

Truly Affordable Health Care

Although virtually everyone believes individuals should be able to access quality health care at prices they can afford, state laws prohibit people from buying health insurance policies appropriate to their individual needs.

By freeing the marketplace for health insurance of needless and costly regulations, state lawmakers can dramatically improve the accessibility of health insurance to low-income households. This will lay the groundwork for a policy environment superior to that created by the federal Affordable Care Act, which, despite its name, almost immediately caused the cheapest health insurance premiums in Nevada to quadruple in price.¹

Key Points

State regulations prohibit citizens from purchasing across state lines. The federal McCarran-Ferguson Act of 1945 granted states the right to regulate health insurance plans within their borders. An unintended consequence was that state lawmakers, in crafting regulatory regimes unique to their individual states, precluded citizens from being able to purchase policies sold in other states that might better fit their needs. This scenario limits competition and reduces patients' control over their own health care.

Mandated benefits make health insurance less affordable. Coverage mandates require consumers to purchase more coverage than they may need. Mandated benefits drive up the price of the insurance plans that remain available and discourage low- and middle-income earners from purchasing coverage at all. Nevada lawmakers have created 49 specific coverage mandates and precluded consumers from purchasing any plan that does not include each of those provisions.²

The impact of coverage mandates on premium rates cannot be understated. When comparing insurance costs across states, for example, scholars from the Cato Institute found that the standard plan for a 25-year-old male in Kentucky, where few mandates exist, would be only around \$980 per year. The standard plan for the same man in New Jersey, where he would be required to purchase coverage for in-vitro fertilization, contraceptives, chiropodists and other services that he may not need or want, would average about \$5,580.³

Recommendations

Allow individuals to purchase health insurance from anywhere in the United States. Greater competition in the health insurance marketplace will give consumers greater choice and control over their own health care needs and will lead to lower costs by enlarging risk pools and exploiting economies of scale. Regulatory regimes that protect in-state oligopolies are functionally predatory, economically inefficient and unnecessarily place the physical health of residents at risk. Model legislation from the American Legislative Exchange Council would allow Nevadans to purchase health insurance offered anywhere in the United States.⁴

Conduct a cost/benefit analysis of all coverage mandates. Since coverage mandates make health insurance less affordable – placing it out of the reach of some households – lawmakers should give careful consideration to how a mandate would impact consumers. Model legislation from ALEC would require the Nevada Division of Insurance to conduct a medical efficacy and cost/benefit analysis of all current or proposed coverage mandates.⁵

¹Sam Cappellanti, "Premium Increases for 'Young Invincibles' Under the ACA and the Impending Premium Spiral," American Action Forum, October 2013.

²State of Nevada, Department of Business & Industry, "Nevada Mandated Benefits," September 2018.

³Michael Tanner, "Obama Doesn't Have the Only Prescription for Healthcare Reform," Cato Institute, July 5, 2009.

