

ECONOMIC ANALYSIS OF HB19-1301

Concerning health insurance coverage for breast imaging.

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HB19-1301 primarily aims to decrease the number of Coloradans who are misdiagnosed with breast cancer by increasing the minimum level of breast cancer screening that is covered under health insurance plans. Under current law, individuals enrolled in such plans are entitled to one mammographic screening per year. The bill repeals this standard and entitles all healthcare insurance policyholders to a breast cancer screening that follows the guidelines set forth by the American College of Radiology and the National Comprehensive Cancer Network.

The bill mandates that individuals who are at an increased risk for developing breast cancer or who received inconclusive mammographic screening results in their initial test are to receive advanced imaging services at no additional cost on the date of their screening. It also offers this service to those whose healthcare provider recommends them for these services.

Economically, the governmental action proposed in this bill is not at all justified. This is because it effectively redistributes societal resources away from those that society believes to need them most. By increasing the minimum standard of coverage insurance companies must provide without subsidizing them for the added costs they incur, these companies are incentivized to increase the premiums paid by policyholders. This will make it harder for low-income families to receive the healthcare they need, which goes against society's general preferences regarding groups that deserve additional support.

The rest of this paper will further explore why HB19-1301 will redistribute resources in ways that are contrary to how Coloradans believe they ought to be dispersed. The paper ultimately proposes an amendment to this bill that will both make higher quality breast cancer screenings more available to policyholders and keep insurance premiums from increasing. It concludes by suggesting that HB19-1301 be enacted, but only with the proposed amendment.

Economic theory suggests that in an economy where there is no governmental interference with insurance activity, health insurance companies would price their policies according to the costs and the level of risk they incur from each policy. Should these companies choose to offer preventive care in their plans, the costs and risks associated with this care would be accounted for in the price that policyholders pay.

Current regulation mandates that all Coloradans who purchase health insurance are entitled to receive coverage for a mammographic screening included in the plan. This cost is currently included in the price that policyholders pay for the care they are entitled to receive. However, by increasing this standard of care policyholders are obligated to receive under an insurance plan, HB19-1301 forces insurance companies to bear higher costs in every plan they sell.

Studies have shown that health insurance is an inelastic good (Gruber, 2005). This means that large changes in the price of health insurance do not lead to significant changes in its demand (Gruber, 2005). This is likely because of the need that Americans have for health insurance.

Insurance companies know that changing the price of their good is not likely to lead to a large shift in demand for their products. Therefore, they have no incentive to internalize the additional costs imposed on them in this bill. They are likely to pass them on to customers in the form of higher health insurance premiums.

Research has found that even slight increases in the level of payment necessary to get a breast cancer screening significantly decreases the number of people who get them (Trivedi, 2008). It is likely that the majority of people affected by these rate hikes will be low-income

Coloradans who will struggle to meet the higher financial commitment necessary to pay for preventive care coverage.

The argument could be made that individuals at risk of developing breast cancer could simply pay for a breast cancer screening instead of preventive care coverage should premium levels increase. However, it has been found that when individuals are not enrolled in insurance plans, they are less likely to be tested for breast cancer (Avanian, 1993; The Henry J. Kaiser Family Foundation, 2018). Therefore, by raising the cost of insurance and decreasing the number of people enrolled in preventive care plans, it is likely that fewer low-income persons would have the option to receive breast cancer screenings.

Studies have found that throughout America, citizens believe there ought to be a minimum level of basic healthcare available to all (Blendon, 2001). Recent polls also indicate that the majority of Americans actually believe that all Americans should have access to healthcare insurance coverage (Kiley, 2018). Other studies show that Americans tend to have a certain level of sympathy for low-income individuals and believe they deserve some level of support (NPR, 2001).

By increasing insurance premiums and making it more difficult for low-income individuals to receive adequate levels of breast cancer screening, HB19-1301 distributes the availability of breast cancer screens in a way that is contrary to what society generally believes is fair. This is because the increase in insurance premium prices will make it harder for low-income individuals to afford them, making both the insurance itself and the coverage it provides less available to these individuals.

Therefore, this program would actually be hurting the very demographic that Americans believe needs to be assisted. Because the government has a responsibility to distribute resources in a way that supports these low-income individuals, this bill is not economically justified.

To deal with this issue, I propose that a clause be added to HB19-1301 that creates a subsidy program to fund the extra cost incurred by insurance companies. This would allow the government to redistribute the availability of breast cancer screenings in a way that better pleases society.

To do this, the bill would need to provide funding for insurance companies expected to bear the expense of the increased use of advanced breast imaging services. It could state that at the end of each calendar or contract year, a third-party auditor is required to review the breast cancer screening costs incurred by each insurance company and determine the amount of capital that would have been available had HB19-1301 not been enacted. The government would then be responsible for reimbursing each company for this expense. This change would shift the financial burden of the program from policyholders to the government.

Effectively, in shifting this burden, the bill would prevent insurance companies from increasing rates for citizens at risk of developing breast cancer. In fact, funding preventive care programs that reduce the risk insurance companies hold with each policy at no additional cost to these companies could cause the cost of these premiums to slightly decrease. This would correspond to an increase in demand and a larger proportion of Coloradans being able to afford health insurance. This effect would likely be small due to the inelasticity of health insurance, but this change still would help to more effectively allocate resources according to society's preferences.

As it stands, HB19-1301 redistributes resources in a way that disadvantages those that society believes need assistance. It does this by making it more difficult for low-income individuals to get health insurance and the breast cancer screens they need. By amending this bill to include a subsidy program for insurance companies, the bill would both allow for health insurance policyholders to receive higher levels of coverage and would prevent low-income individuals from having resources allocated away from them. Therefore, I suggest that the Colorado General Assembly pass HB19-1301 with this added amendment.

Works Cited

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