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Summary

The 2005 Oregon Legislature sought to improve health insurance by adding to the list of procedures and conditions that must be covered. Despite good intentions, insurance mandates increase the costs of health insurance policies, pricing some people out of the market entirely.

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“Estimates of the added costs of government mandates in the health insurance field range from 20 to 50 percent.”

Health mandates price some out of insurance market

by Michael Barton, Ph.D.

Members of the 2005 Oregon Legislature continued to make health insurance more expensive and harder to obtain by adding new procedures that insurers are required to cover and mandating that mental health conditions be covered at the same level as other medical conditions.

Regarding mental health coverage, Sen. Avel Gordly, D-Portland reportedly said, “It is time to end discrimination against the mentally ill.” If I open a steakhouse am I discriminating against vegetarians? Does a bicycle shop discriminate against those who cannot ride? Surely the act of offering coverage for one condition cannot be construed as an injury to those suffering from others. Yet this is exactly the mindset of those who substitute their judgment for that of private industry, insist that they know best how to design health insurance plans and have the power to enforce their will.

In addition to the new mental health parity law, colorectal and prostate cancer screenings and clinical breast examinations for women must be included in insurance plans as the result of actions by the Legislature. These provisions received little comment, probably because insurance mandates have become so common.

The latest mandates add to a list of over 30 conditions, providers and groups that must be covered in health plans sold in Oregon. Coverage requirements range from alcoholism to orthotics, covered providers from acupuncturists to social workers and groups that must be covered include both adopted and noncustodial children.

There is a market for health insurance just as for any other category of good or service and there is a market price for mental health coverage, for coverage for cancer screenings and for coverage of noncustodial children. When this market is left free a variety of plans will inevitably be offered customized to people’s various circumstances. By what right does government insist that a man buy a policy covering breast exams or a woman, prostate exams?

No doubt many who voted for these bills thought they were improving the lives of their constituents, and no doubt there are some who will be better off as a result. But it is the politics of wishful thinking to believe that government can force a change in this private, voluntary business relationship with the only effect being some customers get better coverage.

People respond to incentives and when a product is made more expensive people respond by buying less of it. An analysis by the Washington Policy Center, a Seattle based, free-market think tank, concludes that the added costs of government mandates in the health insurance field range from 20 to 50 percent. While mandates are not the only reason for the decline in the number of Oregonians with coverage they are certainly one big reason.

Laws and regulations governing health insurance are numerous and arcane. Employers are generally not required to offer coverage, and large corporations and organizations that fall under the Employee Retirement Income Security Act (ERISA) can self-insure and avoid the tangle of state mandates, though the federal government has recently begun adding their own rules. Those buying their own health insurance policies, the self employed and small businesses are left with this stark choice: Buy a “Cadillac” health insurance plan with all the bells and whistles mandated by the state, or go without.

In the next legislative session when new mandates are inevitably offered to help this or that group perhaps the members could ask themselves the following question: Does it really help those struggling financially to know that the policy they cannot afford covers colorectal exams?

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