

Individual & Employer Mandates: Government-Run Health Care in “Private” Clothing

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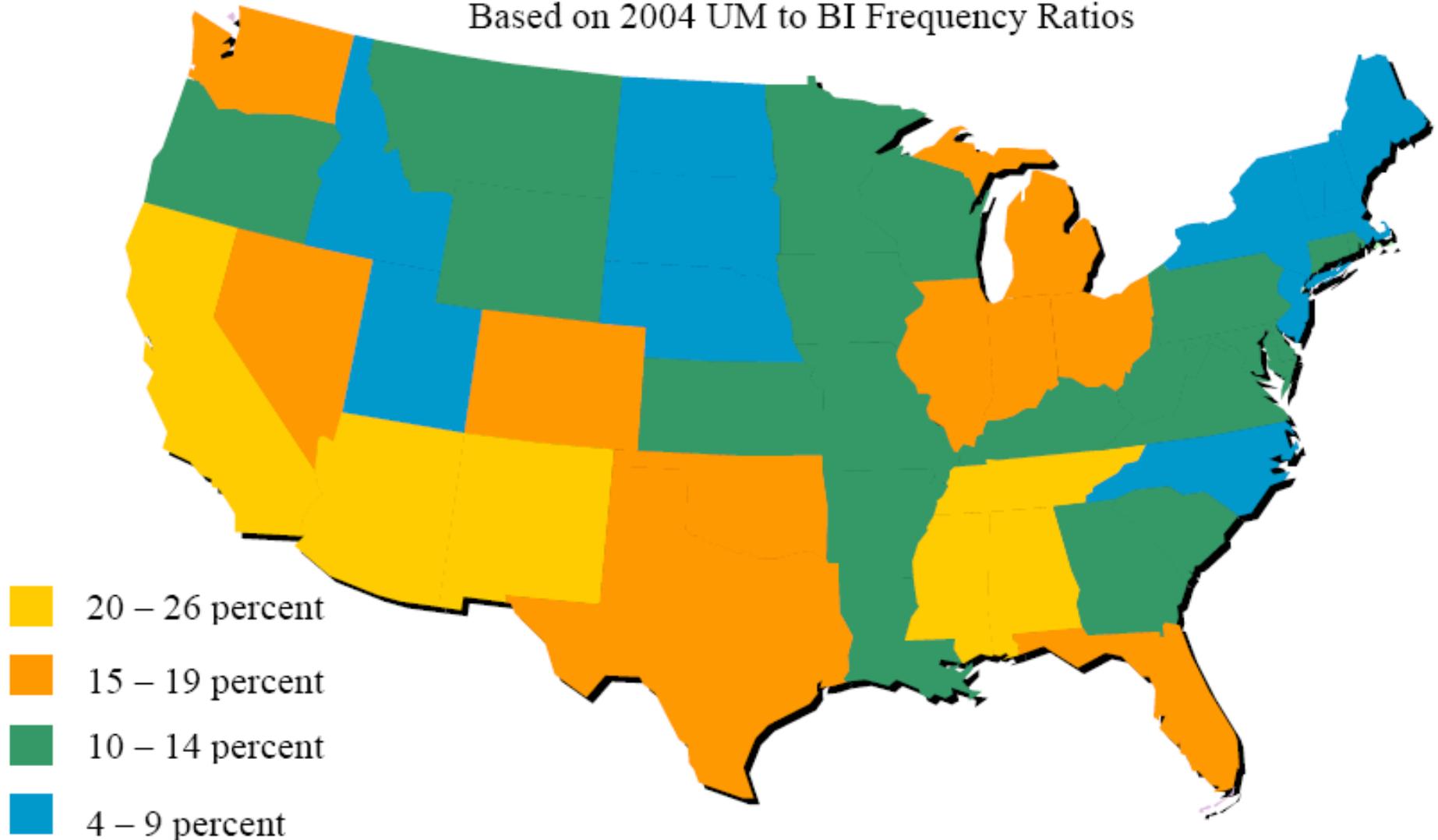
Overview

- Why mandate that people purchase health insurance?
- Why *not* mandate?

