



THE POLITICAL ROOTS OF HEALTH INSURANCE BENEFIT MANDATES

State governments often mandate that health insurance plans include various benefits, requiring insurers to cover certain conditions or procedures, such as diabetes or cancer screening tests. In an [empirical study](#) for the Mercatus Center at George Mason University, economists Douglas Webber and James Bailey look at different influences in the political process that have caused a marked increase in benefit mandates over the past several decades, and conclude that the increase is driven more by interest groups than by ideology. In particular, the study finds that the more doctors there are per capita in a state, the greater the number of benefit mandates.

HYPOTHESES

The study proposes three potential reasons for the observed increase in benefit mandates: interest groups, ideology, and institutions.

- *Interest groups.* Several types of interest groups may benefit from the passage of a mandate. For example, high-cost patients would benefit from a mandate requiring that a particular procedure be performed or that their disease be treated. Providers of health care would also benefit from a mandate requiring insurers to cover their services. On the other hand, some groups may be harmed by the passage of a mandate—in particular, health insurance companies. Mandates may cause individuals and firms to drop insurance entirely or switch to a type of insurance that is exempt from a mandate, such as self-insurance.
- *Ideology.* Ideology may also play a role in the increase of benefit mandates. Voters often vote for policies that they believe to be good for society, even if the policies would not benefit them personally. Regulation that restricts the choices of firms in the interest of a favored cause is a consistent political preference of many left-wing voters. Therefore, this hypothesis would be supported by evidence showing that states with more left-wing voters and Democratic state politicians generally pass more benefit mandates.

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- *Institutions.* Institutions can also determine political outcomes. For example, 26 states have “mandate review boards,” which slow the legislative process and require legislators to consider the costs of mandates. Additionally, in 1974 Congress passed the Employee Retirement Income Security Act (ERISA), which allows firms to self-insure under federal law and exempts self-insurers from most state regulations, including benefit mandates.

DATA

The study uses data from a variety of sources:

- The Blue Cross and Blue Shield Association provides data on the total number of mandates in each state, by year. The average state had 33 mandates on an average year between 2000 and 2010.
- The University of Kentucky’s Center on Poverty Research provides data on the political party of a state’s governor, senate, and house.
- The National Institute on Money in State Politics provides political contribution data. Political contributions by health care providers (\$3 million per year) are much larger than contributions by health insurers (\$300,000).
- Data on the number of doctors in each state come from the US Department of Health and Human Services’s Area Health Resources File.

KEY FINDINGS

- The proportion of doctors per capita to the number of mandates in a state is statistically significant. In an average state, a 4 percent increase in doctors per capita corresponds with one additional mandate.
- Insurers spend money to fight losing battles against proposed mandates, but spend relatively little (3.7 cents per capita) despite the enormous stakes involved and the fact that spending \$1 per capita would reduce the number of mandates on average by eight per state. Insurers’ ability to pass the cost of mandates on to consumers may explain the lack of spending.
- Political party control and the existence of mandate review boards have no statistically significant effect on the number of mandates.

CONCLUSION

While future research considering specific types of mandates, patient groups, and providers would be useful, this study shows that, in general, states pass benefit mandates because of a well-organized and politically powerful interest group: health care providers.

- *More doctors mean more mandates.* States with more doctors pass more mandates, and political contributions by insurance companies can reduce the number of mandates passed.
- *Interest groups are more significant than ideology.* Health insurance benefit mandates are driven more by interest groups than by ideology, in particular by providers rather than by patients. Insurers do not spend a lot opposing mandates, even though the little they do spend is highly effective at reducing mandates.