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New Health Coverage Mandates Costly To Small Business

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Today

State lawmakers passed nearly a dozen health-benefit mandates during the recent legislative session, making Connecticut among the most demanding states in coverage requirements.

That has raised concerns among business groups who say the mandates are increasing the costs of health care coverage precisely at a time when employers can least afford it.

A health insurance “mandate” is something for which an insurance company or health plan must offer coverage.

The majority of new mandates passed this year, including coverage requirements for the purchase of prosthetic devices, hearing aids, wigs and wellness incentives were wrapped into a rare omnibus-like bill, which passed the House and Senate with overwhelming support from Democrats and some Republicans.

The Senate approved those mandates by a 25-11 vote, with five of 24 Democrats voting against the measure and five of 12 Republicans supporting it. The House passed the bill by 98-49 vote.



State Sen. Martin Looney (D)

A separate bill, which required more comprehensive coverage for autistic children, received overwhelming support from both the House and Senate with only two lawmakers voting against it.

According to a report by the Council for Affordable Health Insurance (CAHI), Connecticut had 54 mandates at the end of 2008, ranking the state 10th in the country, ahead of neighbors like Massachusetts and New York.

Recently passed mandates will likely boost the state's ranking.

While mandates make health insurance more comprehensive, they also make it more expensive, requiring insurers to pay for care consumers previously funded out of their own pockets. Those expenses oftentimes get passed onto employers in the form of higher premiums.

CAHI estimates that mandated benefits currently increase the cost of basic health coverage between 20 percent and 50 percent.

Kevin Wrege, president of Washington D.C.-based Pulse Issues & Advocacy, who is also a consultant for CAHI, said health care costs have exceeded general inflation by about 3 percent in recent years and "when you add a dozen or so additional mandates, it compounds the problem."

"You're adding costs to care already out of the reach of millions of Americans," Wrege said. "It's causing employers to choose between a very rich benefits plan or none at all. It takes away the middle-ground approach to coverage."

Wrege added that elected representatives find it difficult to oppose any legislation that promises enhanced care to potentially motivated voters. "They are tough fights for legislatures," he said. "The level of intensity around this debate is pretty high."

Eric George, an attorney with the Connecticut Business & Industry Association, said companies most affected by health mandates are small- to medium-size employers because they are typically fully insured, which makes them subject to state regulation.

Larger companies that are self-insured or are regulated under federal ERISA laws do not have to comply with state mandates.

“These are companies whose revenues and operating budgets make affordable employee health insurance extremely difficult,” George said.

Kevin Lembo, who is the state’s health care advocate, said “It’s always a struggle to find a middle ground” on the issue of mandates but that opponents to them also tend to exaggerate their cost.

“I think generally some of the insurance and business associations have overplayed their hand a bit,” Lembo said. For example, he recounts a heated debate in 1999 when Connecticut became one of the first states to pass a mental health parity mandate, which required that mental health problems be treated on a level playing field with physical illnesses.

Lembo said business advocates argued it would increase premiums 15 percent, but ended up only creating a 1 percent to 2 percent increase.

“It’s almost a reflexive response. Whenever there is a mandate, there is a complaint about its costs,” Lembo said. “It’s a little bit hard to accept it at face value.”

But George said it is not any single mandate that causes problems.

“When they are taken as an aggregate, it could have a very damaging impact,” he said. “When we talk about the big picture, each mandate that we pass hurts business.”

According to the Office of Fiscal Analysis, it is anticipated that the costs of new mandates passed this year “could be significant” on the state employee and retiree health plan starting in 2012, when the contracts need to be renewed.

One of the most controversial mandates was one that broadens coverage for autism disorders by requiring a policy to cover the diagnosis and treatment of the disease, including behavioral therapy as well as certain prescription drugs and psychiatric and psychological services.

State Sen. Martin Looney, the Democratic majority leader from New Haven, was a major proponent of the bill.

Looney said it can cost families \$30,000 to \$50,000 a year in out-of-pocket expenses to provide essential care related to autistic children and that mandating insurance coverage for it will have a more profound impact on families than it will on employers.

According to a recent study by researchers at Harvard and Ohio universities, medical bills or illness contributed to more than 62 percent of personal bankruptcies in 2007.

“These are very significant health concerns that create economic hardships on families,” Looney said. “Any additional expense for insuring our families and children with autism will more than pay for itself many times over, morally and ethically.”

But Wrege said educational or behavioral therapies are not traditionally part of autism coverage, and can be very intensive, costing as much of \$75,000 per year.

George said he estimates the mandate could cost employers as much as \$4 per member per month. “These are real dollars that cause real problems for businesses,” George said, adding that he also understands the hardships faced by families with autistic children.

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