One of the chief complaints of consumers about health insurance that manifests itself after price is the lack of coverage for particular conditions, medical implements, or diseases. This concern is exacerbated for those who face healthcare conditions for which coverage in most policies is not standard. In response to these concerns insurance regulators and elected officials have increasingly established mandates for coverage for particular conditions a policy outcome certainly preferred by those who face conditions not covered by market driven health insurance. However increased mandates can impact consumer costs in the form of increased premiums. House Bills 211, 272, and 303 all seek to mandate the coverage of particular conditions or the increased coverage of those conditions through legislative means.

The Proposed Bills:

HB 211: Would require that amino acid based formula products be covered by health insurers in the state for the treatment of eosinophilic gastrointestinal disorder.

HB 272: Would create a pilot program in the Public Employee’s Benefit and Insurance Program for the treatment of autism spectrum disorder, and further sets yearly coverage requirements of $25,000 for children from 9 to 17 years and $50,000 for children under 9 years.

HB303: Would require that hearing aids for children be covered by health insurers up to $2,000 per required aid, and as needed or every 24 months after the first provision.

Understanding the Impact of Mandates:

Mandated benefits raise issues that are questioned throughout the political arena. Issues include weather it is fiscally appropriate for the economy and for the masses. Economists have generally viewed these mandates as disguised taxes, as it takes the burden off of the government and places it on the effected recipient of the mandate. In this case it is health insurance mandates in their varied forms and how they impact the insurers and the insured.

The increased costs to the insurance company are reflected in higher premiums for the consumers who find little value in the now mandated coverage. Further Chernew, Frick, and McLaughlin (1997) find that forcing families to purchase products they would otherwise not purchase has the potential to generate a substantial welfare loss to those families. (Chernew, Frick, and McLaughlin, 1997).

Further because most insurance is provided through employer benefit plans the expectation is that wages of workers should fall until the increased costs are covered by lower wages. To prevent real wage decreases firms may respond by cutting insurance availability or shifting employment (Gruber, 1994). In general increased mandates on insurance coverage with relation to wages, employment, and insurance coverage is that all are likely to decrease (Summers, 1989.)

While these costs are rather clearly illustrated they are not the issues that should be considered in determining whether increased mandates for coverage are appropriate. Mandates including those proposed above remove the ability of the individual to freely engage in transactions for those services
they most desire. Instead of free contracting a requirement to purchase goods and services to their likely detriment replace the individual’s decision prerogative.

Despite the concern over freedom to contract, it is important to remember that the market for insurance coverage is not operating outside a restrictive regulatory regime wherein market entry, cost, and service provision are already highly regulated by the state. Thus questions of whether those interested in contracting for coverage of these particular conditions can find in the regulated market a seller who is willing or able to provide the service at any price are also important.

Thus while it is a clear restriction of the individual right to contract it may well be that those individuals who would want coverage for these conditions are foreclosed from those opportunities because of pre-existent regulations that have prevented the market for providing those options to consumers.
References


