

The Massachusetts Insurance Blackout

This week it became impossible in Massachusetts for small businesses and individuals to buy health-care coverage after Governor Deval Patrick imposed price controls on premiums. Read on, because under ObamaCare this kind of political showdown will soon be coming to an insurance market near you.

The Massachusetts small-group market that serves about 800,000 residents shut down after Mr. Patrick kicked off his re-election campaign by presumptively rejecting about 90% of the premium increases the state's insurers had asked regulators to approve. Health costs have run off the rails since former GOP Governor Mitt Romney and Beacon Hill passed universal coverage in 2006, and Mr. Patrick now claims price controls are the sensible response to this ostensibly industry greed.

Yet all of the major Massachusetts insurers are nonprofits. Three of largest four—Blue Cross Blue Shield, Tufts Health Plan and Fallon Community Health—posted operating losses in 2009. In an emergency suit heard in Boston superior court yesterday, they argued that the arbitrary rate cap will result in another \$100 million in collective losses this year and make it impossible to pay the anticipated cost of claims. It may even threaten the near-term solvency of some companies. So until the matter is resolved, the insurers have simply stopped selling new policies.

A court decision is expected by Monday, but state officials have demanded that the insurers—under the threat of fines and other regulatory punishments—resume offering quotes by today and to revert to year-old base premiums. Let that one sink in: Mr. Patrick has made the health insurance business so painful the government actually has to order private

companies to sell their products (albeit at sub-market costs).

One irony is that Mr. Patrick's own Attorney General and his insurance regulators have concluded—to their apparent surprise—that the reason Massachusetts premiums are the highest in the nation is the underlying cost of

Insurers go on strike after Deval Patrick imposes price controls.

health care, not the supposed industry abuses that Mr. Patrick and his political mentor President Obama like to cite.

On top of that, like ObamaCare, integral to the Massachusetts overhaul are mandates that require insurers to cover anyone who applies regardless of health status or pre-existing conditions and to charge everyone about the same rates. This allows people to wait until they're about to incur major medical expenses before buying insurance and transfer the costs to everyone else. This week Blue Cross Blue Shield reported a big uptick in short-term customers who ran up costs more than four times the average, only to drop the coverage within three months.

Last July, Charlie Baker detailed similar gaming at Harvard Pilgrim, the health plan he used to run. Between April 2008 and March 2009, about 40% of its new enrollees stayed with it for fewer than five months and on average incurred costs about 600% higher than the company would have otherwise expected.

Mr. Baker is almost certain to be Mr. Patrick's GOP opponent in the fall election. The Governor's lurch toward price controls is obviously part of a bid to tar the former CEO as an industry villain. David Plouffe, the architect of Mr. Obama's Presidential campaign, has signed on as a Patrick 2010 consultant. These kinds of collisions between politics and health care are going to occur constantly across the country as ObamaCare kicks in.