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## Mandates: Making Health Care More Expensive for All Texans

By Mary Katherine Stout

Mandates are no doubt well intentioned, but the unintended consequences are significant. Mandates make health insurance and health care more expensive. The more expensive, the harder it is for business and individuals to afford. The more difficult to afford, the more businesses drop health insurance coverage and individuals decide to forego coverage, causing the rate of uninsured to rise.

If Texas is serious about reducing the number of uninsured and making health insurance affordable, Texas must get serious about reducing the number of existing mandates and stopping any new ones.

Some facts to consider:

- In some markets, mandated benefits increase the cost of health insurance by as much as 45%.<sup>i</sup>
- A 1999 study from the Health Insurance Association of America (now part of America's Health Insurance Plans) reported that as many as 1 in 4 individuals without coverage are uninsured because of the cost of state health benefit mandates.<sup>ii</sup>
- Mandated chemical dependency treatment coverage increased costs 9% in states that adopted such mandates.<sup>iii</sup>
- Mandated routine dental services increased costs by 15%.<sup>iv</sup>
- The contribution of mandates and government regulation is estimated to be about 15% of the overall increase, representing \$10 billion of the overall increase in health premiums.<sup>v</sup>

If home builders were told that every house they build must have granite countertops and wood flooring, the price of homes would go up. The materials and labor are not free simply because every home must have them. The case with health insurance is similar.

Any legislation with mandates must be able to answer important questions and justify the mandate in light of the bigger picture.

**Any new mandates should have a cost analysis that details the impact that the mandate would have on health insurance premiums.**

Although a fiscal note on such legislation may suggest that there is no significant financial impact to the state, such an analysis is shortsighted and misleading. In fact, if health insurance premiums increase, which we know will happen, there is a cost to the state when an employer determines that they can no longer afford to provide health insurance for their employees. What

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is the cost when those employees then go onto the state Medicaid or CHIP rolls? What is the cost when these individuals seek uncompensated care at hospitals? Perhaps it is true that the state bears no direct cost for mandates, but they certainly bear the downstream costs when the number of uninsured Texans rises.

In addition, mandates drive up utilization. When services are provided free or at little cost, people become conditioned to the process and insulated from the real costs of care. Without sensitivity to price, people are willing to access care regardless of need and have an incentive to increase consumption. We know that increased utilization is a major cost driver in the increasing cost of health care, and we know that insulating people from the actual cost of health care only increases utilization. In order to control the overall costs of health care, we must control utilization by increasing sensitivity to price. Price sensitivity cannot be achieved when coverage is mandated and the patient pays little or nothing for the care.

**What is the cost to the consumer?**

**How much will a single additional mandate add to the cost of a premium?**

**Are we willing to allow such a cost to be the determining factor in whether or not an individual or a business will be able to afford health insurance?**

The state can work to address the growing number of uninsured Texans by reducing mandates. Importantly, there is nothing that would preclude an insurer from covering treatments and services that are not mandated by the state, but which the market requires. The state must create a market that allows Texans to receive affordable coverage; preserving and adding mandated coverage works counter to that goal.

The state should constantly look for ways to increase the affordability and availability of health care in ways that do not cost a penny. By simply stripping mandates, or stopping the addition of new mandates, the state can help control the cost of health care and begin to address the number of uninsured without spending any money.

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<sup>i</sup> CAHI Issues, “State Mandates,” [http://www.cahi.org/cahi\\_contents/issues/article.asp?id=491](http://www.cahi.org/cahi_contents/issues/article.asp?id=491)

<sup>ii</sup> Ibid.

<sup>iii</sup> American Association of Health Plans, “The Factors Fueling Rising Healthcare Costs,” <http://www.aahp.org/InternalLinks/PwCFinalReport.pdf>, April 2002.

<sup>iv</sup> Ibid.

<sup>v</sup> Ibid.