Why Mandate Health Insurance?

- Improving health
- Saving lives
- Universal coverage
- Affordable coverage
- Eliminating free-riding
- Promoting personal responsibility

Variation by State of the Percentage of Uninsured Motorists
Based on 2004 UM to BI Frequency Ratios



Source: [Insurance Research Council](#)

How Have Mandates Worked?

- Massachusetts
 - [167,300](#) residents remain uninsured (2.6%)
 - About 2 percent exempted
- Hawaii
 - Employer mandate “appears to have reduced uninsurance in Hawaii by a modest 5-8 percent” ([Glied et al.](#), 2007)
 - Uninsured rate [8 percent](#)

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Massachusetts' Mandate Creep

- New benefit mandates: Rx coverage, preventive care (3/6 covered visits/year)
- Maximum cost-sharing: deductibles (\$2k/\$4k), Rx deductible (\$250/\$500), out-of-pocket limit (\$5k/\$10k)
- Benefit limits: no per-illness or -year caps on total benefits, no “fixed dollar amount per day or stay in the hospital”

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Is Free-Riding a Problem?

- “Private insurance premiums are at most 1.7 percent higher because of the shifting of the costs of the uninsured to private insurers in the form of higher charges.”
([Hadley et al.](#), 2008)
- One-third of uncompensated care is due to insured patients who don’t pay their bills
([Hadley and Holahan](#), 2003)

More Care is Not Better Care

Regional differences show that spending more does not improve – and may hurt – patients.
More accountability can help.

By Elliott Fisher, MD, MPH

Professor of Medicine and of Community and Family Medicine, Dartmouth Medical School

Co-Director, Center for Health Equity Promotion, Dartmouth Medical School

“We may be wasting perhaps 30% of U.S. health-care spending on medical care that does not appear to improve our health.”

Health care spending like to increase dramatically over the next 20 years, threatening productivity (and jobs) while increasing the number of uninsured. Some argue that increased productivity and advancing need are

But when we receive a lower — situation this equates to dollars to

The Evidence

Recent research documents consequences of the remarkable per-capita health care spending observed in communities published

graphic variations in practice, we have known that nearly two-fold differences in per-capita health care spending exist across U.S. communities.¹ Age-sex-race adjusted Medicare spending in Manhattan, NY, for example,

