

Purchasing Health Insurance across State Lines

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Background

Officials in Washington state currently ban citizens from buying health insurance in other states, forcing consumers to choose among a handful of in-state insurers. They also require individual health insurance plans sold in Washington to contain 58 different benefit and provider mandates. Each mandate adds a small incremental cost to the plan, as little as 0.5%, but added together state mandates drive up the cost of health coverage significantly. A total of 58 mandates can increase the price of health insurance by 20 to 25%.

Not everyone wants or needs these mandates. It makes no sense for a 25-year-old single man to pay for obstetrical coverage. Given a choice, many people may not want to pay extra for acupuncture or chiropractic care they will never use.

The vast majority of individual health insurance policies sold in Washington state are provided by only three carriers. This further limits market competition and choices for health care consumers.

Legislation has been introduced, SB 6440 and HB 2687, that would end Washington's ban on buying health insurance in other states. Lifting the ban would permit Washington residents to shop for family and individual health coverage across state lines based on price, quality and choice.

Overview

SB 6440 and HB 2687 have the following features and requirements. These bills would:

- Apply only to the individual and small group market
- Reduce costs by providing more health insurance options for consumers in Washington state
- Reduce the number of uninsured by increasing the number of insurance carriers and the number of policies available in Washington state
- Include markets in at least five other states
- Require that carriers in those states have an 85% compliance with existing insurance laws
- Require that each state have no more than two insurance companies in common with Washington state
- Ensure that all plans offered comply with federal employee health benefit plans
- Not include plans offered in the new Washington state insurance exchange
- Allow plans to include fewer mandates than plans now offered in Washington state

- Give the Insurance Commissioner selection control and monitoring oversight over the out-of-state plans
- Require the Insurance Commissioner to establish a “consortium” with insurance commissioners from participating states
- By 2017, require the Insurance Commissioner to present a list of states open to Washington insurance consumers to the state legislature and allow out-of-state carriers to participate in the Washington state exchange

Policy Analysis

To reduce costs and increase choice and quality of health services, patients, as consumers of health care, should have multiple insurance options available. These options should include an array of plans, from first-dollar full coverage to high-deductible catastrophic coverage only. Since Washington’s 58 state mandates do not allow this range of plans to be offered, Washington residents should be allowed to shop for health coverage in other states.

These bills would expand the choices for Washington state health care consumers. The proposals would revitalize the in-state insurance market by increasing the number of insurance plans and the number of insurance companies allowed to do business in Washington state. Individuals and small groups could tailor their health insurance to their specific needs and budgets.

SB 6440 and HB 2687 have the potential to significantly reduce the number of uninsured in Washington state through the availability of more affordable health insurance plans. As public policy, the bills show respect for Washington residents by expanding the ability of families and individuals to make their own choices about where to buy health coverage.

Washington Policy Center has been a longtime supporter of the interstate purchase of health insurance. This is good public policy and would benefit health care users in Washington state.

Dr. Roger Stark is a retired surgeon and a health care policy analyst with Washington Policy Center, a non-partisan independent policy research organization in Washington state. Nothing here should be construed as an attempt to aid or hinder the passage of any legislation before any legislative body. For more information, visit washingtonpolicy.org.