How Will Republicans Deal With the Portability Issue?

September 14, 1995 by Phyllis Schlafly

The biggest single problem with health care is that 90 percent of all private medical insurance is owned by employers rather than by individuals. Your boss doesn't own your homeowners or automobile insurance, and it's an unfortunate accident of history that your employer owns your medical insurance.

Tens of thousands of Americans who've been laid off by downsizing corporations discovered that they can't take their medical insurance with them, and they can't buy new insurance because they have a "preexisting condition." Many workers (especially mothers) who would like to switch to part-time or self-employment are tied to their jobs ("job lock") by their health insurance.

This situation has given rise to a demand for "portability." Your medical insurance ought to be portable, i.e., you ought to be able to take it with you when you change jobs, like your auto insurance.

Some politicians are tossing about the expression "guaranteed issue," a plan to force insurance companies to accept all applicants without regard to their health status and preexisting conditions. This is intended to help the two million Americans who can't qualify for health insurance, the so-called uninsurables.

Guaranteed issue has dangerous unintended consequences. Unfortunately, it looks like some Republicans are falling for it.

Let's compare guaranteed issue of medical insurance to other industries. It's like forcing banks to issue loans and mortgages without asking applicants about their financial condition.

It's like requiring property and casualty companies to insure houses after they are already on fire. It's like requiring auto insurance companies to sign up drunk drivers.

If loans were guaranteed, why would people be responsible about their finances? If you could buy

insurance for your house when it is going up in flames, why buy it ahead of time?

If the law guarantees issue of health insurance coverage, why would people buy insurance when they are healthy? The answer is, they won't. People will just wait until they get sick and then buy coverage; they'll game the system.

We know how guaranteed issue works in practice. When only sick people buy medical insurance, rates increase. And when rates increase, more people cancel, and then rates go up again in a vicious cycle.

The New York State Legislature passed a combination of guaranteed issue and flat community rating a couple of years ago. That caused 400,000 people to drop medical coverage as their rates increased.

Florida also passed guaranteed issue. A major insurer with headquarters in that state raised its Florida rates 30 percent more than in states that haven't passed guaranteed issue.

It's obvious what policyholders do when they are hit with a 30 percent increase in premiums. Many drop coverage and go without.

Some people call guaranteed issue "insurance reform," but this kind of "reform" won't work. If Republicans pass it, it will come back to haunt them and it will play into the agenda of the left.

When the number of the uninsured increases because people can no longer afford the premiums, the public will demand relief and the Democrats will blame the Republicans. The Democrats will demand mandatory universal coverage, which can be achieved only by a top- down, compulsory, government-run system.

Republicans should promote "continuous coverage" through group-to- group portability legislation. This will enable people to change jobs without losing their coverage as long as they (or their new employers) pay the premiums and stay in the system.

Then, to make medical insurance more affordable, Republicans should pass legislation allowing Medical Savings Accounts and 100 percent tax deductibility of medical insurance.

But what about those who can't qualify for health insurance, the two million people whom guaranteed issue is supposed to help? Republicans should look at the example of the states that have successfully dealt with this problem.

Thirty states have established high-risk pools for people who can't get health insurance, much like the high-risk pools for drivers with bad records. Enrollees in the high-risk pool pay a premium for the coverage, which is capped at a certain percentage of standard rates, usually 135 percent.

Since the high-risk pool spends more than it collects, the losses are made up through various funding mechanisms. Illinois uses general revenues. Wisconsin and 18 other states fund the pool by an assessment on insurance companies based on the amount of health insurance each company writes in the state.

The cost this puts on insurance companies is acceptable. Published figures indicate that the average assessment on insurance companies is one-half of one percent of the health insurance premiums they collect in the state.

Wisconsin seems to be the ideal model. Governor Tommy Thompson brags that the pool is always open for people to get coverage and his state has the lowest number of uninsured people in the United States.

Republicans have the opportunity to pass meaningful health insurance reform that increases access to health insurance and controls costs. If, however, they repeat the guaranteed issue mistake of New York and Florida, they will be responsible for increasing the number of uninsured, plus a 30 percent rate increase on those who remain insured.