Figure 1



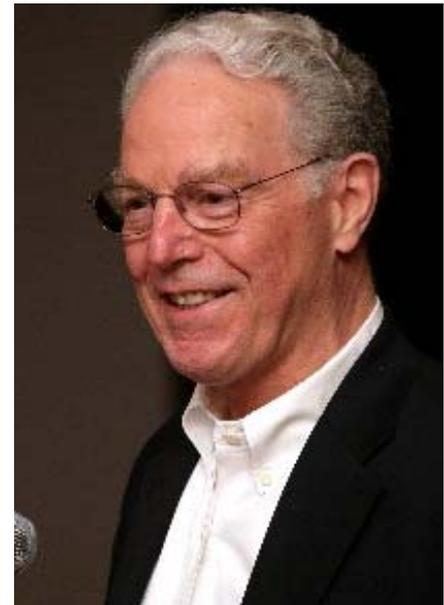
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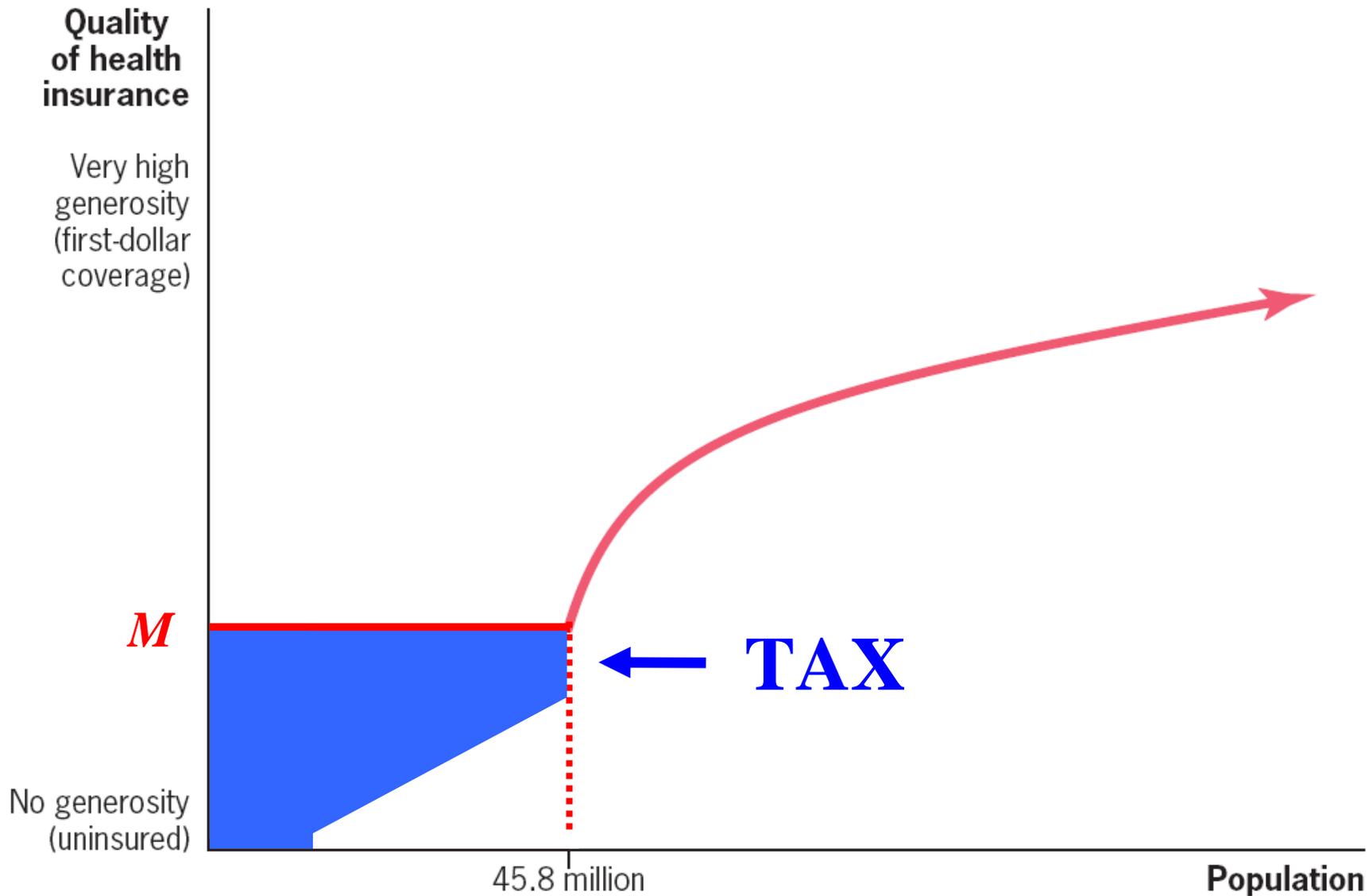
Why *Not* Mandate?

