Democrat and Chronicle.com

Failed price-fixing policy shouldn't be reinstated

Sandy Parker • Guest essayist • March 13, 2010

We all want lower health care costs, but the proposal now pending in Albany for prior approval of insurance rates won't do that.

Prior approval is simply price fixing for insurers. It ignores the prices that health care providers and drug companies charge for their services and products. It does nothing to address what's driving health care cost, such as increasing prices for drugs and services.

Let's also remember the state last year added tens of millions of dollars in new taxes and fees to health insurance premiums. This year, look for a repeat. Only in Albany does it make sense to demand price fixing for health insurance while adding to its cost.

The state also adds to the cost of health insurance by mandating specific kinds of coverage. The state shouldn't dictate the nature of coverage any more than it should dictate whether some employees get reserved parking spots.

New York used to require prior approval of insurance rates. In some years, rates were artificially held down only to be followed the very next year with dramatic increases to catch up with rising medical costs. The rates never reflected actual medical cost and utilization trends.

The last time prior approval was required, the state frequently waited until the last minute to approve rates. Employers would often wait until the end of December to learn how much they would have to pay for the coverage that began a day or two later on Jan. 1.

Let's address rising health care costs by reducing state fees and taxes on insurance that are passed on to consumers in premiums, reducing state mandates on coverage and increasing provider efficiency through programs such as Lean Six Sigma.

Prior approval is a failed policy of the past. The governor should not be trying to reinstate it.

Sandy Parker is president and CEO of the Rochester Business Alliance.