

Health Insurance Premiums Rise Up To 33 Percent With State Pricing Rule

by Medical-News-Today

New research shows that the cost of health insurance for a typical family increases about \$100 per month when state governments limit price adjustments based on factors like age, health or risky behaviors such as smoking. The finding by Brigham Young University economist Mark Showalter is one of several examples of how one state's set of rules can result in widely different prices than what's found in the state next door. Perhaps the most eye-opening contrast exists in Trenton, New Jersey, where premiums cost about twice as much as those sold across the Delaware River in Pennsylvania. "Establishing the actual costs of specific state regulations informs discussion of how to make health insurance more affordable," Showalter said. "It helps present a picture of what would happen if consumers were allowed to buy insurance from other states." Showalter began the research during an appointment as a senior economist for the U.S. Council of Economic Advisers. He co-authored the new study with Amanda Kowalski of the National Bureau of Economic Research and William Congdon of The Brookings Institution. Their report will appear later this month in the academic journal *Forum for Health Economics & Policy*. The researchers analyzed prices offered state-by-state for the estimated 26.5 million Americans who purchase directly from insurers rather than through an employer. Seven states prevent insurers from adjusting prices based on one or more factors like age, health status or risky behavior. The researchers found such rules - known as community ratings - increased family premiums between 21 and 33 percent. The rule is intended to promote equity but may consequently make insurance too expensive for healthy people. The study found New Jersey's strict form of community ratings responsible for premiums set two to three times higher than if the requirement were not in place. University of Minnesota health economist Roger Feldman, who was not involved with the study, is funded by the U.S. Department of Health and Human Services to figure out how an interstate market might reduce the number of uninsured Americans. "This study enables us to predict the effect of allowing consumers to shop for insurance across state lines," said Feldman. "Those kinds of simulations would not be possible without this study." The researchers also found that health insurance premiums rise 10 percent or more when a state government makes insurers accept all doctors, hospitals or pharmacies instead of steering customers to an exclusive network of providers. Twenty-one states have laws that require insurers to allow a patient to buy prescription drugs from any pharmacy they choose. Seven of those states force insurers to offer the same flexibility with choosing a doctor or hospital. According to the study, these laws result in a typical family paying about \$30 more per month for health insurance. Data for Showalter's study came from two major health insurers that do business nationwide. The analysis took into account factors that vary by location, such as the cost of health care, state taxes and consumer demographics. "All of the regulations we studied have presumed benefits," Showalter said. "Our goal was to quantify the costs so that policymakers can better weigh the two." A BYU alumnus, Showalter received a Ph.D. from the Sloan School of Management at the Massachusetts Institute of Technology. In 1991 he joined the BYU Economics Department faculty and has since published many journal articles on health and education. Source: Brigham Young University

© 2008 MediLexicon International Ltd

Health Insurance Premiums Rise Up To 33 Percent With State Pricing Rule by Medical-News-Today