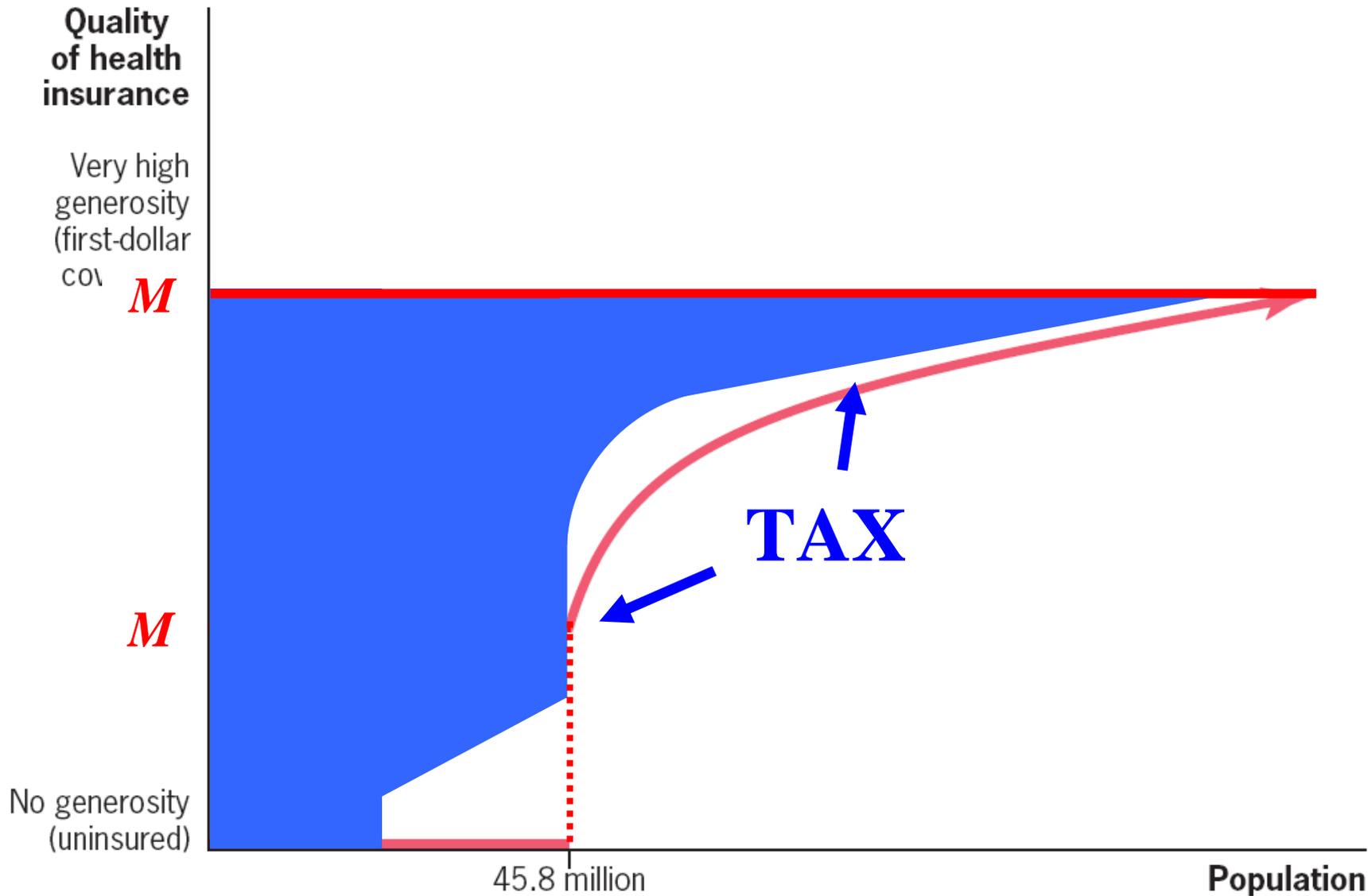
- Mandates tax the young & income-constrained
- Rising costs
- Special-interest legislation
- Individual mandates lead to employer mandates

