



# FACT SHEET

## The High Cost of Benefit Mandates - 2009

May 2009

Health care spending is projected to be 17.6 percent of the US gross domestic product in 2009. According to the Centers for Medicare and Medicaid Services, the US is projected to spend over \$2.5 trillion on health care in 2009, or \$8,160 per capita. This is compared to 1970, where spending was \$75 billion, or \$356 per capita (and 7.2 percent of the GDP). Without cost containment, the cost of health care will continue to escalate.

California currently has 48 health benefit mandates in state law. This year, nine benefit mandate bills were introduced to the state's legislature. New mandates increase the cost of providing health care and hinder a consumer's choice and flexibility in finding a plan that meets their needs. The California Association of Health Plans, in the interest of member plans and their members, opposes any benefit mandates that impact Knox-Keene licensed plans because they result in higher premiums for individuals and employers. They can also lead to individuals losing coverage because of the cost impacts of higher premiums.

Though the cost and coverage impact of each individual mandates varies, California's health plans are concerned with the cumulative impact of mandates on premiums, particularly during a global economic recession, when so little has been done to contain actual medical costs.

### Findings Based on Independent Analyses

The California Health Benefits Review Program (CHBRP) provides independent analyses to California's Legislature on the medical, financial, and public health impacts of proposed health insurance benefit mandates. CHBRP's analyses of the current mandate bills reveal that, cumulatively, the mandates will cost employers over \$186 million, individuals over \$207 million, and CalPERS will see cost increases of over \$1 million. The total impact will be **\$394 million** and a projected 7,600 people would lose coverage due to premium increases making purchasing insurance cost prohibitive.

Benefit Mandate Bill Number/Author/Topic	Individuals who lose coverage	Increase in Employers' Premiums	Increase in Individuals' Premiums	Increase in Cost to CalPERS
AB 56 (Portantino): Mammography	-*	\$2,057,000	\$898,000	\$75,000
AB 98 (De La Torre): Maternity Services	7,600	-	\$89,298,000	-
AB 163 (Emmerson): Amino-Acid Based Elemental Formulas	-*	\$6,312,000	\$2,409,000	\$478,000
AB 214 (Chesbro): Durable Medical Equipment	-*	\$146,860,000	\$72,947,000	-
AB 244 (Beall): Mental Health	-*	\$21,107,000	\$27,191,000	-
AB 259 (Skinner): Direct Access to Certified Nurse Midwives	-*	-**	-**	-**
AB 513 (De Leon): Lactation Consultation	-*	\$2,820,000	\$1,079,000	\$178,000
SB 158 (Wiggins): HPV Vaccine	-*	\$84,000	\$1,381,000	-
SB 161 (Wright): Oral Chemotherapy Medication	-*	\$7,287,000	\$12,105,000	\$282,000
<b>TOTAL</b>	<b>7600</b>	<b>\$186,527,000</b>	<b>\$207,308,000</b>	<b>\$1,013,000</b>

Overall Cost Impact

**\$394,848,000**

\* When the premium increase faced by any segment of the population is expected to be 1 percent or more, CHBRP estimates there will be a measurable loss of health insurance coverage.

\*\* CHBRP found that costs per delivery by nurse midwives would have no measurable change in total premiums or costs because they estimate that certified nurse midwives are paid the same rates for their services as physicians.

SOURCE:

California Health Benefits Review Program, 2009 Analyses

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The California Association of Health Plans (CAHP) is a statewide trade association representing 39 full-service health care plans. Through legislative advocacy, education, and collaboration with other member organizations, CAHP works to sustain a strong environment in which our member plans can provide access to products that offer choice and flexibility to the more than 21 million Californians they serve.