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## Health Care Insurance Mandates: Good Intentions/Bad Outcomes

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State-mandated health insurance benefits laws specify the services and providers that health care insurers must cover in order to sell health insurance in a state. Mandates cover diseases ranging from mental illness to alcoholism and drug abuse, services ranging from acupuncture to in vitro fertilization and health care providers ranging from chiropractors to naturopaths. Their coverage extends from life-threatening to cosmetic conditions: heart transplants in Georgia, liver transplants in Illinois, marriage counseling in California, pastoral counseling in Vermont, deposits to a sperm bank in Massachusetts, and hairpieces in Minnesota.

As the *State Briefing Book on Health Care* points out, mandated health insurance benefits laws can have both well-intentioned yet unintended negative consequences. Aside from restricting the behavior of insurers, they also can have limiting effects on health care consumers' freedom of choice, either forcing them "to purchase a Cadillac plan 'bloated with extra benefits' or to remain uninsured."

Too much of a good thing might best describe the plethora of mandates required today of health insurance providers both nationally and in Florida. Whereas, in 1965 there were only eight mandated health insurance benefits laws in the entire United States, today, there are more than a thousand. Florida currently has 41 mandates imposed by the State on health insurance policies, and in the current legislative session, numerous bills have been filed that would add approximately eight mandates ranging from treatment of autism to contraceptives and infertility treatments.

### Dangers of Health Insurance Mandates

In the last 30 years, state legislatures have increased insurance costs by passing laws mandating additional health insurance benefits. According to recent estimates by the actuarial firm of Milliman & Robertson, twelve of the most common mandates collectively can increase the cost of a standard health insurance policy by as much as 30 percent. This means that a small business employing 25 people could see its premiums rise by \$20,000 a year. Typically, as the cost of health care is driven up by such mandates, employers and employees respond by dropping insurance coverage altogether.

Florida, in particular, is at risk. According to the U.S. Census, it has the fourth largest uninsured population in the nation. Almost one-fifth of Florida's population does not have

health insurance coverage, and the state ranks sixth among states in terms of its percentage of uninsured residents. If the trend continues, it is estimated that, by 2002, 3.4 million Floridians will be uninsured.

### **Who Pays for the Mandates**

Although employees often think that employers pay them extra for the insurance coverage they receive, a recent study by the National Center for Policy Analysis shows agreement among economists that "Employee benefits are a substitute for wages in the employee's total compensation package. Higher benefits often force employees to take lower wages...." The net effect to the employee is income and/or insurance loss. The Center study shows too that most of the impact of state-imposed health care insurance mandates falls on small businesses and individuals:

These mandates apply only to health insurance policies controlled by the state health insurance laws -- usually policies purchased by small businesses and individuals. Most large companies avoid state mandates by self-insuring under the Employee Retirement Income Security Act (ERISA), which exempts self insured companies from state oversight. Consequently, the impact is on small business and individuals.

### **Who Gets Hit the Hardest**

In addition to insurance companies being negatively impacted by mandated health care insurance benefits, a recent demographic study by the American Association of Health Plans reveals that three times as many lower income families enroll in managed care or HMO's than in indemnity plans. More minority families enroll in them than any other group. The National Policy Center study discloses that, among the uninsured, one of every four persons is priced out of the market by state mandates.

### **Recommendation**

Florida TaxWatch recommends that further research be undertaken to determine the true costs to Florida and its citizens of the state's seemingly random practice of adding to the already lengthy list of state- mandated health insurance benefits. A comprehensive matching of their full cost- versus benefit-consequences is overdue and clearly warranted.

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