

Mandates Increase Costs and Reduce Access to Affordable Health Insurance

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Paying for health care coverage is one of the fastest-rising costs facing businesses and families in Washington. At the same time health insurance is one of the most heavily regulated sectors of our state economy. These two trends are linked. Rising state regulation plays a major role in driving up the cost and reducing the accessibility of health coverage.

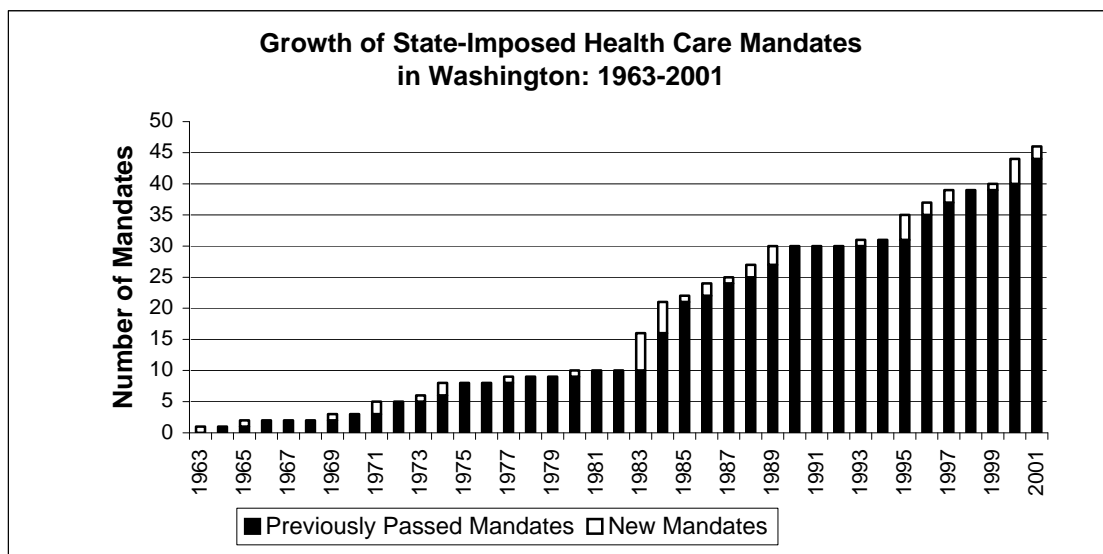
Nationwide, the number of uninsured is falling, dropping by nearly 600,000 people between 1999 and 2000, the latest year for which figures are available. By 2000, 38.7 million people, about 14 percent of the U.S. population, were without health coverage, down from a high of some 42 million in previous years. Washington, however, is one of only eight states that is experiencing the opposite trend. The number of uninsured in our state is increasing, rising by an average of 1.4

“Washington is one of only eight states experiencing a rising trend in uninsured rates.”

percent in recent years. Today there are an estimated 794,000 people in Washington, or 13.7 percent of the population, who are without health insurance coverage.

A new study by Washington Policy Center called “How Mandates Increase Costs and Reduce Access to Health Care Coverage” finds that a major contributor to this disturbing trend is the rising cost of health insurance. Some of the reasons costs are going up are clearly beyond the control of state policymakers, but there is one key factor that is often overlooked; the cost of mandates – laws that limit the kind of health insurance that can be sold in our state.

Beginning with a single mandate in 1963, the number of new and amended mandates in Washington has now grown to 47 (see chart). In recent years their number has grown rapidly. Between 1982 and 1990 they tripled from 10 to 30, and from 1993 to 2001 their number increased by a further 50 percent.



Since 1992 the rising number of uninsured in Washington has roughly tracked with the increasing number of mandates. During the 1990s when the number of mandates rose rapidly, the uninsured rate in Washington increased by almost one third, rising from 10.4 to 13.7 percent. A study by two researchers at Wayne State University and the University of Alabama found that, “Mandates are not free, they are paid for by workers and their dependents, who receive lower wages or lose coverage altogether.”¹

Today our state has one of the highest levels of mandates and regulations placed on health insurance; we also have one of the highest uninsured rates in the country.

Our research points to two reforms that would create a re-invigorated insurance market, one where consumers would be free to choose and pay for the health coverage that works best for them.

1. Legalize Basic Insurance. Because of mandates, basic health insurance is not legally available in Washington. Policymakers could allow basic insurance plans that are exempt from mandates and are priced to reflect actual value to consumers. A policy allowing true basic health insurance would have several advantages. It would:

- Advance the public interest – we all benefit when the government allows greater, rather than fewer, choices in the health care market.
- Promote personal freedom – citizens would have greater say in one of the most personal and sensitive areas of life.
- Enhance market efficiency – health care consumers would be able to seek the coverage they need at a price they are willing to pay.
- Reduce the number of uninsured – individuals, families and small

businesses owners who are currently priced out of the market would have new opportunities to gain access to health insurance.

2. Adopt a Moratorium on New Mandates. Washington’s legislature could adopt a moratorium on the enactment of new mandated health benefits. Such a “time-out” in the growth and complexity of health insurance regulations would give policymakers and the public the opportunity to learn the long-term impact of mandates, and how they affect the price and availability of health coverage.

Conclusion. Health care mandates are supposed to improve health coverage while reducing the number of uninsured, but the practice of steadily adding more mandates is having the opposite effect. To policymakers mandates seem “free” because they do not appear as line items in the annual budget, but their cumulative cost over time, though hidden, is quite high. One mandate may help a few people, but any gains are soon offset by increases in insurance costs, which then makes it harder for everyone else to get the coverage they need.

Mandates also carry social costs. By their nature mandates force insurance consumers to pay for medical coverage they may not want, while denying them options they do want and would choose if available. In the current regulatory climate many decisions about health coverage are made by lawmakers through the political process, not by consumers, doctors and employers.

Effective reform would move personal decisions about health care away from the political process and closer to the consumer. Fewer mandates, greater consumer choice and vigorous price competition among insurers is the most effective way to promote affordable, high-quality health care for all Washington citizens.

Washington Policy Center is a 501(c)(3) non-profit organization. The full study on health care mandates is available at www.washingtonpolicy.org or by calling toll free, 1-888-972-9797.

¹ Gail A. Jensen, PhD and Michael A. Morrisey, PhD.