



GOVERNMENT & MEDICINE


## Individual health insurance: Are mandates ready for prime time?

**Mandatory health insurance coverage is being debated by presidential candidates. And Massachusetts is trying out this approach. But is requiring people to have coverage a workable component of health system reform?**

By [Doug Trapp](#), AMNews staff. June 2, 2008.

Last fall, Laura Allen didn't think Massachusetts' law requiring everyone to have health insurance would affect her life. She had a customer service job at a rubber stamp company that provided coverage.

But then the 42-year-old Easton, Mass., resident was told she would be laid off before the end of the year. And the new state law imposed a \$200 tax penalty on anyone uninsured on Dec. 31, 2007.

- [Discuss on Sermo](#) 
- [Presidential candidates' plans](#)
- [Coverage or penalty?](#)
- [Public support](#)
- [See related content](#)
- Topic: [The uninsured](#)
- Region: [Northeast](#)

The prospect of being unemployed and uninsured was stressful for Allen. She couldn't afford the \$1,400 monthly COBRA premiums for herself and her husband. So she called the Connector Authority -- the body managing the state's comprehensive health reform program -- several times for help enrolling in health insurance. She couldn't get through because the Connector phone lines were

overwhelmed by residents trying to do the same thing. "It was frustrating," said Allen.

Eventually, things worked out for Allen. On Nov. 5, 2007, she began work as a receptionist at an electrical supply company that would offer health insurance in two months -- just after the deadline. Her company let her enroll five days early so she could avoid the tax penalty. A Commonwealth Connector spokesman said Allen could have applied for a hardship exemption.

Allen, like many others in Massachusetts, found herself on the front line of an experiment in personal responsibility -- the individual health insurance mandate.

Since the Massachusetts effort began in 2006, many lawmakers and policy experts have embraced individual mandates as an integral part of health system reform. Several states --

most notably California -- have considered legislation with a Massachusetts-style insurance requirement. So far none has adopted the measures. Some states are considering mandates for higher-income residents only, which parallels AMA policy.

At the federal level, at least one lawmaker has introduced a bill with an individual mandate. Both Democrats running for president include required insurance in their health system reform plans.

The idea behind these proposals is that reform won't work unless everyone is personally responsible for getting insurance. The theory is that requiring everyone to have coverage lowers its cost. Premiums would drop as medical risk is spread across the population, and health care costs would decrease because uncompensated care would decline, said Jonathan Gruber, PhD, professor of economics at the Massachusetts Institute of Technology and a member of the Connector board.

## **Mandates don't work alone**

Mandate proponents note that an insurance requirement doesn't mean much unless affordability is directly addressed. The questions that arise include how much to subsidize coverage for low-income people, what benefits to mandate, and how to reform the health insurance market.

Part of the AMA's health system reform plan calls for requiring people earning more than 500% of the federal poverty level -- \$52,000 for individuals -- to obtain at least catastrophic coverage. Those who don't comply would face tax penalties. People earning less would be subject to the requirement only after receiving tax credits or vouchers for buying insurance. "It's difficult to force somebody who can't afford health insurance to purchase it," said Joseph M. Heyman, MD, AMA Board of Trustees chair-elect.

Massachusetts lawmakers and government officials addressed the affordability problem with a host of reforms. The state created Commonwealth Care, a program in which private health plans provide state-subsidized coverage to residents who earn less than 300% of the federal poverty level and don't have access to work-based insurance. People who earn less than 150% of poverty pay no premiums. People who earn more than 300% of poverty have access to the plans, but not to subsidies.

However, insurance costs are still an issue, some experts said. The Connector board in March voted to increase premiums for subsidized plans by 10% starting July 1. Participating insurance companies initially proposed 14% premium hikes.

Some Massachusetts residents are concerned about premiums and the tax penalty. For example, an online posting on the AMA's Voice for the Uninsured Campaign reads: "I live in Massachusetts. You know what they think is Health Care Reform? Make it a law that you must purchase health insurance ... (although you may not be able to afford it) or they will penalize you on your tax return. Ridiculous. Just because they make it a law doesn't mean I have any more money coming into the household."

