The Council for Affordable Health Insurance's
POLICY TRENDS
A CAHI Web Memo October 2010

Trends in State Mandated Benefits, 2010

Since the early 1990s, the Council for Affordable Health Insurance (CAHI) has tracked state-mandate legislation in all 50 states and Washington, DC. For purposes of our mandate report counting, we include Washington, DC, as a "state" although technically it is not. Although there was only a handful of state mandates in the 1960s, CAHI's most recent report, "Health Insurance Mandates in the States, 2010," has identified 2,156 nationwide.

Since CAHI closely monitors mandate legislation, we see mandate "trends" developing long before many others. The purpose of this short report is to periodically identify some of those trends, i.e., which mandates are growing in popularity among state legislators and in which states.

What Is a Mandate? A mandated benefit is a law that requires a health insurance policy or health plan to cover (or offer to cover) specific providers, procedures, benefits or people. Mandated benefits make health insurance more comprehensive, but they also make it more expensive. The vast majority of mandates come from state legislatures, though the federal government has been increasingly willing to impose mandates.

How Much Do Mandates Cost? Every special interest group claims its specific therapy improves care AND saves money but often it is not true. Actuaries have repeatedly warned that virtually all mandates *increase* the cost of coverage by increasing utilization over time (which is often referred to as frequency of use). Why is this so? Mandates require insurers to pay for care that consumers previously funded out of their own pockets, if they purchased it at all. Insurers have to pay more claims and as a result raise premiums to cover those costs. Experience demonstrates that when health insurance costs increase, more people drop or decline coverage.

CAHI's team of independent member and non-member actuaries has estimated that (depending on the state, number of mandates, and type of policy) mandates can boost the cost of a policy between 10 and 50 percent. A full state-by-state tabulation of those mandates, plus an actuarial estimate of each mandate's impact on the cost of a health insurance policy, is available in CAHI's "Health Insurance Mandates in the States, 2010" (www.cahi.org). The cost estimates come from a working group of actuaries and not CAHI staff.

Increasingly Popular Mandates. Some mandates appear in only a few states; others have passed in virtually every state. That's because some mandate legislation "catches on." That is, one or two states pass it, legislators in other states hear about it — often through a special interest group pushing the legislation in numerous states — and they introduce a version of the legislation in their own state. Such mandates gain a momentum that can be hard to stop, regardless of what they might do to the cost of health insurance.

Mandates in the States 2004-2010

Year*	Amount
2004	1,823
2005	1,825
2006	1,843
2007	1,901
2008	1,961
2009	2,133
2010	2,156

** CAHI has tracked state mandates since 1992, however our first report compiling the data nationwide was published in 2004.*

Source: Council for Affordable Health Insurance, October 2010

Emerging Mandates. Several mandates are growing in popularity, and we expect to see much more legislative activity on them in the near future. For example:

- *Autism:* Autism and treatment for its various complications is becoming one of the most discussed mandates. Autism is a brain disorder that affects three areas of development: communication, social interaction, and creative or imaginative play. In the past, autism has fallen under the broader category of mental health, but one of the latest state legislative trends is to pass a standalone autism mandate separate from mental health benefit mandates. Thus far, 25 states have passed autism mandates, but the number of bills introduced has grown each year. With advances in the diagnosis (including a new rapid test to screen for

autism) and treatment, autism mandates will likely remain high on legislative priority lists.

- *Diabetes:* A study published in November 2009 by the University of Chicago concluded that the number of Americans with diabetes will nearly double in the next 25 years, and the costs of treating them will triple. Despite the fact that insurers already cover the disease, 38 states have passed a diabetic self-management mandate and 47 states have mandated coverage for diabetic supplies. Because of the the prevalence of the disease, politicians will be tempted to consider new and expanded diabetes-related mandates.
- *Screening Mandates:* It is a firmly held belief by many policymakers that all preventive care saves both lives and money. Recent developments reported in the *Journal of the American Medical Association* and elsewhere have called these beliefs into question. Some screening tests can lead to a high number of false positives, leading to expensive and unnecessary treatments. Some conditions—including less risky cancers—may be better left untreated because the cure is worse for the patient than the disease. In the states, cancer screening mandates include colorectal cancer screening (34); cervical cancer screening (31); mammography screenings (50); ovarian cancer screening (7); and prostate cancer screening (36).

Trends in Mandated Benefit Studies. Legislators often receive conflicting information on the cost of mandates. While *individually* most mandates cost very little as a percentage of premium (with many mandates costing less than one percent of premium), when all mandated benefits are combined together on a health insurance policy, the costs can be very high. Therefore, it is vital legislators understand these costs before voting on any new mandate. There are now at least 30 states that require a mandate's cost to be assessed before it is implemented.

Trends in State "Mandate-Lite" Policies. A few states are getting the message: mandates make health insurance more expensive. There are at least 10 states that allow individuals to purchase a policy with fewer mandates. Plans can be tailored to the individual's needs and financial situation.

Conclusion. The introduction of state-mandated benefit legislation is slowing down. Rather than seeing some 100 mandates enacted each year, we are seeing about half of that number enacted nationwide. That reduction implies that some state legislators are finally getting the message: mandates increase the cost of health insurance, forcing some people to remain, or become, uninsured. Unfortunately, Congress is going the opposite direction. After having taken a decades-long position that states should regulate health insurance, Congress increasingly wants to micromanage insurance benefits.

As we have said before, "mandated benefits make health insurance more comprehensive, but they also make it more expensive." Policymakers need to understand their decisions impact the affordability of health insurance, and can lead to an increase in the number of people who forgo coverage.

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Policy Trends can be found exclusively online at www.cahi.org.

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