


## INSURANCE MANDATES

### BACKGROUND



Under the Affordable Care Act (ACA), the federal government sets forth a uniform set of basic health insurance coverage standards known as essential health benefits (EHB). The EHB outlines insurance benefits that all insurers must cover, which are medically necessary and affordable for customers. The EHB is a nationwide platform for insurers to deliver uniform healthcare benefits.

Since the passage of the ACA, states across the country have begun setting up a patchwork of new and additional insurance mandates which exceed the EHB. According to the Journal of Risk and Financial Management, each state has more than 40 unique health insurance mandates above and beyond the EHB. These new state insurance mandates increase health care costs and create a patchwork of benefit coverages for customers.

### WHAT ARE STATE INSURANCE MANDATE LAWS?

Benefits and coverage mandates imposed by states require health plans to cover specific services, provide access to certain healthcare providers, and supply additional benefits to certain populations. While intended to improve healthcare delivery, state insurance mandates drive up costs, create inconsistencies in coverages, and limit health plans' ability to design benefits that match the preferences and budgets of a diverse set of purchasers.

State insurance mandates vary significantly across the United States. Some states now require broad coverage for dental, vision, or chiropractic care, while others require specific benefits for autism and certain prescription drugs. States also limit cost-sharing benefits designs like co-pays and limit utilization controls like prior authorizations. Some recently proposed or enacted state insurance mandates in Michigan include coverage for Wigs, Prosthetics, Autism, Ambulatory Services, Mid-Wife, Oral Chemotherapy, and other diagnostic services.

### APPLICABILITY OF STATE MANDATES

To further complicate the inconsistencies of uniform healthcare coverage, states have minimal jurisdiction to effectuate their health insurance mandates. In Michigan, less than half of the population has health care insurance that is subject to state level regulations. The vast majority of customers who received health insurance through their employer or through Medicare are not subject to state mandates.


#### Nearly 60% of all Michiganders

get their healthcare from large, self-insured employers. This population is entirely exempt from all state insurance mandates. They're subject to federal health care regulations, not state.



## WHO REGULATES WHICH MARKET(S)?

STATE LAWS & REGULATIONS		FEDERAL LAWS & REGULATIONS
✓	Medicaid	2.5 million lives
✗	Medicare	2 million lives
✓	Employer Small Group	.5 million lives
✓	Employer Large Group	1.3 million lives
✗	Employer Self-Insured Group	3.4 million lives
✓	Individual Exchange	.3 million lives



**STATE LAWS  
REGULATE  
HEALTHCARE  
FOR ONLY  
4.6 MILLION  
RESIDENTS**

## IMPLICATIONS OF STATE INSURANCE MANDATES

The debate over the value and need for state health insurance mandates is taking center stage as healthcare spending, and insurance premiums are increasing faster in recent years than ever. Studies illustrate that customer out-of-pocket spending nationally has generally risen over time as the average number of state mandates increased.

This has resulted in health plans charging higher premiums for individuals and employers looking to purchase insurance. Some small employers are dropping coverage altogether, contributing to a higher uninsurance rate. For the first time since the passage of the ACA, the number of individuals acquiring health insurance from small businesses in Michigan has declined.

Studies have documented that state mandates have contributed to higher insurance costs. In Maryland, the state has established a Health Care Commission to review the impact of state insurance mandates. In a report issued by this Commission in 2019, state insurance mandates contributed 14% of premium costs in the commercial market and 12% in the individual market.

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## WHO PAYS FOR STATE INSURANCE MANDATES?

Small employers and individuals who purchase health insurance are paying the price for state health insurance mandates. Costs associated with mandated benefit coverages have a price that is passed on to purchasers. Even mandates with the best intentions to save customers money result in increased premiums. Costs associated with state mandates are a zero-sum game that has inflated health care costs to nearly a popping point.

