NAIC
National Association of Insurance Commissioners
& The Center for Insurance Policy and Research

Interstate Health Insurance Sales: Myth vs. Reality

Some have suggested that allowing interstate sales of health insurance policies will make coverage more affordable and available. In reality, interstate sales of insurance will allow insurers to choose their regulator, the very dynamic that led to the financial collapse that has left millions of Americans without jobs. It would also make insurance less available, make insurers less accountable, and prevent regulators from assisting consumers in their states.

MYTH: ***Allowing individuals to purchase insurance a cross state lines will give them access to coverage at lower premiums.***
REALITY: **Interstate sales will start a race to the bottom by allowing companies to choose their regulator.**

- Allowing banks to choose their own regulator was a major cause of the current financial crisis.
- Insurers will seek the regulations that allow them to most aggressively select the healthiest risk.
- While those individuals in pristine health may be able to find cheaper policies, everyone else would face steep premium hikes if they can find coverage at all.

MYTH: ***Mandated benefits are the reason insurance is more expensive in some states than others, and interstate sales would lower premiums by allowing people to forgo benefits they don't want.***
REALITY: **This isn't about the mandates**. Mandated benefits add, at most, 5% to the cost of a policy.

- Interstate sales would allow some insurers to cherry-pick the best customers by avoiding consumer protections that require them to cover individuals with preexisting conditions and limit their ability to charge higher prices for older, sicker customers.
- In states with robust consumer protections, insurers could reap huge profits by skirting these rules.

MYTH: ***Interstate sales will simply provide people with more options. People who don't want interstate policies can keep the coverage they currently have.***
REALITY: **Interstate sales would actually reduce the options available to consumers**.

- Out-of-state insurers would be able to lure healthy enrollees away from existing risk pools, which would become progressively sicker and more expensive until they ultimately fail.
- Insurers that currently comply with state consumer protections would be forced by out-of-state competitors to evade them as well.
- Insurance policies would cover less and less, as insurers try to design polices that discourage the sickest customers from applying.

MYTH: ***Policies sold across state lines would be governed "cooperatively" by the states with no loss of consumer protection.***
REALITY: **Allowing insurance to be sold across state lines would eliminate the ability of insurance regulators to assist consumers.**

- Interstate policies would for the first time allow insurers unlicensed in the purchaser's state to sell health insurance, which would otherwise be a criminal offense.
- Licensure is the key that allows state regulators to take action to protect consumers.
- The regulators of one state have no authority to enforce the laws of another state. Instead, consumers will have to hope that the regulator in a distant jurisdiction has the ability and resources to assist consumers nationwide.

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