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## LEGISLATORS' GUIDE TO THE ISSUES

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# HEALTH INSURANCE REGULATIONS

## THE ISSUE

In recent years, lawmakers have enacted legislation requiring health insurance plans to cover a variety of conditions and forcing insurers to guarantee access to an array of health care providers. The majority of health insurance mandates fall into three categories: those that force health plans to cover specific services or benefits; require access to specific health care providers; and mandates that guarantee coverage to particular individuals. Of course, there are many motives behind legislation that mandates specific aspects of health care, not the least of which include guaranteeing reimbursement for providers, insuring coverage for individuals with chronic conditions or diseases, and extending health benefits to more individuals.

These mandates ultimately harm consumers by making health insurance more expensive and requiring individuals to buy health benefits that they would not choose if they had the option. Legislation that defines the parameters of health insurance policies inflates the cost of health plans by requiring policies to cover an array of services, many of which consumers never use. A prime example is the Texas law requiring all insurance policies to cover in-vitro fertilization, a service that costs around \$10,000 and increases the price of insurance plans by as much as 5 percent.

Additionally, these predefined policies limit the opportunity for insurers to develop new and innovative products tailored to the individual and designed as valuable investments. These mandates force consumers to buy all-inclusive, Cadillac health plans with few alternatives to the expensive, heavily mandated plans.

The impacts of these policies are most noticeable in the price of the health insurance premiums Texans must pay. For example, in Texas a 25-year-old male would pay \$248 for a basic health insurance plan that he could get in Alabama for only \$77 a month; the difference is that Alabama imposes only 19 mandates compared to Texas' 55.

The increasing costs force many people out of the market by pushing the cost of health insurance out of their reach, a fact demonstrated by the dramatic difference in Texas' and Alabama's uninsured rate, 23.9 percent and 13.5 percent respectively.

Thus far, Texas has avoided the destructive, community-rating mandate and the guaranteed issue mandate both of which have a crippling impact on the individual health insurance market. Community rating forces healthy individuals to subsidize the health care costs of more risky consumers by redistributing the cost of insuring more expensive, unhealthy individuals to the less expensive individuals who do not use as much health care. Similarly, guaranteed issue forces insurers to approve coverage for all individuals. The incurred cost of insuring everyone, regardless of health status, eliminates the risk-based aspect of health insurance and again forces the healthy consumer to compensate for the expense of less healthy individuals. However, these onerous mandates have been imposed on the small group health insurance market and, as a result, small employers are struggling to provide affordable health insurance for their employees.

# TEXAS PUBLIC POLICY FOUNDATION

Although all of the 55 mandates were passed with the intent of making health care accessible to more people, they have actually contributed to the growing uninsured population across the state.

## THE FACTS

- ★ Texas' insurance plans are subject to 55 mandates, ranking the state as one of the five most heavily regulated states in the country.
- ★ Insurance premiums in Texas increased 40 percent in five years, the third highest rate of increase in the nation.
- ★ The combined effect of mandates drive up the cost of a basic health plan by as much as 50 percent.
- ★ One out of four uninsured individuals does not have health insurance because of the inflated prices resulting from insurance mandates.

TEXAS MANDATED BENEFITS		
Alcoholism	Diabetic Supplies	Maternity Stay
Alzheimer's	Drug Abuse Treatment	Mental Health Parity
Bone Mass Measurement	Emergency Services	Newborn Hearing Screening
Breast Reconstruction	Hearing Aid	Off-Label Drug Use
Cervical Cancer or HPV Screening	HPV Vaccine	PKU/Formula
Colorectal Cancer Screening	Home Health Care	Prostate Cancer Screening
Contraceptives	In-Vitro Fertilization	TMJ Disorders
Dental Anesthesia	Mammogram	Well Child Care
Diabetes Self-Management	Mastectomy Stay	

TEXAS MANDATED PROVIDERS		
Acupuncturists	Nurse Practitioners	Professional Counselors
Chiropractors	Occupational Therapists	Psychologists
Dentists	Optometrists	Public or Other Facilities
Dieticians	Physical Therapists	Speech or Hearing Therapists
First Nurse Assistant	Physician Assistants	
Marriage Therapists	Podiatrists	

## RECOMMENDATIONS

- ★ Resist recent policy efforts that require individuals to carry health insurance via an individual mandate (i.e., Massachusetts).
- ★ Eliminate small group health insurance requirements that force insurers to guarantee issue and effectively community-rate policies, focusing instead on efforts to make health insurance a more attractive product and a better value.
- ★ Eliminate unnecessary state regulations—such as mandated coverage for in-vitro fertilization—that inflate the cost of health insurance plans.
- ★ Amend the Texas Insurance Code to allow the purchase of health insurance policies regulated by other states.
- ★ Protect mandate-light plans, like the Texas Consumer Choice Plans, from additional mandates.
- ★ Consider making truly mandate-free policies available as Arkansas, Colorado, Florida, Montana, North Dakota, and Utah have done.

TEXAS MANDATED COVERED PERSONS		
Adopted Children	Conversion to Non-Group	Handicapped Dependents
Continuation Dependents	Dependent Students	Domestic Partners
Continuation Employees	Grandchildren	

## RESOURCES

- *Health Insurance Mandates in the States 2008* by Victoria Craig Bunce and JP Wieske, Council for Affordable Health Insurance (2008) [http://www.cahi.org/cahi\\_contents/resources/pdf/HealthInsuranceMandates2008.pdf](http://www.cahi.org/cahi_contents/resources/pdf/HealthInsuranceMandates2008.pdf).
- *Mandating Expensive Health Insurance in Texas* by Kalese Hammonds, Texas Public Policy Foundation (Mar. 2008) [http://www.texaspolicy.com/commentaries\\_single.php?report\\_id=1809](http://www.texaspolicy.com/commentaries_single.php?report_id=1809).

