

The Economic Nonsense of the Contraceptive Mandate

By Dave Brenner

Recently, the Department of Health and Human Services Secretary testified that the government mandate that insists that all employers and insurance providers offer contraceptives via employee health plans would have a positive impact on the economy. Is such a claim true? Dave Brenner offers his insights and explores how such a claim might be measured by the convictions of faith.

The contraception mandate levied by Health & Human Services is a multifaceted piece of legislation that compels discussion of religious freedom, moral teaching, and rights of women. The wide spectrum of opinions complicates the ability to drive consensus. But if the White House's claim is true that 99% of women use contraception at some point in their lifetime and that it's the "most widely used form of medication" as the HHS Secretary claims, then certainly the discussion isn't about access to contraception but about costs.

So what can we learn about the economics of the mandate?

Let's start with the Administration's perspective: the HHS Secretary was asked this question on a March 1st hearing for the House of Energy and Commerce subcommittee. The committee expressed concerns about the \$111 Billion cost to implement PPACA, which represents a 30% increase over prior year budgets. The recent "contraception mandate" was discussed in context of these costs. The HHS Secretary defended the mandate on cost grounds stating, "The reduction in the number of pregnancies compensates for the cost of contraception."

The HHS Secretary also affirmed that religious liberty was not at stake under the most recently issued "compromise" with religiously affiliated institutions because "the rule which we intend to promulgate in the near future around implementation will require insurance companies, not a religious employer, but the insurance company to provide coverage for contraceptives." This is because, she reasoned, insurance companies would save money on costly pregnancies in the near-term and on costly healthcare treatment in the long-term.

To summarize her perspective, contraception lowers healthcare costs in the near-term by reducing expensive pregnancies and reduces long-term healthcare costs through a reduced population. Therefore, insurance companies are economically incentivized to provide contraception at no incremental charge to employers or employees so it will not violate an institution's religious liberty.

This is absurd economic rationale.

Let's start with the near-term healthcare costs argument. Representative Brett Guthrie (R-KY) exposed the Secretary's false reasoning "If you think about it, why don't health insurance companies provide it now if the argument is health insurance companies are going to make a lot of money? If the health insurance companies were really acting in their own best interest, they would

be giving these pills out for free, if it really saved money." In other words, there would be no need for a mandate because a profit-maximizing insurance company would already offer contraception for free.

There's also the inconvenient truth that making medication available at no cost, no co-pay and no deductible eliminates consumer price sensitivity. This will lead contraception manufacturers to raise their price and create multi-million dollar ad campaigns to build brand equity so that consumer choice is made on equity and benefits rather than costs. The Atlantic exposed this reasoning and demonstrated that the contraception mandate will enable pharma companies to gain billions of dollars in incremental revenue if it is covered through insurance. It turns out that the reason the pharmaceutical trade group, phRMA, supported the mandate is because of potential revenue growth for their constituents.

The more concerning part of this argument is the underlying hypothesis that population stagnation and decline lowers healthcare costs. As a Christian, this is deeply problematic on moral grounds. Any ideology that views human life as a problem rather than an opportunity is going to lead to disastrous implications. Indeed, as the Population Research Institute consistently finds (pop.org), human rights abuses are endemic to population control. This is the thread of an argument that one must look for in debates about abortion and euthanasia and even among certain groups of environmentalists.

As an economist, this is deeply confused rationale. Lower birthrates are consistently proven to be bad for the long-term prospects of an economy. The reason is simple enough – over the course of a life, most people produce far more than they consume. People are "net contributors" to the economy. The Government Accountability Office projects that unfunded obligations to US entitlement programs (e.g. Social Security & Medicare) stand at \$45.8 Trillion. These debts can only be paid through a growing work force. David Brooks' column from mid-March comments on the difficulty of sustaining long-term economic growth with declining birth rates. There is a reason why Western Europe and Russia, each with birthrates below replacement levels, have struggled to grow their economies.

The economics are clearly not in favor of the contraception mandate. The "core principle" that the President mentioned in his February 10th address that all women be provided with "free preventative care that includes contraception services" is ideologically driven and we should recognize that it leads to grave problems on the horizon.

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