NATIONAL WOMEN'S LAW CENTER
EXPANDING THE POSSIBILITIES

COVERING PRESCRIPTION CONTRACEPTIVES IN EMPLOYEE HEALTH PLANS: HOW THIS COVERAGE *SAVES MONEY*

Including insurance coverage of prescription contraceptives in an employee health benefits plan does not add to the cost. In fact, it can even save money. A variety of authorities have documented this fact:

- According to the National Business Group on Health (NBGH), a non-profit organization representing large employers' perspectives on national health policy issues, the cost of adding contraceptive coverage to a health plan is more than made up for in expected cost savings.[1] In fact, NBGH has estimated that *failing* to provide contraceptive coverage could cost an employer 15-17% more than *providing* it.[2] This calculation is based on an economic model that took into account the many direct and indirect costs of unintended pregnancy. Direct costs include costs related to childbirth – which can be among the highest cost drivers of an employer's health care expenditures. Indirect costs to employers include cost associated with employee absences, maternity leave, employee replacement, and reduced employee productivity. NBGH concluded that because any premium cost associated with including contraception in employees' insurance coverage is more than offset by avoiding these direct and indirect costs, employers should strongly consider covering all methods of prescription contraceptives in their employee benefits plans (both insured and self-insured).[3] As a result, the National Business Group on Health recommends a clinical preventive service benefit design that includes all FDA-approved prescription contraceptive methods *at no cost-sharing*.[4]
- Mercer Human Resources Group, a global human resources consulting firm, also has touted the employer cost savings associated with contraceptive coverage, calling particular attention to the fact that mistimed or unintended pregnancies increase the risk of expensive complications.[5]
- The Insurance Commissioner of Hawaii issued a report in December 2001 about whether the state's contraceptive equity law passed in 1999 increased the cost of health insurance. After surveying four health plans in the state that cumulatively covered at least 538,000 members, he concluded that the law "did not appear to have a direct effect on an increase in the cost of health insurance."[6]
- The Guttmacher Institute, a nonprofit organization that conducts research, analysis and public education on reproductive health issues, has estimated that for every dollar spent to provide publicly-funded contraception saves $3.74 in Medicaid expenditures that otherwise would have been needed to provide pregnancy-related care for women's unintended births, as well as one year of medical care for their infants.[7]
- Independent studies conducted by the nonpartisan Congressional Budget Office and on behalf of the federal agency that implements the Medicaid program have also found that expanding family planning coverage in public programs either saves money or results in no additional costs even in the short run.[8]
- A 2009 study conducted to estimate the relative cost effectiveness of contraceptives in the United States from a payer's perspective concluded that any contraceptive method is superior in terms of cost effectiveness to "no method."[9]
- Another research team, after summarizing several studies on contraceptive coverage, urged employer consultants to consider the cost-savings of providing this coverage.[10]

- A 2010 report prepared by the Center for Business and Economic Research at Marshall University in West Virginia looked at the economic costs of requiring contraceptive coverage for minor dependents in the state employee health insurance plan. The study found that the potential reduction in direct obstetrical benefit costs in the first year would be $980,991. The report noted that this estimate "should be considered conservative."[11]
- Any direct premium costs to an employer who adds contraceptive coverage to its employee benefits plan are at most extremely modest, and likely to be nonexistent. When the federal government added prescription contraceptives to the Federal Employee Health Benefits Program (FEHBP), it found that this caused *no increase* in the government's premium cost.[12] A Guttmacher Institute study concluded that, on average, it would cost a private employer only an additional $1.43 per month per employee to add coverage for the full range of FDA-approved reversible contraceptives.[13] Even if there were such a cost, it would be far outweighed by the savings, as shown by the studies cited above.