The state does not consider co-payments and deductibles in calculating whether insurance is

affordable, said Brian Rosman, research director at Health Care For All, a Massachusetts consumer-advocacy organization. That's significant because residents without access to insurance deemed affordable for their income level are exempt from the mandate. In April, the Connector board raised health plan affordability standards by 10%.

Massachusetts' reform law prevents health plans from excluding applicants based on health status, but premiums vary by age and location. While a younger worker might pay a couple of hundred dollars for a plan, an older worker could pay twice as much. The goal is to maintain both reasonable premiums and widespread availability. "The jury is still out as to whether we have come up with the right balance," Rosman said.

The Massachusetts experience has not shown that individual mandates lower health spending, said Glen Whitman, PhD, associate professor of economics at California State University, Northridge. The insurance subsidies and the state's underestimates of the number of uninsured people are expected to push the reform budget millions beyond the \$869 million initial projection for fiscal year 2009.

Individual-mandate opponents also have little faith that governments in general will be able to carry out all of the policies needed to make them work -- especially choosing a minimum benefits package. "We cannot define that in a way that is going to be immune to political pressures," Whitman said.

However, one thing sometimes lost in the debate is that Massachusetts has created better health plan competition, said economist Len Nichols, PhD, director of the health policy program at the New America Foundation, a nonprofit, nonpartisan public policy institute. Because health plans can't charge enrollees based on preexisting conditions, the plans now have to compete on other levels, such as getting the best quality care at the best price. "In many ways, they have done the insurance market part right," Dr. Nichols said.

## **A national insurance mandate?**

Despite the questions raised by the Massachusetts effort, both Democratic candidates have included individual mandates in their health system reform plans. However, Sens. Hillary Clinton (D, N.Y.) and Barack Obama (D, Ill.) have sparred about the form such a mandate should take.

Clinton's plan includes an individual insurance requirement for everyone. She would address access and affordability by prohibiting insurers from denying applicants based on health status and by offering tax credits to help people buy coverage.

"You've got to have everyone in the system so that everyone contributes to it all of the time, so that when they're sick, everyone gets coverage," said Chris Jennings, a health policy consultant and a senior Clinton campaign adviser.

In order for Clinton's plan to require insurance companies to guarantee access and still have stable prices, it also must force people to participate so they don't wait until they're sick to get coverage, Whitman said. "The individual mandate ends up being a patch for that problem."

Obama's plan would only require all children to be covered. Obama would consider an individual mandate for adults once affordable health insurance is available to everyone. To get there, he proposes a national health insurance exchange to help individuals who want to buy private coverage. His plan would also provide federal income-related subsidies to help people buy coverage.

Meanwhile, presumptive Republican nominee Sen. John McCain of Arizona does not favor an individual insurance mandate. This sets up the issue for continued debate in the presidential race.

In Congress, Sen. Ron Wyden (D, Ore.) has offered legislation with an individual mandate. The Healthy Americans Act would require all Americans and permanent citizens to obtain health insurance. It would replace the existing tax exclusion for employer-based insurance with an income tax deduction for health insurance and create state-run purchasing pools to work with private health plans to offer coverage in each state. The measure probably would pay for itself by 2014, states a May 2 Congressional Budget Office letter.

The Wyden bill, introduced in January 2007, has not had a committee vote but has 14 co-sponsors evenly divided across parties.

## States cautious

Although Massachusetts made a huge splash two years ago when it adopted its individual mandate, so far no other state has jumped in the pool. Several have debated legislation or discussed the issue in commissions.

"When Massachusetts enacted it, it had a lot of support," said Paul Ginsburg, PhD, president of the Center for Studying Health System Change, a nonpartisan policy research center. "Then I would say the outcome of the California battle has probably undermined the support." Clinton's and Obama's fight over the issue hasn't helped generate enthusiasm, either.

