

The Cost of Contraceptive Insurance Coverage

Debates over improving insurance coverage of contraceptives invariably touch on the issue of cost. Research and experience now suggest that contraceptive coverage does not raise insurance premiums and that employers providing such coverage can, in fact, save money by avoiding costs associated with unintended pregnancy.

By Cynthia Dailard

Almost a decade ago, The Alan Guttmacher Institute (AGI) published the first national study of private insurance coverage of reproductive health services. The findings showed that coverage of contraceptives was considerably lacking in the United States, and provided the impetus for a national movement to expand coverage.

Since that time, almost half of the states have enacted a law requiring insurance coverage of contraceptives. In addition, the U.S. Equal Employment Opportunity Commission has determined that an employer's failure to include contraceptives in its prescription drug plan constitutes gender discrimination under Title VII of the Civil Rights Act, and a U.S. district court has ruled likewise. Furthermore, Congress has enacted legislation that requires contraceptive coverage for federal employees who are insured through the Federal Employees Health Benefits Program (FEHBP), and legislation extending contraceptive coverage to all privately insured women is pending before Congress ("Federal Law Urged as Culmination of Contraceptive Insurance Coverage Campaign," TGR, October 2001, page 10). Together, these developments are helping to advance one of the goals of Healthy People 2010 (the nation's official public health objectives published by the U.S. Department of Health and Human Services): to increase the proportion of health plans that cover contraceptives.

While motivated by desires to reduce unintended pregnancy and rectify gender inequities in health care, policy debates over contraceptive coverage inevitably turn to the question of cost. At a September 2001 Senate hearing, for example, the U.S. Chamber of Commerce testified that a national contraceptive coverage mandate would "further increase costs and jeopardize the affordability and availability of health plans for workers." (The U.S. Chamber of Commerce opposes insurance

mandates across the board.) Yet available research suggests that by reducing the direct and indirect costs associated with unintended pregnancy, contraceptive coverage would, in fact, save employers money.

Coverage Lacking

Historically, private-sector insurance in the United States has failed to provide adequate coverage of prescription contraceptives. AGI research showed that half of all traditional indemnity plans in 1993 did not cover any reversible prescription methods of contraception, and only 15% covered all of the five leading methods (oral contraceptives, diaphragm, Depo-Provera, Norplant and IUD). At the other end of the spectrum, the vast majority (93%) of health maintenance organizations provided some coverage of contraceptives, although only 39% covered all five leading methods ("The Need for and Cost of Mandating Private Insurance Coverage of Contraception," TGR, August 1998, page 5).

Recent surveys of employers suggest that contraceptive coverage remains inadequate. In 2001, an annual survey by the Kaiser Family Foundation found that 41% of insured employees had coverage of all reversible contraceptives. In contrast, virtually all insured employees (98%) had coverage of prescription drugs in general. People insured by larger employers (those with 200 or more employees) were more likely than those insured by smaller employers to have contraceptive coverage. In 2002, Kaiser's survey found that coverage of oral contraceptives among insured employees jumped from 64% the previous year to 78%; it did not ask about other methods of contraception.

Claims of Cost-Savings

Human resource consultants have long maintained that because contraceptive use prevents unintended pregnancy, covering contraceptives in employer health plans is cost-effective. A 1993 special report on contraceptive use that appeared in *Business and Health*, a guide for employers, found that the average costs associated with the birth of a healthy baby (prenatal care, delivery and newborn care for one year following birth) was \$10,000, compared with \$300–350 per year for oral contraceptives.

Further evidence of the cost-effectiveness of covering contraceptives came from an analysis published in the *American Journal of Public Health* in 1995 that used cost data from managed care plans provided by large employers in 45 major metropolitan areas to compare the costs and benefits of contraceptive use. The study found that all 15 of the contraceptive methods reviewed were cost-effective when compared with the direct medical costs of unintended pregnancy that resulted when methods were not used. The savings ranged from

\$9,000 to \$14,000 per method over a five-year period; using oral contraceptives—the most commonly used reversible method in the United States—saved almost \$13,000 over a five-year period.

