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Maryland's Bold New Idea

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Earlier this year, 150 organizations celebrated "Cover the Uninsured Week," a national campaign to raise awareness about those lacking medical coverage. Some 2,000 events were planned with the subtle hope that Washington would take notice and take action. Several in Congress and the White House are promoting tax credits to help those without health insurance. This idea is clever and meritorious—and completely stalled by partisan bickering.

But if Washington cannot address the issue, the nation's statehouses may bring about the necessary change themselves. In fact, an outstanding effort is now underway in Maryland that could become a model for the nation. What is most remarkable is how the Old Line State is proposing to expand coverage for the uninsured: doing more by requiring less.

Through the 1990s, states worked feverishly to make health care more accessible and comprehensive by passing a slew of regulations. Maryland was at the forefront of the effort, distinguishing itself as having the most regulated health-insurance market in the country. Perhaps that is what makes recent developments so revolutionary. Governor Robert Ehrlich's office is aggressively pushing *de*regulation.

"We need to find a way to make health insurance affordable for everyone," Secretary of Health and Mental Hygiene Nelson J. Sabatini explained to me recently. It is a weighty goal, given that affluent Maryland is home to nearly 700,000 who lack insurance and that the state has the second-fastest-growing uninsured population in the United States. Sabatini has found this morally unacceptable— and costly. He pegged the cost to Maryland's treasury at $800 million a year.

Given Maryland's tight budget situation, though, he needed to be imaginative—and frugal. First and foremost, he wanted to encourage businesses to buy insurance, making the option more attractive by making it more affordable. At the heart of Sabatini's reform package was a simple idea: cut regulations. Insurance companies, he reasoned, ought to be able to offer small employers an inexpensive, no-frills health policy. Small business may fret the price of a Cadillac plan, but what about a Honda? Add to the mix malpractice reform and a crackdown on fraud, and he believes that more Marylanders will be insured.

It is a bold agenda, but last spring the efforts bore fruit when both chambers of the General Assembly approved a bill allowing no-frills insurance.

In recent years, the philosophy of Maryland state legislators was the polar opposite: regulate first, ask questions later. As a result, the state requires small businesses and individuals to purchase plans that cover an excessive number of medical conditions and therapies. Sabatini claims that Maryland has more mandates than any other state. Treatments of TMJ (jaw joint) and substance abuse are covered in the Old Line State. So is infertility care—including in vitro fertilization, at $10,000 a try. Employees of small businesses are entitled to more: their choice of pharmacies, and even off-label usage of prescription drugs (the use of pharmaceuticals for purposes that the Food and Drug Administration has not approved). Entitled, that is, if their employers offer health insurance.

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But with so many state mandates, health insurance becomes very expensive. Some studies suggest that mandates drive up the cost of insurance by as much as a third. For too many small employers and self-employed individuals, the hefty bill leads to a decision to drop insurance coverage altogether.

Of course, the over-regulation problem is not confined to Maryland. The Congressional Budget Office estimates that every 1 percent increase in the cost of insurance results in 200,000 to 300,000 more uninsured. Made with the best of intentions —providing better coverage—mandates end up leaving more Americans without any coverage. The problem is particularly significant, as a recent paper in the prestigious journal *Health Affairs* points out, given that employment is shifting from large firms (which are not bound by state health insurance regulations) to smaller ones (which are).

Throughout the last decade, state capitols focused on aggressive and costly efforts to expand insurance coverage, but failed to make much headway. Vermont, for instance, took the same regulatory step Maryland did, but then went one step further by expanding Medicaid to include the working poor, thereby doubling enrollment. New Jersey legislators embraced price fixing, requiring that health insurance be sold to anyone interested (guaranteed issue) at prices uninfluenced by health status (community rating). The recent RAND Institute report "State Efforts to Insure the Uninsured: An Unfinished Story" considers various state experiments and discovers that little was achieved. In Vermont's case, the number of uninsured actually increased, and the public program will soon slip into deficit. In New Jersey, a family health-insurance plan costs more per month than the lease on a Ferrari. And even if those efforts had worked, today's fiscal realities compel a different approach.

Maryland is a microcosm of the larger national health-care problem. And, just as in the last decade when state legislators looked for bold initiatives like Medicaid expansion, fiscal reality now means thinking differently. Sabatini has, in envisioning a no-frills health insurance. There remains much to be done: Maryland's health-care system is hopelessly over-regulated in other ways, from the pricing of insurance to the reimbursement of hospitals. Still, it is refreshing to see that some political leaders now recognize that one way of helping the uninsured is through less government hyper-activity.

—Dr. David Gratzer, a physician, is a senior fellow at the Manhattan Institute. This article originally appeared on National Review Online.