

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

Contraceptive Equity Is Good for Women's Health and Required By Law

There are compelling reasons to include coverage of prescription contraceptives in any health insurance plan that includes coverage of other prescription drugs and devices and preventive care. Contraception is an important component of health care for women, enabling them to prevent unwanted pregnancies and control the timing and spacing of their pregnancies -- which in turn is good for maternal and child health. This coverage is also a legal requirement for many health plans and employers. State insurance laws in 23 states require contraceptive equity,¹ and the federal law prohibiting sex discrimination in the workplace has been held to bar all employers with at least 15 employees from singling out prescription contraception for exclusion from an otherwise comprehensive employee health plan.²

Contraceptive Coverage Saves Money

The increasing cost of health insurance, while never acceptable as an excuse for discrimination, is a serious concern for employers and workers alike. But in the context of contraceptive coverage, it is important to understand that *including insurance coverage of prescription contraceptives in an employee health benefits plan does not add to the cost; in fact, it saves money.* A variety of authorities have documented this fact:

- The National Business Group on Health (NBGH), an organization representing 160 large national and multinational employers, has estimated that *failing* to provide contraceptive coverage could cost an employer 15-17% more than *providing* it. 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
- Mercer Human Resources Group, a global human resources consulting firm, has also 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.⁴
- 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 contraceptive services, an average of \$3.00 is saved just in

Medicaid costs for pregnancy-related health care and medical care for newborns.⁵ Without contraceptive coverage, Medicaid expenses associated with unplanned births and abortions would cost federal and state governments an additional \$1.2 billion.⁶

- Another research team, after summarizing several studies on contraceptive coverage, urged employers consultants to consider the cost-savings of providing this coverage.⁷
- 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.⁸ An AGI 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.⁹ Even if there were such a cost, it would be far outweighed by the savings, as shown by the studies cited above.

Conclusion

Contraceptive coverage is a win-win-win proposition: it is good for women's health, it avoids litigation and potential liability for sex discrimination, *and it saves money.*

Notes

¹ See National Women's Law Center, *Contraceptive Equity Laws in Your State: Know Your Rights—Use Your Rights: A Consumer Guide*. These laws require health insurance policies issued in the state that cover other FDA-approved prescription drugs to include coverage of prescription contraceptives. The state attorneys general in two additional states—Montana and Wisconsin—have issued opinions interpreting state anti-discrimination laws as requiring contraceptive coverage. See Montana Attorney General Opinion Vol. No. 51, Op. No. 16, available at <http://www.doj.mt.gov/resources/opinions2006/51-016.pdf>; Letter from Wisconsin Attorney General Peggy A. Lautenschlager to State Senator Gwendolynne Moore, October 17, 2003 (on file with the National Women's Law Center).

² See, e.g., *Erickson v. Bartell Drug Co.*, 141 F. Supp.2d 1266 (W.D. Wash. 2001); *In re Union Pacific Railroad Employment Practices Litigation*, 378 F.Supp.2d 1139 (D. Neb., 2005); U.S. Equal Employment Opportunity Commission Decision (Dec. 14, 2000), available at <http://www.eeoc.gov/policy/docs/decision-contraception.html>.

³ Rowena Bonoan and Julianna Gonen, "Promoting Healthy Pregnancies: Counseling and Contraception as the First Step," *Family Health in Brief* 3 (Washington Business Group on Health: Washington, D.C., 2000). The National Business Group on Health was formerly the Washington Business Group on Health.

⁴ William M. Mercer, Inc., *Women's Health Care Issues: Contraception as a Covered Benefit* (New York, 2000), 11-17. The Mercer Human Resources Consulting Group was formerly William M. Mercer.

⁵ Jacqueline Darroch and Renee Samara, "Impact of Publicly Funded Contraceptive Services on Unintended Pregnancies and Implications for Medicaid Expenditures," *Family Planning Perspectives* 28: 188-195 (Sept/Oct 1996), 188, available at <http://www.agi-usa.org/pubs/journals/2818896.html>.

⁶ *Id.*

⁷ William R. Gardner and Robert C. Strader, "The Cost Effectiveness of Contraception," *Managing Employee Health Benefits* (Winter 1996), 34.

⁸ 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, Director, U.S. Office of Personnel Management (Jan. 16, 2001) (on file with the National Women's Law Center).

⁹ Jacqueline E. Darroch, *Cost to Employer Health Plans of Covering Contraceptives* (Washington, D.C.: The Guttmacher Institute, 1998), available at http://www.guttmacher.org/pubs/kaiser_0698.html.