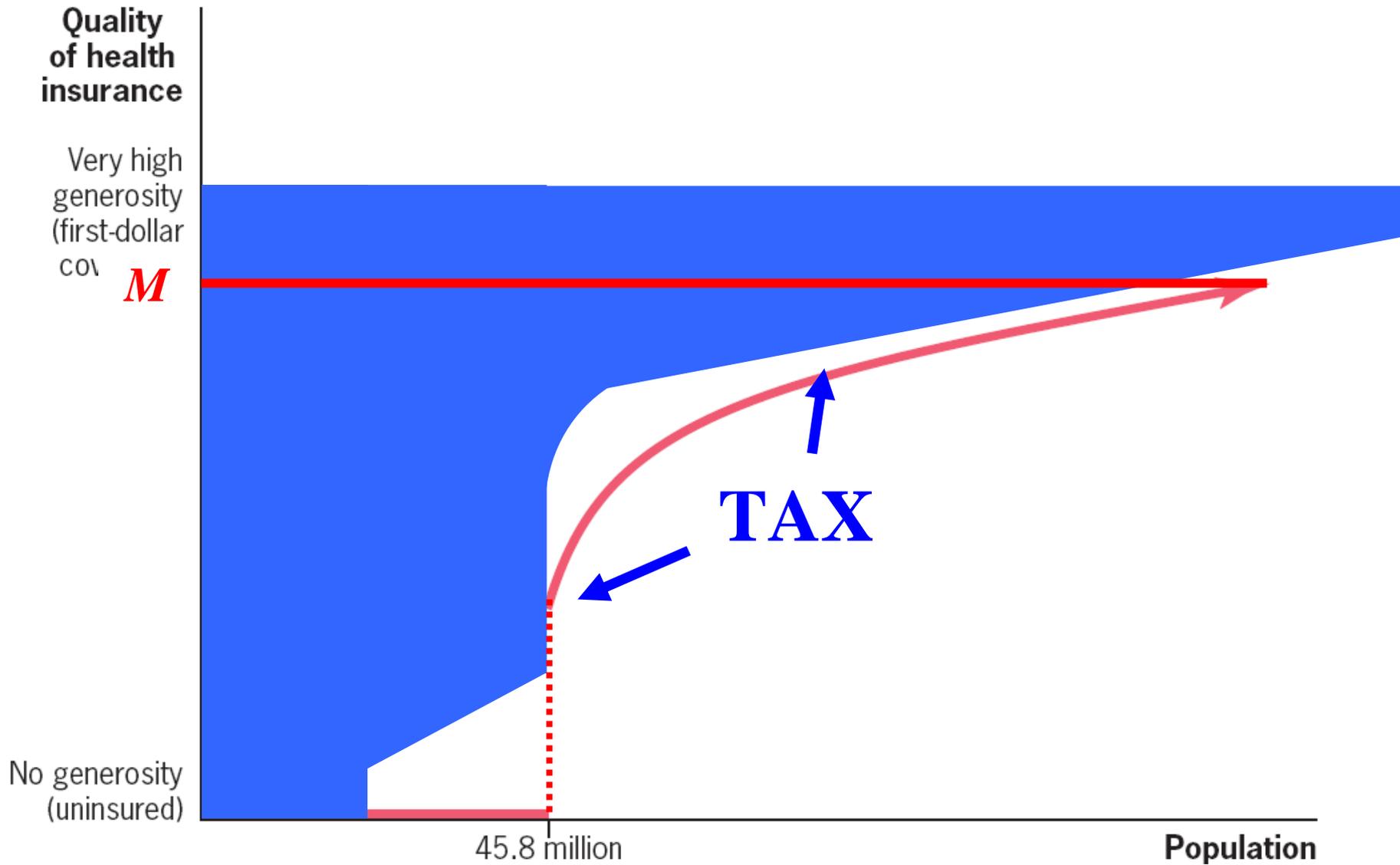
“[Just because] the fiscal flows triggered by [a] mandate would not flow directly through the public budgets does not detract from the measure’s status of a bona fide tax.” Uwe Reinhardt, 1987



“Mandated benefits are like public programs financed by benefit taxes...There is no sense in which benefits become ‘free’ just because the government mandates that employers offer them to workers.” Lawrence Summers, *Some Simple Economics of Mandated Benefits*, 1989



