

SB 5637 would give Washington residents more health insurance choices at lower costs

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Key findings

1. **State lawmakers impose costly mandates on all insurance policies, regardless of whether or not they serve the medical needs of patients.**
2. **The Affordable Care Act, or Obamacare, added ten “essential” mandates on top of those imposed by the states.**
3. **Altogether, Washington residents must pay for 57 mandates, each of which adds between 0.2 to 2.5 percent to the cost of insurance.**
4. **An analogy in the auto market would be a state law that forces everyone to buy a Lexus, when most people simply want a Toyota or a Ford.**
5. **SB 5637 would allow Washington residents to buy affordable coverage, free of mandates imposed by the state.**
6. **Even if Congress does not repeal all ten mandates imposed by Obamacare, SB 5637 would still give Washington residents more health insurance choices at lower costs.**
7. **SB 5637 is good public policy because it would show respect for the health care choices made by patients, and it would make health coverage more accessible to working families buying in the individual and small group markets.**

Introduction

For many years, Washington state lawmakers have required that insurance companies include multiple benefit and provider mandates in every health insurance plan sold in the individual and small group markets. These mandated insurance provisions are required by law, regardless of whether it serves the medical needs of patients.

Each mandate raises the premium cost of an insurance plan by a varying amount. Mandates can seem reasonable, yet not everyone wants or needs each of the mandates. For example, why should an unmarried 30 year-old man be forced to pay for obstetrical coverage in his health insurance plan?

Background

The large group market, which is composed of companies that employ hundreds of employees, is exempt from the state mandate laws. The insurance plans in these large groups are controlled by the federal government through the Employment Retirement Income Security Act of 1974 (ERISA).¹

Up until the passage of the Affordable Care Act (ACA), also known as Obamacare, states controlled the number and type of mandates in insurance policies sold in the individual and small group markets. The ACA added ten “essential” benefits that in many cases overlapped with state mandates. Washington state had 57 benefit and provider mandates in 2010 when the ACA passed.²

1 “Health plans and benefits: ERISA,” United States Department of Labor at <https://www.dol.gov/general/topic/health-plans/erisa>

2 “Health insurance mandates in the states, 2009,” by V. Bunce and J.P. Wieske, Council for Affordable Health Insurance, 2009 at https://www2.cbia.com/ieb/ag/CostOfCare/RisingCosts/CAHI_HealthInsuranceMandates2009.pdf

Insurance companies must add the potential cost of each mandate into the overall premium price of each health insurance plan. The average cost is 0.5 percent to 2.5 percent per mandate, but there are considerable differences based on the impact of the mandate.³

Summary of SB 5637

SB 5637 would “exempt(s) commercial health benefit plans, offered in the individual and small group markets, from all state-mandated benefits beyond those required by the federal government.”⁴ The bill provides mechanisms for the state insurance commissioner to guarantee compliance with federal law. SB 5637 would work within the framework of the ACA where states must pay the added costs if exchange plans are not ACA compliant. SB 5637 requires that the state insurance commissioner submit a cost to the state if plans sold in the Obamacare exchange are not ACA compliant. The bill specifically allows insurers to offer a pediatric dentistry plan.

Policy analysis

Special interest groups descend on the Washington state legislature seeking inclusion of their services in health insurance plans. Lacking the ability or interest to say “no,” lawmakers pass legislation that forces people to pay for insurance benefits they don’t necessarily want or need. Federal central-planners also believed they were smarter than other people and, through the ACA, forced ten benefit mandates on Americans purchasing health insurance in the individual and small group markets.

A basic analogy would have the government force everyone to drive a Lexus, or pay the insurance premiums of a Lexus, when many people simply want a Prius or Ford. This is fundamentally government bureaucrats believing they know what’s best for people.

SB 5637 would allow health insurance companies in Washington state to sell policies that include only the federal benefit mandates, not all of the mandates required by state law.

Congress is currently debating repeal of parts, or all, of the Affordable Care Act. Even if the ten benefit mandates required in the ACA are not totally repealed, SB 5637 would still give Washington residents more health insurance choices at lower costs.

Without required mandates, insurance companies could tailor policies to meet patients’ actual needs. Comprehensive, catastrophic major medical plans, coupled with tax-free health savings accounts could be offered at low costs and would attract the largest number of consumers.

Conclusion

Offering mandate-light health insurance plans would increase patient choices, decrease costs and potentially increase competition in the insurance market. Decreasing or eliminating mandates puts the patient, as a consumer of health care, in charge – not the government.

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³ Ibid.

⁴ “SB 5637 – Addressing health insurance mandates in the individual and small group markets,” Washington state legislature, Bill information, 2017-18 at <http://app.leg.wa.gov/bills/summary?BillNumber=5637&Year=2017>