

Mass. Consumers Pay \$1.3 Billion a Year for Mandated Insurance Benefits

By Elisha Maldonado

Rising health insurance costs in Massachusetts, where possession of insurance is required by state law, are in large part attributable to onerous mandatory minimum coverages the state government requires in every policy sold in the state, a new state government study shows.

An assessment conducted by the Massachusetts Division of Health Care Finance and Policy (MDHCFP) found 12 cents of every \$1 spent on insurance premiums in the state goes toward paying for those mandated benefits—a cost to consumers of more than \$1.3 billion per year.

Massachusetts law requires every health insurance plan to cover 26 spec-

ific treatments and procedures, including alcoholism counseling and hair prosthesis, according to the Council for Affordable Health Insurance.

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Burdening Employers

Dr. Marylou Buyse, president of the Massachusetts Association of Health Plans (MAHP), says the coverage mandates affect consumers—who have to pay higher premiums, co-pays, and deductibles—and also “have an impact on the employers who are required to provide health insurance plans.”

Kalese Hammonds, a policy analyst at the Texas Public Policy Foundation’s Center for Health Care Policy, agrees. “Providing health care is already a burden for employers, particularly small employers who are subject to state regulations,” she said.

“The additional regulations that Massachusetts puts on health insurance plans will make the policies more

expensive and even more burdensome for small employers,” Hammonds added. The burden makes employers financially unable to give their employees raises and prevents companies from investing in their own businesses, she noted.

Dictating Policy Structures

“Rather than allowing individuals to make their own decisions, elected officials have dictated the structure and benefits of health insurance policies through legislative mandates,” said Hammonds. “Unfortunately, these mandates arbitrarily inflate the cost of health insurance, making even a basic plan too expensive for consumers and forcing them to rely on the government to provide these benefits or forego coverage altogether.”

Maternity, mental health, home health, preventive care for children, and infertility services account for 80 percent of premium spending on mandated coverages, according to the MDHCFP assessment.

Health policy analysts note mandates mean many consumers are paying for benefits they may never need or want.

“They are absolutely paying for it,” said Buyse. “That is what a mandate does: It forces someone to pay even if they don’t want it. It also reduces flexibility in the market.”

Buyse said MAHP opposes new man-



dates. The organization wants a multi-year moratorium on mandates until the spiraling cost of health care is under control.

“Any time we add a new mandate it increases the cost for employers and consumers,” said Buyse, “and that runs counter to the need to control health care costs.”

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INTERNET INFO

“Comprehensive Review of Mandated Benefits in Massachusetts,” Massachusetts Division of Health Care Finance and Policy, July 2008: <http://www.heartland.org/article.cfm?artid=23617>

“Health Mandates in the States 2008,” Council for Affordable Health Insurance: <http://www.heartland.org/article.cfm?artid=23616>

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Strong-Arm Tactic

However, Rendell refused to sign the bill because it included language authorizing an extension of the Medical Care Availability and Reduction of Error (MCARE) abatement program, a malpractice subsidy.

Rendell had called himself in a March letter to health care providers “THE champion of the Mcare abatement” just before promising to prevent renewal of the popular program, which helps defray the skyrocketing cost of malpractice insurance, “until the Legislature passes a bill to provide affordable health care to more than 800,000 uninsured state residents.”

Analysts are calling Rendell’s move an attempt to strong-arm physicians and legislators into supporting taxpayer-funded “universal” insurance pro-

grams.

“Gov. Rendell is hitting the state’s health care providers where it hurts them most: In the pocketbook,” said Jeff Emanuel, research fellow for health care policy at The Heartland Institute and managing editor of *Health Care News*. “Rendell knows that taking away the MCARE subsidy that enables practitioners to afford the astronomically expensive malpractice insurance required by law will force them to the bargaining table—and the price he is asking of them, in order to restore MCARE, is help pressuring legislators to waste more of Pennsylvanians’ money on futile attempts to enact so-called universal health care.”

Council Reinstated

With neither side giving in on the issue, the council was all but dissolved for a week before Rendell backed down and reinstated the laid-off members through a July 8 executive order, which allows the council to remain in place through

November 30.

“The Pennsylvania Health Care Cost Containment Council has added value since its inception in 1986,” said Rick Dreyfus of the Commonwealth Foundation for Public Policy Alternatives in Harrisburg. “It is my hope the council will be renewed for a significant number of years with fewer legislative encumbrances to facilitate the effectiveness of the council for the benefit of all who use their data.”

To continue operating, the council must have funding for its \$5 million budget after November.

Second Time Around

This is not the first time PHC4’s renewal has been the subject of friction. In 2003 the General Assembly allowed the organization’s mandate to expire before legislatively reauthorizing it, though the council was allowed to remain in session during that time.

“The governor’s decision to reopen the council by executive order proves

that his action to shut it down last week was unnecessary,” said a spokesman for Pennsylvania state Senate Majority Leader Dominic Pileggi (R-Chester).

Mission Change Advocated

“The Cost Containment Council is worth preserving,” said Greg Scandlen, director of Consumers for Health Care Choices at The Heartland Institute. “This is not because it has helped contain costs; it hasn’t. However, it has done a good job of revealing hospital-by-hospital prices for specific services. In fact, its mission should probably be redefined, since it serves as an agent of transparency far more than a cost containment body.”

“They [PHC4] do quality work,” said House Speaker Dennis O’Brien (R-Philadelphia). “They deserved to be reestablished. I am glad the governor stepped up to the plate.”

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