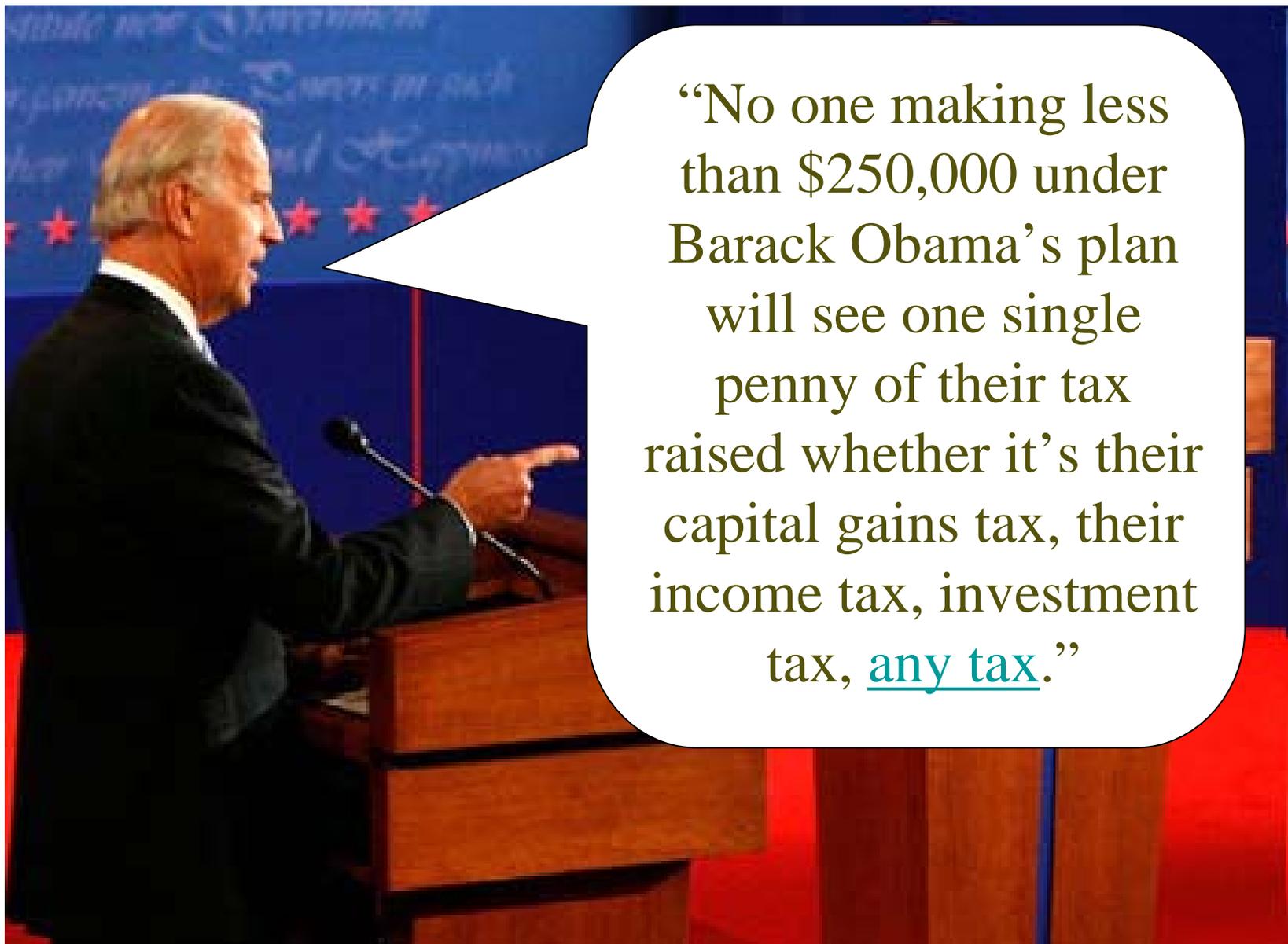




“I can make a firm pledge... Under my plan, no family making less than \$250,000 a year will see any form of tax increase. Not your income tax, not your payroll tax, not your capital gains taxes, not any of your taxes... You will not see any of your taxes increase one single dime.”

Barack Obama, Dover, New Hampshire
September 12, 2008





“No one making less than \$250,000 under Barack Obama’s plan will see one single penny of their tax raised whether it’s their capital gains tax, their income tax, investment tax, any tax.”

