting applicants. If insurance is sold across state lines, the rules of the state in which the company is located would determine the laws it follows. This guts states’ enforcement powers and their ability to craft legislation to fit their needs. Protections Oklahomans now enjoy would disappear. One state would effectively be able to override the choices of the other 49.

Selling insurance across state lines can work if robust safeguards are in place. Because the premise of being able to buy policies from other states is to circumvent state regulations, however, such protections likely will have to come from Congress.

In a moment of unusual candor, Merrill Matthews Jr., executive director of the Council for Affordable Health Insurance, an industry trade group, admitted the real motivation for loosening insurance sales.

“This is absolutely a way to get around some of those state-mandated benefit laws that are counterproductive and drive up insurance costs,” he said.

This idea is brought to us by the same folks who dreamed up pre-existing conditions, annual double-digit rate increases and unlimited ability to mine one’s medical records for the tiniest oversight to justify cancellation.

If done right, selling insurance across state lines could expand choice and lower premiums. If done wrong, it could exacerbate Oklahoma’s problems.

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