

# The Boston Globe

## Trump's insurance idea may have unhealthy side effects

Priyanka Dayal McCluskey

December 10, 2016

In their quest to dismantle President Obama's signature health care law and replace it with a new plan, President-elect Donald Trump and Republican leaders in Congress are pushing an idea long championed by conservatives: Allow health insurers to sell across state lines.

It's one of the few policy proposals Trump identified on the campaign trail, and it has the backing of House Speaker Paul Ryan, who included it in his "Better Way" health care plan.

Currently, insurers must follow the regulations of every state in which they sell plans. Republicans want to shake up the market by allowing companies licensed to do business in one state to sell plans in other states. So a health insurer licensed in Florida, for example, could sell coverage to consumers in Massachusetts. Proponents say it would encourage competition, boost consumer choice, and help contain ever-escalating health care costs.

The idea might seem reasonable. But many health care specialists and regulators of different political stripes warn that such a shift could be hugely disruptive to the insurance market, diminishing health benefits and consumer protections, and leading to an unraveling of some of Massachusetts' groundbreaking health care reforms.

An across-states policy could help healthy consumers save money on insurance, but it also could raise expenses and limit access to care for people who are sick, critics said.

"It's an enormously concerning policy," said Linda J. Blumberg, senior fellow at the liberal-leaning Urban Institute in Washington. "It is potentially very destructive."

The Affordable Care Act required insurers across the country to follow a set of national standards to ensure that everyone received — at the least — a basic level of care. But if the law is repealed, as Republicans have promised, state regulations would prevail. Those rules vary widely from state to state.

Massachusetts, which passed its own universal health care law a decade ago under former governor Mitt Romney, has some of the strictest rules in the nation. For instance, unlike in some other states, health plans here must cover treatments for infertility and autism. Before the Affordable Care Act mandated it, Massachusetts barred insurers from denying coverage to

people with preexisting conditions and also prevented some dollar amount caps on coverage. These mandates add to the cost of plans sold in Massachusetts. But if insurers are allowed to sell across state lines, they wouldn't have to comply with any of those rules to sell plans here.

Experts said the health insurance industry could follow the pattern of many credit card companies, which moved their headquarters to just a couple of states — Delaware and South Dakota — to take advantage of regulations most favorable to the industry.

“It’s basically a way to turn the health insurance market into the credit card market,” said David M. Cutler, a health economist at Harvard University. “It is a way to get rid of any regulation that Massachusetts wants to have about how to take care of people. They just bypass them. That’s the point, to reduce restrictions on insurers to just offer the policies they want.”

The National Association of Insurance Commissioners, a group that represents regulators from all 50 states — Democrats and Republicans — has long opposed the policy, saying it would weaken the power of states.

“Insurance commissioners feel it really is a race to the bottom,” said John M. Huff, president of the association and director of Missouri’s insurance department. “It takes the authority of establishing public policy away from our legislatures and our governors and our insurance commissioners.”

But conservatives who favor interstate sales say the plan would give consumers more options, while helping them avoid the costs of health benefits they don’t want or need. They say the existing federal law’s mandates have been burdensome, causing premiums to reach unaffordable levels.

“There would be no race to the bottom,” Michael F. Cannon, director of health policy studies at the libertarian Cato Institute in Washington, said in an e-mail. “It would be a race to what consumers want: affordable, secure health coverage.”

Representatives for Trump and Ryan did not respond to requests for comment.

A few states already allow interstate sales, and they haven’t attracted much interest from insurers. But if Trump and Congress approve changes that allow interstate sales nationwide, critics predict a chain of events that could undermine the market. Healthy Massachusetts consumers looking to save money would choose cheaper plans offered by insurers licensed in other states with looser regulations, they say. That would result in a higher percentage of sicker people in plans licensed in Massachusetts, pushing costs higher.

If insurers start consolidating in states with fewer regulations, those doing business in Massachusetts would have no choice but to follow their lead to remain competitive, critics said. Or, they said, Massachusetts would have to ease its regulations to entice insurers to stay put.

“It would roll back Romneycare,” said James Roosevelt Jr., former chief executive of Watertown-based Tufts Health Plan. “It would roll back 20 years of consumer protections that had been enacted before Romneycare.”

Neither insurers nor hospitals in Massachusetts support the change. Lora M. Pellegrini, president of the Massachusetts Association of Health Plans, said interstate insurance sales is an old idea that was “soundly rejected” by Republicans in the past. Lynn Nicholas, president of the Massachusetts Health and Hospital Association, said such a policy would cause “a sure march to the lowest common denominator of bare-bones [health] plans.”

Many also worry about administrative and regulatory chaos. If Massachusetts residents have a problem with a Texas-based health plan, where do they call for help?

“If an interstate market were to be implemented under new federal law, a regulator’s primary concern would be ensuring that consumers are clearly aware of which state has jurisdiction over products and benefits they purchase,” Chris Goetcheus, spokesman for the Massachusetts Division of Insurance, said in a statement.

He noted that Massachusetts already has a “robust and competitive” health insurance market.

Joseph Antos, a health policy expert at the American Enterprise Institute, a conservative think tank, said allowing interstate insurance sales won’t do much to solve the health care cost problem. Regulations and mandates are just one piece of the costs borne by health plans. Far bigger are the costs spent on hospitals and other health care providers.

“A lot of people who talk about this do not understand that if you reduce regulation for health insurance, you’re not going to fundamentally change the market for medical services,” Antos said. “The fact that you’re getting your insurance from a company that’s domiciled in Delaware doesn’t change the fact that the when they try to negotiate rates with Mass. General [Hospital], Mass. General is going to say, ‘Our rate is this; you’re going to take it or leave it.’ ”