Considerable cost-savings resulting from public-sector investments in contraceptive services have been extensively documented. According to AGI, public-sector expenditures for contraceptive services in FY 1987 totaled an estimated \$412 million. If these subsidized services had not been available, the federal and state governments would have spent an additional \$1.2 billion through their Medicaid programs, including the costs of unplanned births and abortions. Thus, for every dollar spent in the public sector on contraceptive services, three dollars are saved in Medicaid costs for pregnancy-related health care and medical care for newborns.

Recent Research

The estimated cost to private-sector employers of providing contraceptive coverage is extremely low. A 1998 report by AGI suggests that the average total cost (including administrative costs) of adding coverage for the full range of prescription contraceptives to health plans that do not currently cover them would increase total health care costs for private-sector employees and their dependents by \$21.40 per employee per year. Assuming that the employer covers 80% of the premium, the added cost to employers is \$1.43 per employee per month, a premium increase of 0.6%. (This represents the average cost of adding coverage to a plan that now does not cover any contraceptive methods; the cost would be less for those plans that cover at least some of these methods. This estimate, moreover, does not take into account potential cost savings associated with contraceptive coverage.)

Estimates that calculate the potential cost-savings associated with contraceptive coverage suggest that contraceptive coverage saves employers money. According to both the Washington Business Group on Health and William M. Mercer (a human resources and employee benefits consulting firm), providing contraceptive coverage would reduce employers' direct and indirect costs associated with unintended pregnancy. These direct costs include health care expenditures associated with normal live births (vaginal and cesarean), abortions, miscarriages and ectopic pregnancies; indirect expenses include wages and benefits associated with employee absences, maternity leave, and pregnancy-related sick leave, as well as costs associated with reduced productivity during an employee's pregnancy and with replacing employees who do not return to work after a pregnancy. As a result, not covering contraceptives in employee health plans would cost employers 15–17% more than providing such coverage.

Policy Developments

It is therefore not surprising that public policy developments at the federal and state levels are rapidly moving toward requiring greater coverage of contraceptives. In 1997, members of Congress first introduced federal legislation known as the Equity in Prescription Insurance and Contraceptive Coverage Act, which requires employer-based health plans to provide the same level of coverage to prescription contraception as they provide to other prescription drugs. The following year, Maryland became the first state in the nation to enact a law requiring contraceptive coverage, and Congress passed legislation requiring contraceptive coverage for federal employees insured through FEHBP. At the beginning of 2003, 20 states had coverage laws in effect: Arizona, California, Connecticut, Delaware, Georgia, Hawaii, Iowa, Maine, Maryland, Massachusetts, Missouri, Nevada, New Hampshire, New Mexico, New York, North Carolina, Rhode Island, Texas, Vermont and Washington.

Experience with FEHBP—the largest employer-based health plan in the world—confirms that contraceptive coverage does not affect employer premiums. Following enactment of the contraceptive coverage provision, health plans were notified that 1999 premiums would be adjusted, if needed, based on the new requirement. However, the Office of Personnel Management, which runs the program, reported in January 2001 that “there was no need to do so since there was no cost increase due to contraceptive coverage.”

Looking Forward

Despite these advances, there is still considerable work to be done to achieve the federal government's 10-year public health goal to increase the proportion of health plans that cover contraceptives. As noted by Healthy People 2010, “Increased access through insurance coverage for family planning is important because in the absence of comprehensive coverage, many women may opt for whatever method may be covered by their health plan rather than the method most appropriate for their individual needs and circumstances. Other women may opt not to use contraception if it is not covered under their insurance plan.” Experience and research now support what many family planning advocates and human resource experts have argued for some time—that contraceptive coverage saves employers money by avoiding costs associated with unintended pregnancy. Indeed, the fact that contraceptive coverage is a win-win situation for employers and employees alike can no longer be ignored. ☺

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