This is why U.S. Department of Health and Human Services concluded in February 2012, after reviewing the literature on the cost of contraceptive coverage in private and public health insurance programs, that "providing contraceptive coverage as part of a health insurance benefit does not add to the cost of providing insurance coverage."[14]

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[1] KP Campbell, *Contraceptive Use Evidence-Statement: Counseling and Preventive Intervention*, *in* A PURCHASER'S GUIDE TO CLINICAL PREVENTIVE SERVICES: MOVING SCIENCE INTO COVERAGE (KP Campbell et al. eds., 2006).
[2] ROWENA BONOAN & JULIANNA GONEN, PROMOTING HEALTHY PREGNANCIES: COUNSELING AND CONTRACEPTION AS THE FIRST STEP 3-6 (2000).
[3] *Id.*
[4] KP CAMPBELL, INVESTING IN MATERNAL AND CHILD HEALTH: AN EMPLOYER'S TOOLKIT (KP Campbell et al. eds., 2007), *available at* http://www.businessgrouphealth.org/healthtopics/maternalchild/investing/docs/mch_toolkit.pdf.
[5] WILLIAM M. MERCER, INC., WOMEN'S HEALTH CARE ISSUES: CONTRACEPTION AS A COVERED BENEFIT 11-17 (2000) (The "Mercer Human Resources Consulting Group" was formerly "William M. Mercer").
[6] WAYNE METCALF, CONTRACEPTIVE COVERAGE REPORT 8 (2001), *available at* http://hawaii.gov/dcca/ins/reports/2001_contraceptive_report.pdf.
[7] JENNIFER J. FROST ET AL., CONTRACEPTIVE NEEDS AND SERVICES: NATIONAL AND STATE DATA, 2008 UPDATE 3 (2010), *available at* http://www.guttmacher.org/pubs/win/contraceptive-needs-2008.pdf.
[8] The Congressional Budget Office, the official scorekeeper that Members of Congress on both sides of the aisle rely on for non-partisan estimates, found that the Medicaid Family Planning State Option could be implemented at no cost to the federal government. *See* Letter from Douglas W. Elmendorf, Dir., Cong. Budget Office, to Hon. Harry Reid, U.S. Senate (Nov. 18, 2009), *available at* http://www.cbo.gov/ftpdocs/107xx/doc10731/Reid_letter_11_18_09.pdf. And there is substantial evidence that Medicaid family planning expansions have saved states considerable money, including approximately $75 million in Arkansas over five years and over $2 billion in California over five years. *See* Sara Sills, *Cost-Effectiveness of Medicaid Family Planning Demonstrations*, NAT'L ACAD. FOR ST. HEALTH POL'Y 3-4 (2007), *available at* http://nashp.org/sites/default/files/shpbriefing_familyplanning.pdf?q=Files/shpbriefing_familyplanning.pdf.
[9] James Trussell et al., *Cost Effectiveness of Contraceptives in the United States*, 79 CONTRACEPTION 5, 9 (2009).
[10] William R. Gardner & Robert C. Strader, *The Cost Effectiveness of Contraception*, MANAGING EMPLOYEE HEALTH BENEFITS 34 (1996).
[11] JENNIFER L. PRICE ET AL., ECONOMIC COSTS OF MANDATORY CONTRACEPTIVE AND PREGNANCY CARE COVERAGE FOR DEPENDENT MINORS BY HEALTH INSURERS IN WEST VIRGINIA 38 (2010), *available at* http://www.marshall.edu/cber/research/judiciarysubbreport.pdf.
[12] When the FEHBP contraceptive coverage requirement was implemented, the Office of Personnel Management (OPM), which administers the program, arranged with the health carriers to adjust the 1999 premiums in 2000 to reflect any increased insurance costs due to the addition of contraceptive coverage. But OPM found that no such adjustment was necessary, and reported that "there was no cost increase due to contraceptive coverage." Letter from Janice R. Lachance, Dir., U.S. Office of Pers. Mgmt. (Jan. 16, 2001) (on file with NWLC).
[13] JACQUELINE E. DARROCH, COST TO EMPLOYER HEALTH PLANS OF COVERING CONTRACEPTIVES: SUMMARY, METHODOLOGY, AND BACKGROUND 1-2 (1998), *available at* http://www.guttmacher.org/pubs/kaiser_0698.html.
[14] JOHN BERTKO ET AL., THE COST OF COVERING CONTRACEPTIVES THROUGH HEALTH INSURANCE (2012), *available at* http://aspe.hhs.gov/health/reports/2012/contraceptives/ib.shtml.