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HHS Grants $46 Million to States to Target Insurers

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Health and Human Services (HHS) Secretary Kathleen Sebelius has announced 45 states and the District of Columbia will receive one million dollars each toward improving health insurance oversight.

Sebelius claims the grants, given under the Affordable Care Act, will be used to publicize proposed premium increases and target insurers deemed to be raising rates unreasonably.

"The Affordable Care Act puts in place critical market reforms to improve quality and reduce the cost of health care for employers and individuals," Sebelius said in the grant announcement. "We will continue to work with states to ensure consumers are receiving value for their premium dollars and to avoid the kind of double-digit premium increases seen recently. The state proposals approved today demonstrate the need and desire for new resources and tools to help them protect against unjustifiable premium increases."

Pro-Consumer or Political Tool?

According to Devon Herrick, a senior fellow at the Washington-DC based National Center for Policy Analysis, the grants are a political tool designed to pressure insurers when they follow market signals.

"This is an example of bad public policy that is designed to alleviate problems that were caused by bad public policy," Herrick said. "Lack of competition, poorly conceived regulations, and excessive mandates are the cause of high premiums. If successful, the result of these efforts to hold down premiums will cause health insurers to leave the market, resulting in less competition and higher prices."

Although insurers are hardly sympathetic figures in the public eye, these grants are essentially designed to force them into practicing wealth redistribution, Herrick says.

“Many of these efforts are designed to badger health insurers into accepting losses and smaller premium hikes through intimidation,” Herrick said. “It strikes me as little more than using public policy to redistribute wealth from an unpopular group to favored constituents.”

Enforcing Price Controls

John LaPlante, a policy fellow at the Minnesota Free Market Institute, says Congress is essentially employing state governments to serve as enforcers of national price controls.

“This action is in fact sensible if you think that price controls are a good thing. Congress has laid down limits on health insurance premiums, and now the states will carry out their bidding,” LaPlante said.

LaPlante says the premium limits will move the health care system in the wrong direction.

“Insurance companies are in the business of making money, whether it's called ‘profit’ or in the case of nonprofit insurers, ‘retained income’,” LaPlante noted. “If they can’t charge premiums based on the risk that each customer imposes, they’ll find other ways to make money.

“Unfortunately, that moves us further away from true insurance, towards prepackaged, pre-financed, care,” he added.

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