

Health Reform's Consumer Protections?

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The provision of the [ACA](#) (a.k.a. Health Reform) have a number of provisions to mandate more generous health insurance benefits. Some of these provisions include the following:

- Health plans generally must allow adult children up to age 26 to stay on their parents' policies
- Health Plans cannot charge co-payments for preventive services
- Health plans cannot impose a lifetime limit on benefits.
- Health plans must limit the percentage of revenues they can spend on administrative expenses
- Health plans are prohibited from turning away individuals with pre-existing conditions.

Some sources such as *The New York Times* claims that these provisions are [consumer protections](#). Michael Cannon of the Cato Institute, however, disagrees. [He writes](#):

"These supposed consumer protections are hurting millions of Americans by increasing the cost of insurance, increasing the cost of hiring and driving insurers out of business... [HHS] estimated that one of the law's regulations – the requirement to purchase unlimited annual coverage – will increase some people's premiums by 7 percent or more when fully implemented. A Connecticut insurer estimated that just the provisions taking effect last year would increase some premiums by 20-30 percent... The ban on discriminating against children with pre-existing conditions has caused insurers to stop selling child-only policies in dozens of states."

"In 2008, Congress passed a similar mandate that supporters said would expand coverage for mental-health and substance-abuse services. Instead, that mandate spurred the Screen Actors Guild to eliminate mental-health coverage for 12,000 of its lower-paid members. It had the same effect on 3,500 members of the Chicago's Plumbers Welfare Fund, and 2,200 employees of Woodman's Food Market in Wisconsin. Other employers are curtailing access to mental-health services thanks to this mandate, and some insurers have stopped selling such coverage altogether."

Cannon makes some good points. The generosity of the 'consumer protection' provisions will certainly drive up price. In particular, the provision health plans are prohibited from turning away individuals with pre-existing conditions is a major issue. The reason is that opportunistic individuals could decide not to buy insurance until they get sick. The cost to these newly sick individuals will be the same as for healthy individuals as insurers cannot discriminate against individuals with pre-existing conditions. To counteract this problem, Health Reform has an individual mandate which—if penalties are stiff enough—prevent this type of opportunistic behavior.

Like all things, however, there are tradeoffs to these provisions. Sure, eliminating a lifetime limit on benefits will increase premiums, but for very sick individuals, this provision is a blessing. Eliminating co-payments for preventive services may be worthwhile if the services improve health and reduce cost. Many preventive services, however, may improve health, but increase cost. Further, providers will lobby to have more and more services be classified as preventive which may not in fact be so.

Although Cannon wisely points out that mandating increases in benefit generosity will increase cost, one must acknowledge that there is a trade-off here. Although “such mandates force consumers to divert income from food, housing, and education to pay for the additional coverage,” more increasing health plan generosity is a benefit for those who can afford it.