

Testimony to the Senate State Affairs Committee

For SB 2416: Purchasing Health Insurance Across State Lines

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Thank you, Chairman Duncan and members of the Senate State Affairs Committee for the opportunity to present information on SB 2416 and its ability to provide Texas with a credible claim that we're trying to do everything we can to make health insurance more attractive and accessible to people by giving them more choices.

Health Insurance Mandates

Texas' insurance plans are subject to 55 mandates, ranking the state as one of the five most heavily regulated states in the country. While well intentioned, these mandates drive up costs for all consumers. The cumulative effect of all of these mandates is significant; they drive up the cost of a basic health plan by as much as 50 percent.

While state-imposed health insurance mandates make health insurance more comprehensive; they also make it more expensive because mandates require insurers to pay for care that consumers previously funded from their own pockets.

In an attempt to introduce more consumer choice to the health insurance market, the Legislature introduced Consumer Choice Plans in 2003. These health insurance plans have fewer mandated benefits, allowing for the cost of the plans to be lower. However, over the years, more mandates have been listed to these "mandate-lite" plans, increasing their prices as well.

This session, even more mandates have been introduced to cover things such as prosthetic devices, participation in clinical trials, oral cancer medications, and treatment for eating disorders. All of these mandates are well intentioned, but they drive up the price of insurance for everyone and begin to distort the balance of risk in health insurance.

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 effects 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' 55.¹

The increasing costs force many people out of the market by pushing the cost of health insurance out of their reach. With such a massive difference in monthly premiums, it should not surprise anyone that Alabama's uninsured rate (13.5 percent) is more than 10 points lower than Texas' (23.9 percent).²

The Texas Legislature should always look for ways to make health insurance more accessible and affordable. To accomplish this, legislators should free the health insurance marketplace to provide products that people want and can afford, as well as free Texans to make more of their own health care choices.

Recommendations

The end goal should be a robust and competitive health care marketplace that gives Texans real choices for high-quality health care at lower costs. Competition with

other states' insurance plans would be good for Texas, as it would encourage Texas' plans to seek opportunities to compete by creating better networks and more value-added services. The hope would be that this inter-state competition would take root across the country, creating a kind of competitive federalism among the states. This would eventually encourage legislatures to free up their insurance marketplaces to allow for insurance companies to compete on an even playing field.

Texas can lower the cost of health insurance and reduce the number of uninsured by giving citizens access to a wide range of affordable health policies without mandates and restrictions. Opening the insurance market across state lines would allow people to search for lower-cost health insurance coverage and, in turn, have more control over their health care choices. ★

¹ Victoria Craig Bunce and JP Wieske, *Health Insurance Mandates in the States 2008*, Council for Affordable Health Insurance (2008) http://www.cahi.org/cahi_contents/resources/pdf/HealthInsuranceMandates2008.pdf.

² Ibid.

