

Testimony of

The Honorable Harry Reid

U.S. Senator
Nevada
October 14, 2009

STATEMENT OF SENATOR HARRY REID
Senate Judiciary Committee Hearing
on

"Prohibiting Price Fixing and Other Anticompetitive Conduct in the Health Insurance Industry"

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Mr. Chairman and members of the Judiciary Committee, thank you for inviting me to testify at this hearing.

Since 1945, the insurance industry has enjoyed exemption from federal antitrust laws because of the McCarran-Ferguson Act.

Pat McCarran, who was the senior Senator from Nevada at the time, lent his name to this piece of legislation. Although we're both Nevadans, I'm not sure what Pat McCarran had in mind when he pushed this bill.

And if Pat were around today, he couldn't be happy with the state of the insurance industry.

I've received hundreds of letters from constituents who are struggling to find adequate and affordable health care.

One of my constituents in Boulder City runs a small business. She's paying well over \$1000 per month for the most basic health care package she can find, her rates keep going up, and there's no other company that will insure her.

Another of my constituents, a psychologist who runs a small practice with just a few employees, has always paid 100% of his workers health care costs. The insurance company he uses has decided to raise his rates by over 46 percent. He won't be able to afford to cover his employees for much longer, and they will join the ranks of the uninsured. And they have no options.

Free competition is fundamental to our economy and essential to the American character.

It is of the upmost importance that we make sure the insurance industry is playing by the same rules as everyone else, and that they are subject to competition.

Competition is what allows great ideas to flourish, and it improves prices and quality for consumers.

It allows new businesses to enter the market.

It gives incentives to entrepreneurs, and it fuels innovation.

America's free and open marketplace gives consumers choices and encourages risk taking, and it has been the birthplace for the greatest economy in the history of the world.

That is why we have federal laws that prohibit price-fixing, bid rigging and collusion between companies within an industry. When companies are forced to compete with one another, the American people benefit.

Providing an exemption for insurance companies to antitrust laws has been anticompetitive and damaging to the American economy.

Health insurance premiums have continued to rise at a rapid rate, forcing businesses to cut back on health insurance coverage and forcing many families to choose between health insurance and basic necessities.

All too often, working families have to forego health insurance. In fact, the primary reason people are uninsured is due to the high and escalating costs of health insurance.

The increasing costs also impact the costs of government health program like Medicare and Medicaid and the costs of providing health insurance to federal government employees.

And despite rising costs, insurance companies are accused of underpaying doctors for their services.

And we've seen exactly what you would expect to see when you protect an industry from antitrust laws:

Insurance companies have become so large they dominate entire regions of the country.

They have become so powerful they block start up businesses from entering the market, and they put smaller companies out of business.

They have become so dominant that they dictate business practices.

They are so influential that they exert tremendous influence over public policy.

In particular, exempting health insurance companies has had a negative effect on the American people.

Health insurance companies have so much authority that they often dictate what course of treatment patients will receive.

Health insurance monopolies shouldn't be making health care decisions for patients. No one should come between a patient and their Doctor when it comes to making health care decisions.

Patients should be able to choose, just like members of Congress are able to choose, from a variety of different health care plans.

There is no reason why insurance companies should be allowed to form monopolies and dictate health choices.

There is no reason why the insurance companies should have exemption from antitrust laws. To the extent insurance companies need to share information to provide their services, let them do what other industries have to do - seek prior authorization and guidelines from the Department of Justice for how they can work together.

They should be subject to the same federal oversight as every other industry. Their price-setting and information sharing practices should not be permitted to take place out of public view, but should be brought out into the light of day.

I urge all of my colleagues to join me in supporting the Health Insurance Industry Antitrust Enforcement Act. Thank you.