



October 18, 2009

Obama Threatens Insurers' Anti-Trust Exemption

By [PETER BAKER](#)

WASHINGTON — [President Obama](#) mounted a frontal assault on the insurance industry on Saturday, accusing it of using “deceptive and dishonest ads” to derail his health care legislation and threatening to strip the industry of its longstanding exemption from federal antitrust laws.

In unusually harsh terms, Mr. Obama cast insurance companies as obstacles to change interested only in preserving their own “profits and bonuses” and willing to “bend the truth or break it” to stop his drive to remake the nation’s health care system. The president used his weekly radio and Internet address to challenge industry assertions that legislation will drive up premiums.

“It’s smoke and mirrors,” Mr. Obama said. “It’s bogus. And it’s all too familiar. Every time we get close to passing reform, the insurance companies produce these phony studies as a prescription and say, ‘Take one of these, and call us in a decade.’ Well, not this time.”

Rather than trying to curb costs and help patients, he said, the industry is busy “figuring out how to avoid covering people.”

“And they’re earning these profits and bonuses while enjoying a privileged exemption from our antitrust laws,” he said, “a matter that Congress is rightfully reviewing.”

The president’s attack underscores the sharp break between the White House and the insurance industry as the health care debate moves closer to a climax. When Mr. Obama took office, he and his advisers had hoped to keep insurers at the table to forge a consensus. But as the months passed, the strains grew — until this past week, when industry-financed studies attacking the Democratic plan signaled an open rupture.

The White House is concerned that the insurance industry may undermine public support for changing the health care system, much as it did when it helped doom President [Bill Clinton](#)'s overhaul efforts in the 1990s. The new industry studies are fueling broader criticism that the plans advanced by Democrats will cost too much, raise consumer expenses and insert the government more deeply into the health care sector.

The report, issued by America's Health Insurance Plans, concluded that premiums would rise 18 percent more under provisions of a Senate bill than they would otherwise in the next decade, to an average of nearly \$26,000 for families and \$9,700 for individuals in 2019. The White House dismissed the study as "deeply flawed" and noted that it did not account for subsidies in the bill to help people who could not afford insurance.

Insurance representatives rejected Mr. Obama's assertions, saying they favor bipartisan overhaul but believe that the current versions would in some ways make things worse.

"Reform needs to work and deliver on the promise made to the American people that everyone will have quality, affordable coverage," Karen Ignagni, president of America's Health Insurance Plans, said in a statement. Citing the studies warning of price increases, she added, "We believe these issues can and must be resolved."

Jeff Smokler, a spokesman for the Blue Cross and Blue Shield Association, said his group was most concerned with provisions that he said would allow people to wait to buy coverage until they are sick. "The result of such a system would be higher costs for everyone," Mr. Smokler said. "This is counterproductive to the goals of [health care reform](#)."

In the official Republican response to Mr. Obama's address, Representative Kevin Brady of Texas said the Democratic plans would create a "one-size-fits-all plan" that would reduce competition and increase costs.

Mr. Obama on Saturday praised the Senate bill passed by the Finance Committee last week as "a reform proposal that has both Democratic and Republican support." Senator [Olympia J. Snowe](#) of Maine is the only Republican in either house of Congress to support any of the five Democratic health care bills.

The president complained bitterly about the insurers' attack on the legislation. "The insurance industry is rolling out the big guns and breaking open their massive war chest to marshal their forces for one last fight to

save the status quo," he said.

His signal of support for reviewing the industry's antitrust exemption put him in league with Democratic leaders in Congress pushing for repeal or revision of the McCarran-Ferguson Act, which was passed in 1945 to keep regulation of insurers in the hands of the states. Although he did not explicitly endorse overturning it, a spokesman said it was the first time he had raised the matter publicly as president.

Senator [Harry Reid](#) of Nevada, the Democratic leader, testified at a Judiciary Committee hearing on Wednesday in favor of getting rid of the exemption. A day later, Representative [Nancy Pelosi](#) of California, the House speaker, said, "There is tremendous interest in our caucus" in such a move.

Assistant Attorney General [Christine A. Varney](#), the head of the antitrust division at the Justice Department, testified at the Senate hearing that repealing McCarran-Ferguson would create more competition, which could help reform industry practices.

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