

MainePoint

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Summary

Maine's enthusiasm for regularly adding health insurance mandates has driven up the cost of health insurance and driven consumers out of the market. Our neighboring states have shown greater restraint and have more citizens able to buy health care coverage. To promote access to health insurance, Maine should impose a moratorium on new mandates. More to the point, Maine should allow insurers to offer new policies free of most, if not all, current mandates. Other states have done so.

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Mandates Cause Uninsurance

JOHN R. LA PLANTE

As state legislators wrestle with health care issues, one place to begin is the extensive system of mandates that contribute to the rising cost of insurance.

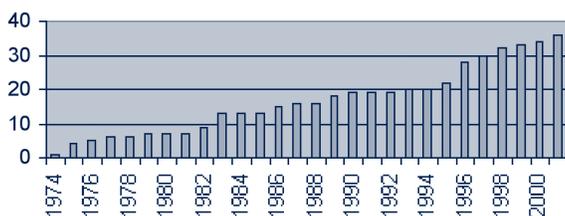
According to a December 2001, national survey conducted by the BlueCross BlueShield Association, the fifty states plus the District of Columbia have combined to impose over 1,500 mandates on insurance policies.¹ Roughly half of those mandates require companies to pay for specific treatments, such as hearing aids or the removal of port wine stains.

Some procedures are widely mandated, such as mammography screening; 45 states require insurance companies to pay for it. (Four other states require insurers to offer this coverage as an option.) Not every benefit is widely applied—only 17 states require payment for contraceptives, for example.

A second group of mandates requires insurers to pay for services rendered by various professions, such as pastoral counselors, naturopaths, and social workers. A third group of mandates requires insurance plans to cover certain populations, such as dependent students and children who do not live with the insured parent.

Maine's Insurance Mandates

1974-2001



“Few states have been as eager as Maine to impose mandates on insurance companies and their customers.”

MULTIPLYING MANDATES

Few states have been as eager as Maine to impose mandates on insurance companies and their customers. In fact, only ten states impose more mandates than Maine. In New England, Maine is second only to Connecticut.

By the end of the 1970s, Maine had 7 mandates, while New Hampshire had four, and Vermont only three. This pattern continued for the next two decades. As of the end of 2001, there were 36 mandates on the books in Maine, 24 in New Hampshire, and 19 in Vermont. Not only has Maine consistently had more mandates than either New Hampshire or Vermont, it has also, more often than not, been the first to impose new ones.

Once the content of insurance policies is dictated by the political process, it is hard for legislators to resist the temptation to pile on. Special interests, whether they be patient advocacy groups demanding that a particular disorder be covered, or occupational groups demanding that insurers pay for their services, seek their own welfare in calls for increased regulation. On average, every four years has brought another five mandates on what insurers may sell, and what consumers may buy.

¹ Information on the number of mandates is taken from *State Legislative Health Care and Insurance Issues: 2001 Survey of Plans* is available online at <http://bcbshealthissues.com/relatives/19364.pdf>. Data for this chart is taken not from the main body of the survey, but from an appendix titled *State Mandated Benefits and Providers*, which can be found at <http://bcbshealthissues.com/state/appendix/XYZAABB.pdf>





SO WHAT'S THE PROBLEM?

Clearly, then, Mainers—or at least Maine’s health care activists and legislators—like mandates. And why not? Isn’t it better to get something for nothing?

The problem, of course, is that you can’t get something for nothing. As reported by Dr. Gail A. Jensen of Wayne State University, and Dr. Michael A. Morrissey, of the University of Alabama, mandates have costs. Across the nation, insurance premiums are anywhere from 4 to 13 percent higher as a result of state mandated benefits.² When the General Accounting Office reviewed studies on mandated benefits, it found costs ranging from 5.4 percent in Iowa to 22 percent in Maryland.³

People who are employed by small businesses are most vulnerable to rising premiums. These firms, which are least able to afford increased expenses, can end up dropping insurance coverage altogether. Jensen and Morrissey reported that of the companies that do not offer health insurance, nearly 20 percent cite mandates as the reason.⁴

The effects of mandate-driven premium increases can be seen by comparing the rate of uninsurance in Maine, New Hampshire, and Vermont. In Maine, where mandates are more common, insurance coverage is less widespread. According to a report by the Kaiser Family Foundation, more of the population in Maine is uninsured (12.6 percent) than is the case for New Hampshire (10.3 percent) or Vermont (10.4 percent).⁵

“Across the nation, insurance premiums are anywhere from 4 to 13 percent higher as a result of state mandated benefits”



Source: BlueCross Blue Shield Association, Kaiser Family Foundation

WHAT TO DO

To promote access to health insurance, Maine should stop piling on the mandates. At the least, it should place a moratorium on new mandates, as North Carolina has done. This will give small businesses a chance to adjust to recent premium increases. Any new mandates imposed after a moratorium, say of five years, should have sunset provisions to expire after five or seven years, so that the value of the mandate must be revisited.

More significantly, the state should allow insurers to offer new policies that are free of most, if not all of the current mandates. Arkansas and North Dakota have enacted such laws in recent years.

If legislators want to decrease the number of uninsured and make Maine a better place to do live, work, and do business, they can start by halting and even reversing the use of mandates.

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² Gail A. Jensen and Michael A. Morrissey, Mandated Benefit Laws and Employer-Sponsored Health Insurance, p. 13, January 1999 Health Insurance Association of America. Not available online.

³ Health Insurance Regulation: Varying State Requirements Affect the Cost of Insurance, Report GAO/HEHS-96-161 General Accounting Office, 1996., p. 12. Available on the Internet at www.gao.gov/archive/1996/he96161.pdf

⁴ Jensen and Morrissey, p. 15

⁵ Health Insurance Coverage in America, The Kaiser Commission on Medicaid and the Uninsured, January 2003, table 13., Available on the Internet at <http://www.kff.org/content/2003/4070/4070.pdf>