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Massachusetts' Cost Creep

- Spending growth 66% faster than trend
- Taxes: tobacco, insurers, hospitals, firms
- Regulation, incl. government rationing
 - Premium caps?
 - “evidence-based purchasing strategies”
 - “decreas[e] unnecessary hospitalizations and use of ancillary services”
- “Shared responsibility”

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“The insurance companies actually are happy to have a mandate. The insurance companies don’t mind making sure that everybody has to purchase their product. That’s not something they’re objecting to.”

Barack Obama
February 26, 2008



Why *Not* Mandate?

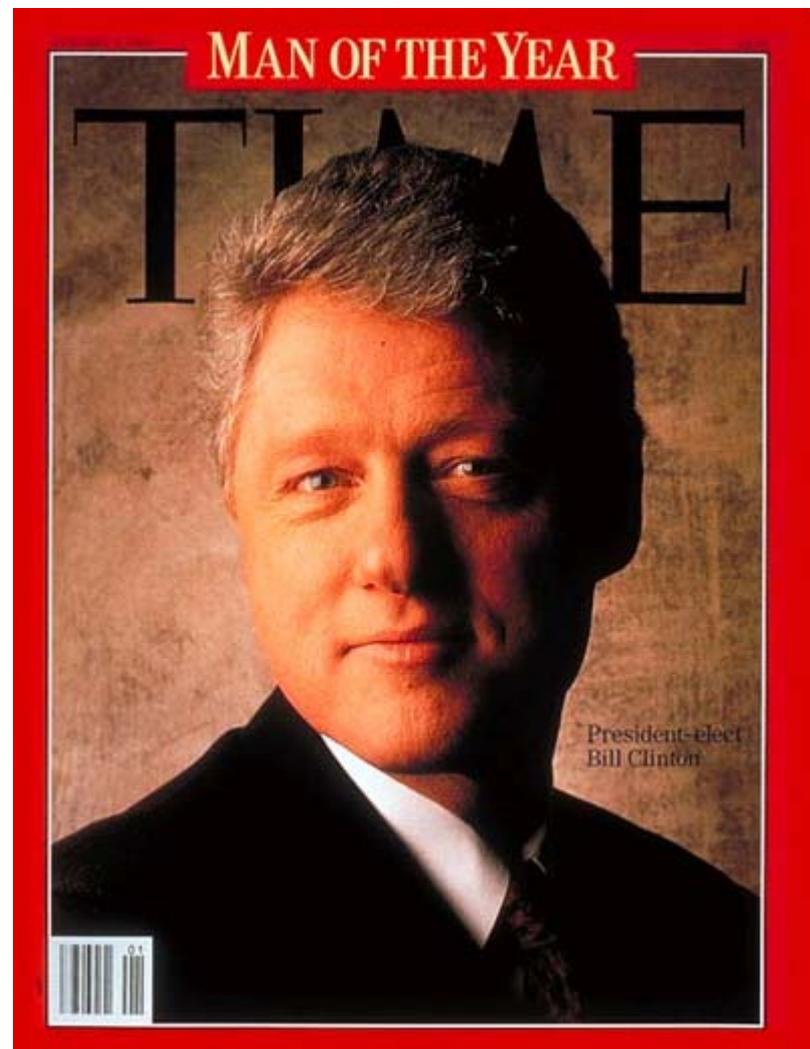
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Employer Mandates

- A tax on workers, not employers
- Additional complexity
- Distort labor markets
 - Rent-seeking
 - Avoidance
 - Unemployment
 - Discrimination against older, sicker workers

“[I]f you impose an individual mandate, what is to stop every other employer in America from just dumping his employees or her employees?”