In California, a Senate committee in late January rejected a comprehensive health reform bill with an individual mandate. The State Assembly already had passed the measure, and Gov. Arnold Schwarzenegger supported it. A \$14.5 billion budget deficit and pessimistic state cost estimates for the legislation led to the 7-1 committee vote, which killed the bill for the foreseeable future.

The rest of the country will gain valuable insight from Massachusetts when its mandate and tax penalty are in full effect, Dr. Nichols said. "The good news is they're doing the experiment for us. The bad news is we won't have the experiment finished before the nation debates it in 2009 and 2010."

[Back to top.](#)

 [Discuss on Sermo](#)

---

### ADDITIONAL INFORMATION:

## Presidential candidates' plans

Sens. Hillary Clinton (D, N.Y.), John McCain (R, Ariz.) and Barack Obama (D, Ill.) all seek to expand access to health insurance. Here is a comparison of some of their health system reform proposals.

### INDIVIDUAL MANDATES

**Clinton:** Require everyone to obtain health insurance.

**McCain:** None.

**Obama:** Require all children to be covered but delay a mandate for adults until health insurance is affordable for everyone.

### HEALTH INSURANCE ACCESS

**Clinton:** Offer a new national health plan possibly based on Medicare. Make enrollment in the private plans participating in the Federal Employees Health Benefits Program open to everyone.

**McCain:** Create a national guaranteed-access health plan, with sliding-scale premiums, for people who can't get insurance.

**Obama:** Create a new national health plan with benefits similar to those in the federal employees program. Establish a new national entity to regulate private health plans and help Americans enroll in private coverage.

### PERSONAL TAX CREDITS

**Clinton:** A refundable, sliding-scale credit for individuals and families to buy insurance.

**McCain:** A \$2,500 refundable federal tax credit for individuals and \$5,000 for all families to buy health insurance.

**Obama:** None.

### MEDICARE AND MEDICAID

**Clinton:** Expand eligibility for Medicaid and the State Children's Health Insurance Program. Reduce federal subsidies for private Medicare plans.

**McCain:** Focus more attention on rewarding physicians and hospitals for managing care and treating chronic disease.

**Obama:** Expand eligibility for Medicaid and SCHIP. Allow the federal government to negotiate drug prices for Medicare Part D. Reduce federal subsidies for private Medicare plans.

[Back to top.](#)

---

## Coverage or penalty?

More than two years ago Massachusetts adopted a landmark health reform law that requires

residents to obtain health insurance or pay a state tax penalty. Here's how the mandate works.

2007

**Insurance time frame:** Residents needed to have health coverage -- either public or private -- on Dec. 31, 2007.

**Maximum penalty:** \$200

**Added considerations:** The state is considering hardship exemptions for certain situations, such as unexpected job loss or lack of an affordable insurance plan.

2008

**Insurance time frame:** Residents must show they had health coverage for every month of the year, or face a penalty of up to half of the state standard for an affordable premium for their income level and adjusted for the number of months uninsured.

**Maximum penalty:** \$912

**Added considerations:** Residents who switch plans or jobs will have a 63-day grace period to obtain new insurance. The state will continue to consider hardship exemptions.

[Back to top.](#)

## Public support

The majority of Americans favor the concept of requiring everyone to have health insurance, with government help for those who can't afford it, according to a June-October 2007 poll of 3,500 adults.

Strongly favor	40%
Somewhat favor	28%
Somewhat oppose	12%
Strongly oppose	13%
Don't know/refused to answer	7%

Source: Commonwealth Fund Biennial Health Insurance Survey

[Back to top.](#)

Copyright 2008 American Medical Association. All rights reserved.

### RELATED CONTENT *You may also be interested in:*

[Florida passes bill to boost private health coverage for uninsured](#) June 2

[Employer mandates hit legal snag, states continue to search for options](#) April 7

[Health reform update: Transparency hot, state mandates not](#) March 10

[Health system reform stumbles in California](#) Feb. 18

[Massachusetts health system reform feeling the pinch](#) Feb. 11

[American Medical Association](#) - [AMNews home](#) - [Latest issue](#) - [Site info](#) - [About](#) - [Contact](#)