The Need for and Cost of Mandating Private Insurance Coverage of Contraception

by Rachel Benson Gold

With the issue of contraceptive coverage rapidly gaining public attention and political momentum, a central question is whether a government mandate on private, employment-related insurance coverage would constitute good public policy. The question largely boils down to whether a mandate, in this instance, is necessary to achieve an important public interest and whether it is justified in light of its fiscal impact on employers and employees.

Industry representatives oppose mandates in general, charging that they are unnecessary and serve mostly to drive up the costs of insurance coverage. Women's health advocates, on the other hand, argue that, whether from benign neglect or outright discrimination, women traditionally have been disadvantaged in insurance coverage. They point to past examples where government mandates were necessary to secure coverage even of women's most basic health care needs and argue that similar action is required and appropriate now with regard to contraception.

Women and Insurance

As their most striking example of historic discrimination against women in insurance coverage, advocates cite maternity care—basic prenatal and delivery services—which, until the late 1970s, private insurance plans in the United States often did not cover. Indeed, it took enactment of a federal law—the Pregnancy Discrimination Act of 1978 (PDA), which mandates maternity coverage in most private-sector policies—to change the situation. And change the situation it did: Coverage for maternity care jumped from 57% of policies written in 1977 to 89% of policies just five years later.

While the PDA undeniably played a major role in ending de facto insurance discrimination against women, advocates argue that the job is not done. Even now, according to the Women's Research and Education Institute, women of childbearing age spend 68% more in out-of-pocket health care costs than do men of the same age. Contraception, advocates contend, is now in the same position maternity care was just 20 years ago—which is to say, it is basic health care for women that private insurance fails to adequately cover.

Gaps in Contraceptive Coverage

If a sexually active woman between ages 20 and 45 wants—as do most American women—two children, she will spend, on average, almost five years of her life trying to become pregnant, or being pregnant or postpartum, and more than *four times that long* trying to avoid pregnancy.

Overwhelmingly, American women use contraception to avoid unintended pregnancy. Among women aged 20–44 who have ever been sexually active, for instance, 85% have used oral contraceptives at some point in their lives. Among women with some form of private health insurance coverage who are at risk for unintended pregnancy, only 7% use no method of contraception.

Although American women clearly view contraception as basic to their lives, and their health care, health insurers in this country traditionally have not. While three-fourths of American women of childbearing age rely on private insurance, the extent to which they are covered for contraception can differ dramatically depending on their type of insurance,

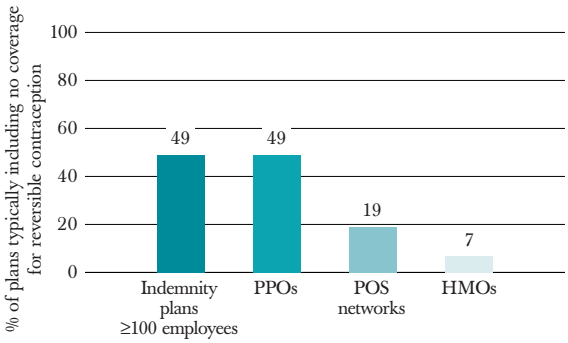
A Note from the Editor

After simmering slowly for a number of years, the effort to ensure comprehensive coverage of contraceptive services and supplies in private-sector, employment-related group health insurance plans has exploded. This year alone, nearly 20 states have addressed the issue—including Maryland, which enacted the first statewide coverage mandate this spring. For its part, Congress is on the verge of setting an important precedent for its own consideration of a federal mandate and, at the same time, an example for employers across the country: Last month, both houses passed bills requiring contraceptive coverage in the health insurance plans made available to federal employees (see For The Record*, page 12). With momentum building, the contraceptive coverage debate is crystallizing around three key questions: the need for and cost of a government mandate; the appropriate scope of any exemption to a mandate that would be granted on grounds of conscience; and the methods that should be included in a mandate, specifically in terms of what constitutes "contraception" and what constitutes "abortion."*

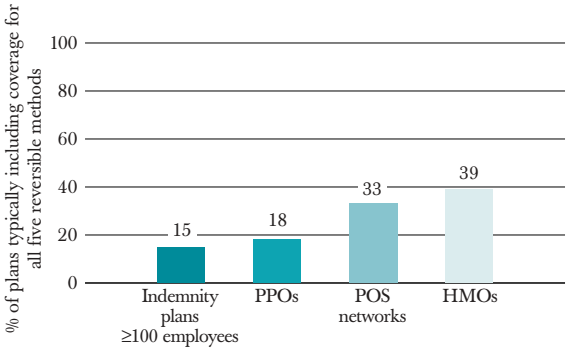
Beginning with this issue, The Guttmacher Report on Public Policy *will examine these questions in a special series of articles supported in part by a grant from the Prospect Hill Foundation. The conclusions and opinions expressed in these analyses are those of the authors and The Alan Guttmacher Institute and do not necessarily represent the views of the foundation.*

Inadequate Coverage

Many plans cover no contraception at all



Few plans cover the five leading reversible methods*



*Oral contraceptives, IUD, Norplant®, Depo Provera®, diaphragm.

according to a 1994 study by The Alan Guttmacher Institute (AGI).

Traditional indemnity (fee-for-service) plans—which cover one in five privately insured Americans (18%), according to KPMG Peat Marwick—clearly provide the least comprehensive coverage for contraceptive services and supplies (see chart). Half of these policies typically cover none of the five leading reversible prescription contraceptive methods (IUD, diaphragm, hormonal implant [Norplant®], contraceptive injectable [Depo Provera®] and oral contraceptives), and only 15% cover all five methods. While 97% of indemnity plans cover prescription drugs in general, only 33% cover the costs of oral contraceptives, the most commonly used reversible contraceptive method in the United States.

