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Health care system needs more freedom and competition, not less

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What is the best way to make sure that Americans with chronic medical conditions — those most likely to need costly or frequent health care — can afford the insurance they need to meet their bills? The conventional answer, reflected in Mitt Romney’s 2006 health care reform law in Massachusetts and the federal overhaul signed by Barack Obama in 2010, contains these ingredients:

- Require everyone to have health insurance, with subsidized plans for low-income citizens.
- Compel insurers to accept anybody who applies for coverage and to charge roughly the same premium for everyone, regardless of health status.
- Make all health plans cover a fixed array of medical treatments, providers, and conditions — coverage that many customers may not need or want.

In short, the orthodox view is that to shield people with serious medical needs from undue financial hardship, we must suppress the normal workings of a free market — supply and demand, competition, flexible prices. There’s just one problem with this approach: It doesn’t work.

What America’s health care landscape needs is more freedom and competition, not less.

Six years after Romneycare became law, health insurance coverage in Massachusetts is all but universal. Yet a new statewide survey finds that those most in need of medical care are finding it harder than ever to pay for. According to the study, which was directed by researchers at the Harvard School of Public Health, 78 percent of sick adults consider health care costs a serious problem in Massachusetts. And far from seeing improvement, 63 percent of sick adults say the problem has only gotten worse over the past five years.

This wasn’t supposed to happen. Romney was confident his law would ease the pressure of medical costs. “Every uninsured citizen in Massachusetts will soon have affordable health insurance, and the costs of health care will be reduced,” he forecast in 2006. Yet today 14 percent of sick adults in Massachusetts report being unable to get medical care they needed at some point over the past 12 months, usually for financial reasons. About half of those who went

untreated said they couldn't afford the out-of-pocket costs; another 21 percent said their insurer wouldn't pay for the test or treatment.

To be sure, the survey relies on respondents' own perceptions, which may not always be realistic or consistent. And its definition of "sick" adults is broad: It includes everyone who said they had a serious illness, medical condition, injury, or disability requiring a lot of medical care, as well as anyone who was hospitalized overnight in the past year. By that yardstick, 27 percent of Massachusetts adults are regarded as sick.

But even if that number should be taken with a grain of salt, it is clear that universal health insurance is no panacea for health care's financial pressures — especially those that affect people with preexisting or expensive medical conditions.

The way to make medical insurance more affordable and accessible for everyone, above all those whose health problems are greatest, is not by forcing insurers to pretend that the chronically ill or those requiring frequent care don't have above-average costs. If companies that sell homeowners insurance were barred from taking into account the size, location, or age of the houses they wrote policies for, it goes without saying that premiums and deductibles would keep rising and fewer losses would be covered. Making it illegal for health insurers to craft policies and charge premiums that accurately reflect the needs and risks of people with significant medical issues has a similar effect.

Instead of keeping the market from dealing with preexisting conditions, health care economist **John C. Goodman** argues, we should encourage it. In a new book, "**Priceless: Curing the Healthcare Crisis**," Goodman offers an abundance of ways in which an unfettered market could address the problems of people with chronic medical needs. One proposal: Employers could buy health insurance that was fully portable — employees would own their policies and could take them from job to job. Another idea: Health Savings Accounts for the chronically ill that would allow disabled patients to manage their own budgets and choose the goods and services that best meet their needs. Still another: "health status insurance," which would allow individuals to protect themselves against the risk that a preexisting condition could emerge down the road and cause their insurance premiums to rise.

What America's health care landscape needs is more freedom and competition, not less. True reform would end the tax-code distortion that links health insurance to employment. It would tear down the barriers to buying health insurance across state lines. It would roll back the mandatory benefits that make everyone's health coverage too expensive. Massive health care "reforms" that restrict choice, suppress prices, and block innovation aren't reforms at all. In sickness and in health, they generally make things worse.