

# Consumer Response to a National Marketplace ...

## Comments on Parente et al.

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### A Summary

- From the insurance literature take estimates of the effects of various state regulations on non-group insurance premiums
- From compendiums of state regulation characterize the regulatory status of each state & calculate regulation adjusted premiums by state
- Use 2005 MEPS data to simulate the take-up rates of non-group and small group coverage at differing premium levels.

## Reduction in the Percentage of Uninsured (non-group) & Turn-Downs (small group)

	5 Least Regulated	Least in 4 Regions	Least Regulated
<i>Minimum</i>			
Non-group	0%	4%	5%
Small group	0%	8%	17%
<i>Moderate</i>			
Non-group	11%	19%	21%
Small group	57%	66%	71%
<i>Maximum</i>			
Non-group	20%	29%	31%
Small group	68%	78%	81%

## The Issues

- Large effects of mandates, guaranteed issue and any willing provider
- State of residence imputation
- Ignoring state taxes
- Role of the owner in small group coverage
- Implications for ERISA

## Large Effects of Regs?

- Seeming large elasticities inconsistent with take-up and non-group coverage literature
- Measures of regulatory preferences?
  - AWP laws viewed as pre-emptive?
  - Mandates reflecting the tastes of the market?
- Measured correctly?
  - Ignore premium taxes
  - Ignore pre-existing condition
  - Mandates surely not equally costly
- All of this seems to impart an upward bias on the size of the effects

## State of Residence Imputation ?

- Essentially forced to assume that people are people regardless of where they live within a region.
  - Strictly – I think – forced to assume that people are drawn from the same distribution of tastes & preferences within the region
  - But if not a valid assumption, seems to imply that people will not flock to policies from another regulatory régime

## State Taxes?

- Do higher state income taxes go hand-in-hand with greater regulatory activity?
  - Suppose higher tax rates are an “enabler” of greater regulations (at least in the small group market)
  - If so, eliminating regulations will have less of an impact than would otherwise be the case

## Role of the Owner in Small Groups

- NFIB survey of small employers in 2003 found
  - 49% of respondents that offered ESI said a major reason for doing so was because it was: “a good way for the owner and dependents to obtain coverage”
  - 38% of respondents not offering ESI said a major reason was that “owner had coverage elsewhere.”
- Does the improvement of the individual market reduce offer rates in the small group market?

## ERISA

- Proposals walk a dangerous line with respect to ERISA
- On the one hand the proposals can be viewed as simply extending the ERISA preemption – thereby effectively reducing regulation.
- Alternatively they can be interpreted as federalizing the regulation of the non-group (& potentially) the small group market – with the potential to increase rather than decrease regulation.