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No out-of-state insurers offer plans in Georgia

By Carrie Teegardin; Staff

New law was seen as free-market solution; critics say it's too vague.

A new law that allows Georgians to buy health insurance plans approved by other states was envisioned as free-market solution that would lower prices and increase choices.

So far, the law has failed to produce results: Not a single insurer is offering a policy under the new law.

"Nobody has even asked to be approved to sell across state lines," Georgia Insurance Commissioner Ralph Hudgens said. "We're dumbfounded. We are absolutely dumbfounded."

Insurance companies are regulated by states. Historically, that has meant that Georgia consumers could only buy health plans that meet state requirements from companies licensed by the Georgia Department of Insurance.

Many conservative policymakers say a more open insurance market free from individual state regulations could add competition to the private market for health plans, used mostly by people who can't get insurance at work. But the experience so far in Georgia has some wondering whether the concept is the answer after all.

Hudgens, a conservative Republican who strongly supports free-market ideas, said he expected policies sold in states such as Alabama, which have fewer requirements for health plans, to be offered in Georgia after enactment of the law.

"I'm really surprised because it was such a bumper sticker issue by Republicans saying if we could get across state line selling, we could reduce the cost of health care," he said.

Rep. Matt Ramsey, R-Peachtree City, was the lead sponsor of the legislation signed into law last year. Insurers could have used the law beginning in December, when detailed regulations were finished.

Ramsey said insurers are hesitant to change their business models until the Supreme Court decides whether the federal health care law is constitutional --- a ruling expected in June. The outcome of that case has significant implications for every health insurer.

"I think everyone is kind of waiting, and I do not blame them," Ramsey said.

The law is directed only at consumers who buy health plans in the individual market, where people often find relatively few choices and high prices. It does not apply to Georgians who get insurance through employers.

Many consumer advocates opposed the change, saying it would result in families losing protections to make sure plans contain crucial benefits. Over the years, Georgia legislators have created a significant list of required benefits such as coverage for mammograms and prostate cancer screenings and a ban on "drive-by deliveries" by requiring insurers to pay for 48-hour hospital stays for new mothers and their babies.

Under the new law, health plans approved under the rules of other states could be sold in Georgia, even if they don't meet Georgia requirements.

However, the companies still would have to be registered in Georgia and prove they are financially solid. And any complaints from policy holders would be resolved in Georgia, instead of forcing customers to go to the state that approved the plan to resolve a dispute.

In theory, the law would allow a Georgia-registered insurer to scour the nation and find a bare-bones plan to offer private market customers in Georgia --- presumably at a cheaper price.

Because the law still requires Georgia licensing and oversight, it does not create a completely free-market scenario. It essentially just allows insurers licensed in Georgia to get around the state's benefit mandates.

Michael Cannon, director of health policy studies at the **Cato Institute**, a libertarian think tank, said Georgia's new law didn't go far enough.

"Georgia should be telling consumers that any health insurance carrier in any state can market themselves to you and we will deem their out of state license to be a Georgia license and incorporate all the terms of that out of state license in a contract so it could be enforced in a Georgia court," Cannon said.

Critics say that under such a free market scenario Georgia elected officials would cede their responsibility to protect Georgia consumers to regulators in another states. They say bypassing state regulations could lead to a race to the bottom and leave many consumers without needed benefits --- and leave taxpayers and better-insured residents ultimately picking up the tab for some treatments.

Bill Custer, a health care expert at Georgia State University, said some states have experimented with offering bare-bones plans in the past and haven't observed much success.

"The cost savings weren't sufficient to justify the fear from consumers that they would be without some coverage they may need," he said.

More than 20 states have debated legislation to allow cross-border sales of health insurance, according to the National Conference of State Legislatures. Georgia is among five to enact such a law. Insurance experts said the relatively new laws have yet to result in new product offerings in the other states either, in part because some require other states to partner with them before new products are offered.

Graham Thompson, a spokesman for large health plans in Georgia, agreed with Ramsey that uncertainty surrounding the federal health care law is a big reason.

"Folks are very much in a wait and see mode," Thompson said.

But he said the industry appreciates the Legislature offering the alternative and may eventually take advantage of the law.

"Just because they haven't to date, that doesn't mean they won't," he said.

Ramsey said insurers are especially likely to take advantage of the law if the Supreme Court

determines that the health care law is unconstitutional.

"If Obamacare is struck down, states are put back in the position of developing solutions for more access and competition in the health insurance market," he said.

Kyle Jackson, Georgia state director for the National Federation of Independent Business, had high hopes that the new law would help small business operators who buy their own health plans.

"It's frustrating," Jackson said. "You can't force the insurance companies to write these policies. But I know in talking to folks in my membership that there is a real demand ... especially if you are talking about the possibility of some lower-cost plans that do not have the mandates we have."

Jackson said the highly regulated nature of the insurance market may be part of the reason the insurers are not moving quickly.

"It's so highly regulated the reality is there are only a handful of insurance companies that really are writing policies, and it's like any industry where you have got a few people making decisions --- it doesn't lend itself to a lot of competition and innovation."