HEALTH INSURANCE REGULATION: VARYING STATE REQUIREMENTS AFFECT COST OF INSURANCE

• Mr. JEFFORDS. Mr. President, with the recent passage of the Health Insurance Portability and Accountability Act of 1996, and the possible enactment of several health benefit provisions, I'd like to draw my colleagues' attention to a recently completed GAO report that surveys similar State health insurance regulations and their impact on the cost of health insurance.

I asked the GAO to examine the added costs associated with: First, premium taxes and other assessments; second, mandated health benefits; third, finanancial solvency standards; and fourth, State health insurance reforms affecting small employers. The report examines the impact of these requirements on the cost of insured health plans compared with the cost of self-funded health plans subject to the Employee Retirement Income Security Act of 1974 [ERISA].

Although States regulate health insurance, the study indicates that State regulation does not directly affect 4 out of 10 people. ERISA preempts States from directly regulating employer provision of health plans, but it permits States to regulate health insurers. Of the 114 million Americans with health coverage offered through a private employer in 1993, about 60 percent participated in insured health plans that are subject to State insurance regulation. However, for plans covering the remaining 40 percent, about 44 million people in 1993, the employer chose to self-fund and retain some financial risk for its health plan.

Because self-funded health plans may not be deemed to be insurance, ERISA preempts them from State insurance regulation and premium taxation. Although ERISA includes fiduciary standards to protect employee benefit plan participants and beneficiaries from plan mismanagement, in other areas, such as solvency standards, no Federal requirements comparable to State requirements for health insurers exist for self-funded health plans.

Most States mandate that insurance policies include certain benefits, such as mammography screening and mental health services, which raises claims costs to the extent that the benefits would not otherwise have been provided. In general, the report indicates that the costs are higher in States with more mandated benefits and in States that mandate more costly benefits.

State financial solvency standards have limited potential effect on costs because many insurers already exceed the State minimum requirements. In addition, due to their recent enactment, the cost implications of small employer health insurance reforms, such as guaranteed issue, portability and rate restrictions, remain unclear.

Mr. President, I feel this report provides useful information regarding the benefits associated with State health insurance regulation and their impact on the cost of health insurance. Further, it points out the lack of similar requirements for self-insured plans and that more and more small employers are self-funding their health plans. As we continue our efforts to ensure that all Americans have access to health care services, this report will help us better understand the experiences of the States and build upon them.

I ask that the executive summary of the report be printed in the RECORD.

The summary follows:

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RESULTS IN BRIEF

State health insurance regulation imposes requirements on health plans offered by insurers that employers' self-funded health plans do not have. These requirements benefit consumers; they also add costs to insured health plans. The extent to which these requirements increase insured health plans' costs compared with self-funded health plans' costs varies by state. The cost impact depends on the nature and scope of each state's regulations and on health plans' typical operating practices.

State premium taxes and other assessments are the most direct and easily quantifiable cost that insured health plans face. Premium taxes increase costs to commercial health insurers by about 2 percent in most states. Other assessments not only tend to be smaller than the premium tax but can often be deducted from premium taxes. These include assessments for guaranty funds that pay the claims of insolvent plans and high-risk pools that provide coverage for individuals unable to get private coverage because of preexisting conditions.

Most states mandate that insurance policies cover certain benefits and types of providers, such as mammography screening, mental health services, and chiropractors, which raises claims costs to the extent that such benefits would not otherwise have been covered. The cost effect varies due to differences in state laws and employer practices. For example, Virginia's mandated benefits accounted for about 12 percent of claims costs, according to a recent study. Earlier studies estimated that mandated benefits represented 22 percent of claims in Maryland and 5 percent in Iowa. In general, such cost estimates are higher in states with more mandated benefits and in states that mandate more costly benefits, such as mental health services and substance abuse treatment. These cost estimates represent the potential costs of mandated benefits to a health plan that does not voluntarily offer these benefits. Because most self-funded plans offer many of the mandated benefits, their additional claims cost—were they required to comply—would not be as high as the studies' estimates. If required to comply with state mandates, however, self-funded plans would lose flexibility in choosing what benefits to offer and in offering a single, uniform health plan across states.

State financial solvency standards have limited potential effect on costs because many insurers exceed the state minimum requirements and typically perform tasks like those associated with the state financial reporting requirements. Most insurers maintain higher levels of capital and surplus than the minimum state requirements, indicating that the effect of the capital and surplus requirements on health insurance costs is generally minimal. Although states require financial information and actuarial reports that in some cases differ from the insurers' general business practices, insurance executives indicated that the added administrative cost of preparing these documents was marginal and that the additional information was also valuable to the insurer.

The cost implications of small employer health insurance reforms, such as limits on preexisting condition exclusions recently adopted in many states, remain unclear. The cost information to date is mostly anecdotal and provides an incomplete view of these reforms' effects. Moreover, the rapid changes in health care markets, such as the continued growth and evolution of managed care, make it difficult to isolate the independent effect of the reforms.

SONS OF ITALY FOUNDATION EIGHTH ANNUAL NATIONAL EDUCATION AND LEADERSHIP AWARDS GALA

• Mr. LAUTENBERG. Mr. President, I want to congratulate the Sons of Italy Foundation [SIF] for its eighth annual National Education and Leadership Awards [NELA] gala, which was held May 2, 1996, at the Andrew W. Mellon Auditorium, in Washington, DC. I had the opportunity of attending this worthy and inspirational event, and I have had the honor of serving as chairman of the NELA gala in the past. This worthy and inspirational annual event has gained wide recognition during the past few years in Congress, the corporate community, educational institutions, and others in the philanthropic community throughout the Nation for its promotion of educational excellence and professional achievement. I commend the SIF for the encouragement it provides to some of our Nation's most outstanding young scholars and future leaders.

At this year's event, the SIF presented scholarships to the winners of the 1996 National Leadership Grant Competition, an annual merit-based national scholarship competition. In addition, the SIF presented the 1996 NELA's to Northwest Airlines Corp. Cochairman Alfred Checchi and Pennsylvania State University football coach Joseph V. Paterno. In selecting Messrs. Checchi and Paterno for this honor and in awarding a merit-based academic scholarship in each of their names, the SIF has recognized two of the most outstanding role models in the Italian-American community.

The lives of these two men of enormous achievement and strong character serve as reminders of why our forebears traveled to this country and why today's immigrants are so eager to make their homes in our great country, where opportunity abounds for those willing to learn and work hard. The achievements of these two men speak highly of the importance of strong family support, educational achievement, and professional integrity. These are values on which all of us agree, regardless of our racial, ethnic, or religious backgrounds. These common values, aptly expressed through the NELA gala, are what bind us as Americans. Most appropriately, the scholarships that the SIF awarded