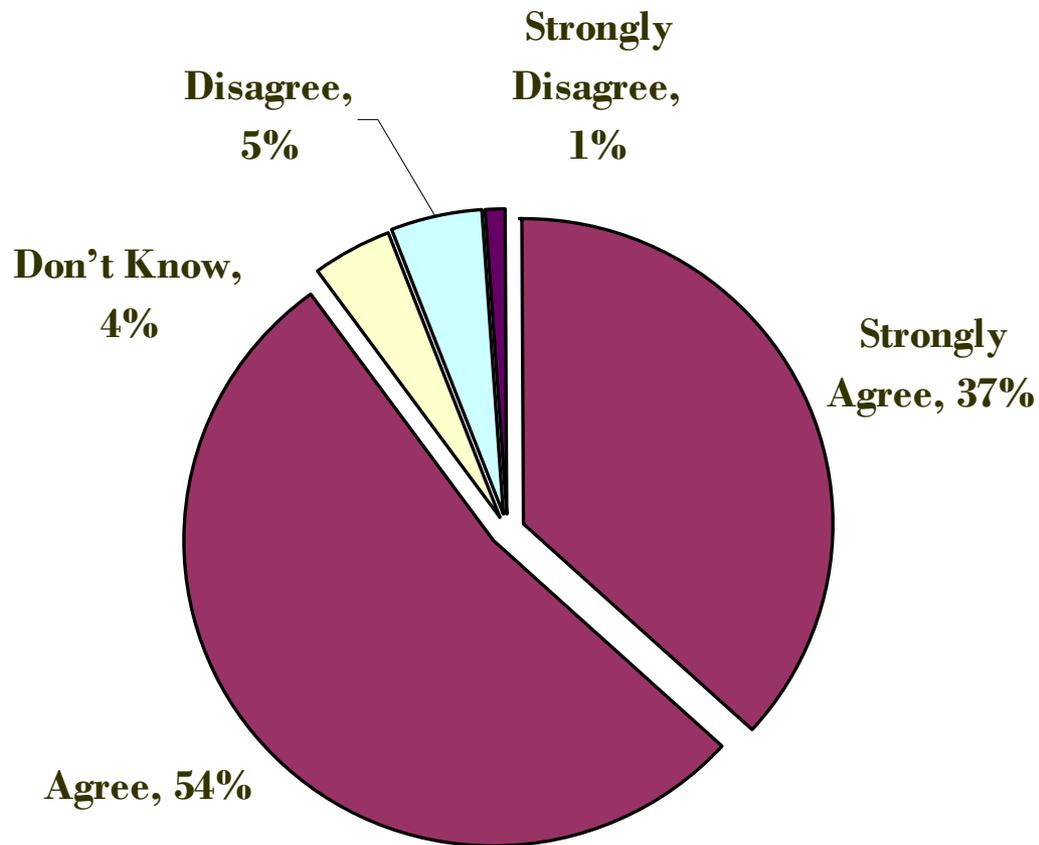
Bill Clinton, 1993



Economists Agree...(!)

“Workers pay for employer-sponsored insurance in the form of lower wages or reduced benefits.”

Source: Morrissey & Crawley, 2008



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Gates & Leuschner (2007)

- State health insurance regulations “appear to have led firms to distort their firm-size decisions in order to avoid the more regulated market.”

“[Minimum] wages cannot fall to offset employers’ cost of providing a mandated benefit, so it is likely to create unemployment. This is a common objection to proposals for mandated health insurance, given that a large fraction of employees who are without health insurance are paid low wages.”

Lawrence Summers

*Some Simple Economics of
Mandated Benefits, 1989*



Baicker & Levy (2005)

- 43% of uninsured workers earn close enough to minimum wage that an employer mandate threatens their job
- 315,000 workers would lose jobs
- “About half of these workers would be nonwhite and about one-third would have less than a high school education.”

“You can have a situation, which we are seeing right now in the state of Massachusetts, where people are being fined for not having purchased health care but choose to accept the fine because they still can’t afford it, even with the subsidies. And they are then worse off. They then have no health care and are paying a fine above and beyond that.”

Barack Obama, February 26, 2008



“[M]andated benefit programs can work against the interests of those who most require the benefit being offered.”

Lawrence Summers
*Some Simple Economics of
Mandated Benefits, 1989*



“If policymakers fail to recognize the costs of mandated benefits because they do not appear in the government budget, then mandated benefit programs could lead to excessive spending on social programs...[I]t can plausibly be argued that mandated benefits fuel the growth of government because their costs are relatively invisible and their distortionary effects are relatively minor.”

Lawrence Summers, *Some Simple Economics of Mandated Benefits*, 1989



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