Health maintenance organizations (HMOs), which cover one-third of the market (33%), provide the most comprehensive contraceptive coverage of any type of insurance plan: Some 39% cover all five leading methods, and only 7% cover no contraception at all.

Newer types of managed care plans—which serve half the U.S. market—provide less extensive coverage than do HMOs. Preferred provider organizations (PPOs)—which cover almost as many Americans as do HMOs (31% of the market)—are closer to traditional indemnity plans in their coverage patterns; coverage in point of service (POS) networks is somewhat more comprehensive.

In sharp contrast, almost nine in 10 plans, regardless of plan type, cover sterilization services. And, about two-thirds routinely cover abortion.

Why Coverage is Important

According to a recent poll commissioned by the Kaiser Family Foundation (KFF), three in four adult women say cost is an important factor when choosing between a method that is covered and one that is not. In the absence of comprehensive coverage, many women may "choose" a method covered by their plan rather than one that might be more appropriate to their medical or life circumstances. The impact could be significant. Some methods, like the IUD and the contraceptive implant, Norplant®, have up-front costs that can be prohibitive for women without significant discretionary income; at the same time, they are among the most effective of all methods.

Similarly, cost concerns may affect how well women are able to use their chosen method. Some women may delay refilling a prescription for oral contraceptives, for example, or put off obtaining a Depo Provera® injection because of cash-flow problems. And even a brief gap in method use can have a major impact. Notably, half of the unintended pregnancies in the United States are to women who are "using" contraception—but not always consistently or with maximum effectiveness.

Most dramatically, in the absence of insurance coverage some few women may forego contraceptive use entirely—and a sexually active woman not using contraception is many times more likely to become pregnant unintentionally than a woman who is. In any single year, 85 of 100 sexually active women not using a contraceptive method will become pregnant, in contrast to less than one-tenth that many of every 100 oral contraceptive users.

How Much Would It Cost?

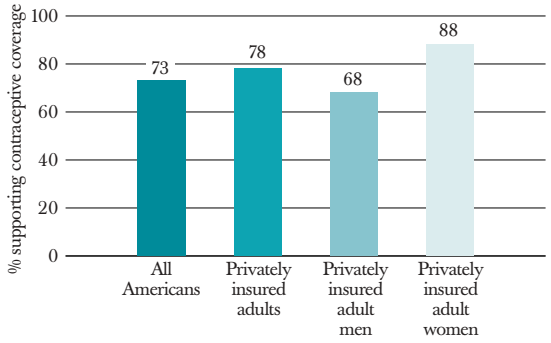
Central to any discussion of an insurance mandate is the question of its cost—specifically, whether the mandate will drive up the cost of insurance so much that coverage will become prohibitively expensive to some employers and their employees will suffer as a result.

New AGI estimates—based on the actual experience of plans that cover the cost of oral contraceptives (information obtained from pharmacy benefit managers administering plans covering over half the U.S. population) and on national data on use of other methods by privately insured women—show that the cost of covering the full range of FDA-approved reversible contraceptive methods is minimal. (The estimate does not include the costs of any associated medical services.)

Providing coverage for the full range of reversible contraceptive methods would result in a total cost of $21.40 per employee per year. Assuming standard cost-sharing between employers and employees, employers would pay $17.12, which translates into a monthly cost of $1.43 per employee. This would increase employers' overall insurance costs by only 0.6%. Employees would contribute $4.28 per year, or $0.36 per month.

WIDESPREAD SUPPORT

Americans overwhelmingly support contraceptive coverage, even if it would increase their insurance costs by $5 a month



Source: The Kaiser Family Foundation

As minimal as these costs are, they would only be borne in their entirety by a plan that does not now cover any of these reversible methods. The cost would be less for those plans that cover at least some of these methods, and there would be *no* added costs for the many plans that currently cover the full range of FDA-approved reversible contraceptive methods.

Support for Contraceptive Coverage

According to the recent KFF poll, America's public overwhelmingly supports mandating contraceptive insurance coverage (see chart). Eight in 10 privately insured adults (78%), support contraceptive coverage, even if it were to mean that their insurance costs would increase by as much as $5 a month—almost 14 times the actual cost to individuals of a contraceptive coverage mandate. Support for contraceptive coverage rises to 88% among privately insured women.

In addition, seven in 10 privately insured Americans (71%)—and eight in 10 insured women (79%)—believe that a mandate should require coverage of all FDA-approved contraceptive methods.

Industry Perspectives

As noted, the U.S. insurance industry opposes governmental mandates across-the-board on philosophical grounds. At the same time, it fights harder against some than others. The industry is now considering its options amid clear signs that the contraceptive coverage issue is resonating among the public and politicians alike—and that the costs of a mandate are minimal.

In that light, many observers found it significant that, even as Congress was moving last month to mandate contraceptive coverage for federal employees, the Health Insurance Association of America (HIAA) declined an invitation to present its position at a Senate hearing on the Equity in Prescription Insurance and Contraceptive Coverage Act (EPICC). Authored by Sens. Olympia Snowe (R-ME) and Harry Reid (D-NV), EPICC would require coverage nationwide in private, employment-related plans. Instead, HIAA President Willis Gradison (himself a former Member of Congress) was quoted by *Washington Post* reporter and syndicated columnist David Broder as saying, "We oppose mandates, but we're not going to spend a dime fighting this."