

## Government Intervention in Health Care Increases Costs



Yesterday, the Council for Affordable Health Insurance (CAHI) released its annual report on health insurance mandates in the states. They report that mandated benefits—i.e., medical procedures that states require insurance providers to cover—across the 50 states are on the rise, jumping from 2,133 in 2009 to 2,156 in 2010. But that’s just part of the story.

The report also shows that mandated benefits increase the cost of health insurance and by how much. This should come as no surprise. Requiring insurers to offer a higher value product comes at a higher expense.

Lawmakers across the 50 states have determined that benefits such as the following are necessary to include in essential health coverage: *in vitro* fertilization (15 states), oriental medicine (three states), services provided by acupuncturists (12 states), athletic trainers (three states), and massage therapists (two states). While CAHI does not pass judgment on the necessity of any of the mandates, it is clear that not all patients need these kinds of benefits, much less want to pay for them.

Requiring insurers to offer more benefits at a higher price removes more affordable options from the market that, in many cases, better suit the needs of enrollees. According to CAHI, “Mandating benefits is like saying to someone in the market for a new car, if you can’t afford a Cadillac loaded with options, you have to walk.”

Mandates aren’t the only way government can get in the way of reducing health care costs:

States have other ways of adversely affecting the cost of health insurance. For example, several states have adopted legislation that requires health insurers selling in the individual market to accept anyone who applies, regardless of their health status, known as “guaranteed issue.” Or they limit insurers’ ability to price a policy to accurately reflect the risk an applicant brings to the pool, known as “community rating” or “modified community rating.”

The Patient Protection and Affordable Care Act overhauls the health care system through many of these same policies, in addition to mandating benefits. It is thus no wonder that the new law is already increasing the cost of insurance, as numerous employers have reported. The law will require all Americans to carry a certain level of comprehensive coverage or pay a penalty. This will eliminate the choice of more affordable options nationwide, and, as **John Goodman**, president of the **National Center for Policy Analysis** explains, result in job loss or loss of employer-sponsored coverage as the minimum benefits package becomes more unaffordable.

Federally mandated benefits will also open the door to lobbying by interest groups at the state and federal levels to mandate coverage of certain services or providers, since under the new law, states will be able to mandate benefits in excess of what is required at the federal level.

Beyond mandating benefits, Obamacare requires that insurers accept all applicants regardless of pre-existing conditions, which will encourage individuals to wait until they are sick to purchase coverage, resulting in a greater proportion of sicker, costlier beneficiaries, which would increase premiums and discourage younger, healthier Americans from carrying coverage. Age rating will prohibit insurers from increasing premiums for higher-risk beneficiaries by no more than a 3:1 ratio to the lowest premium offered, furthering increasing costs for young, healthy Americans and discouraging their entrance into the market.

To fix the problems of access and affordability in health care, ideas for reform exist that would not have these detrimental effects and would not create, as *The Washington Post* describes Obamacare, “a sharp expansion of the federal government’s involvement in health care.” To learn more about patient-centered, consumer-driven ideas for reform, [click here](#).