Debate over cross-state insurance continues

The conservative comeback in the House of Representatives, coupled with loud threats by Senate Republicans to repeal recently enacted national health-care reform legislation, promises to give new life to the long-standing debate over allowing health insurance companies to sell policies across state lines.

Engendering serious discussion and political grandstanding, the debate revolves around the structure of the nation's health insurance system.

Currently, insurers are only able to sell policies within the individual states where they are licensed. And when insurers are licensed in multiple states, they — and the provisions of the policies they issue — are bound by the regulations of each individual state that issues them a license.

Proponents of allowing health insurers to sell their policies across state lines argue that this would provide consumers — both groups and individuals — with a wider range of policies to buy, enabling them to choose a money-saving, "bare bones" policy with few benefits, or an expensive "Cadillac plan," as they and their budgets see fit. Interstate sales would also create competition among insurers, proponents say, and in the long run would put downward pressure on health insurance premium costs.

Critics, meanwhile, contend that consumers buying from out-of-state insurers could run the risk of losing protections that, depending upon the state in which they live, mandate that policies cover specific items such as HIV testing and mammograms.

They also argue that interstate sales would result in a "race-to-the-bottom," with insurers rushing to headquarter themselves in states where they would be regulated the least — potentially providing them more opportunity to charge higher premiums while providing as little coverage as they can get away with.

The interstate sales debate played out in Georgia earlier this year with legislation introduced by Gov. Sonny Perdue that would allow individuals and families to buy health plans approved for sale in other states, as long as the insurers met minimum National Association of Insurance Commissioners guidelines for solvency.

Insurers licensed in Georgia but having alternative products for sale in other states would also be able to sell those policies in Georgia. The legislation died in the Senate following much debate over mandated coverages.

The major benefit of allowing cross-state sales is that it would bring premium costs down, said ***Josh Belinfante***, an attorney with the Atlanta-based ***Robbins Firm***, and former executive counsel to Perdue.

"But even more important, it gives individuals a choice," Belinfante said.

Individuals should have the broadest possible array of choices when it comes to buying health insurance policies, he said. "Whether they want bare-bones or richer coverage, they should be able to get it," he added.

Paying out-of-pocket

Interstate sales could result in lower premiums for both individuals and employers that provide health insurance for their employees — but also in dramatic increases in out-of-pocket payments, said Ken Thorpe, professor of health policy in the Department of Health Policy and Management at Emory University.

Someone in Atlanta that buys a health plan based in Utah, for example, would be purchasing from an insurance company that has network contracts with Utah provider systems, Thorpe said. That insurer would likely not have a network contract with a local system such as Emory Health Care, he said, "So, while the premiums might be lower, what that individual pays out-of-pocket would be higher, because every service they use would be out-of-network."

Expanding contracts so that all services are "in-network" is not a realistic solution to this, Thorpe added, because by doing so, "insurance companies would completely lose their power in negotiating with competing health systems — and playing these systems off against each other is how they get the best deals."

The multi-state health insurance exchanges allowed by the Patient Protection and Affordable Care Act of 2010 fall prey to a similar problem.

"I am sure one of the requirements of the exchanges will be that if an insurer is going to participate, it has to offer its policies to everybody in all the states," Thorpe said.

Expanding contracts to include a wide universe of health systems would lead to higher premiums, he said, because the power of insurers to negotiate deals with competing systems would be diluted.

Selling health insurance across state lines "sounds good, and finding ways to get more competition in the market makes a lot of sense," Thorpe said. "But the devil is in the details, and it doesn't work under the way we currently do business."

This heavily politicized issue is likely to be in the news for some time.

In their "Promise to America," congressional Republicans have vowed "to allow individuals to buy health care coverage outside of the state in which they live," as part of "our plan to repeal the job killing health care law [e.g., the Patient Protection and Affordable Care Act of 2010 and the Health Care & Education Affordability Reconciliation Act of 2010] and put in place real reform."

Opposing views

The case for interstate sales:

1. Would create a more competitive health insurance market, leading to lower premiums.
2. Would provide consumers with more choices among policies with different benefits and price points.

The case against interstate sales:

1. Consumers buying from out-of-state insurers could lose coverages now mandated by their state of

residence.

2. Could result in higher out-of- pocket costs.
3. Insurers would flock to states with fewest regulations, resulting in a decline in quality/policy coverage.