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Health care mandates: How they work

Obama and key lawmakers want to require the uninsured to buy health insurance or face tax penalties. Here is the 'why' and the 'how.'

By [Jennifer Liberto](#), CNNMoney.com senior writer
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WASHINGTON (CNNMoney.com) -- Will the federal government force people to buy health insurance?

The answer may be yes, depending on the outcome of the debate in Washington over how to fix health care.

It will be awhile before there's any real clarity on how so-called mandates would work. But President Obama and key Democrats appear resolved to try to make health insurance work more like car insurance. If you don't have it, you have to buy in or pay a penalty. Some people would be offered government subsidies to help.

Proponents point to the 46 million uninsured Americans in 2007. They also argue that the more people who buy insurance, the cheaper it is for everyone.

Forcing everyone to buy in would beef up the pool of the young and old, healthy and sick. That in turn would spread risk and help keep health insurance affordable.

"When I'm healthy, I help pay for the sick, and when I'm sick, then healthy people help pay for me," said Linda Blumberg of the Urban Institute.

Many insurers have also jumped on board early to urge mandates.

"We're not doing it because our business needs it," said Christina Nyquist of the Blue Cross and Blue Shield Association, which represents insurers. "We're doing it because we're wading into health care reform, and the only way to be able to do that is to do it in such a way where everybody has to be the pool."

Of course, there are plenty of people who oppose mandates. Many Republicans and libertarians don't like the idea

of healthy people being forced to pay for sick people and agree with those who argue against mandates.

"Mandates are about hunting down those healthy people and forcing them to pay -- it's a tax on the healthy," said Michael Cannon of the Cato Institute.

How would a mandate work?

So far, policymakers are talking about applying the mandates to adults over the age of 18. And they won't mess with those who already have health insurance through the work place.

Those already living close to the federal poverty level would likely qualify for care paid for by taxpayers. Most of the health care reform drafts in Congress propose expanding or tweaking Medicaid. One draft proposal would open Medicaid to those who make up to 150% of the federal poverty level: \$33,075 for a family of four.

For those who can afford to buy health insurance, the mandates would likely kick in with full force. In one proposal, unsubsidized mandates hit individuals who earn more than \$43,320 and families who earn more than \$88,200.

The exact price range of new health care premiums won't be known for months to come. But Massachusetts' health care reform offers a glimpse of what's considered "affordable" health care. In 2007, that state started mandating that most uninsured residents buy in.

In Massachusetts, health insurance must cover prescription drugs, emergency room visits, hospital services, mental health services and unlimited sick visits, although there are co-payments and deductibles. (Deductibles are capped \$2,000 for an individual and \$4,000 for a family.)

For individuals in their 20s, premiums can range between \$200 and \$550 a month, with lower monthly payments for those who take on higher deductibles and co-payments. For a family of four, the premiums can range between \$650 to \$2,000 a month.

Will there be subsidies to help people pay?

In Washington, lawmakers are prepared to help families pinching pennies buy health insurance. Three plans on Capitol Hill pledge subsidies for some individuals and families to buy insurance from so-called exchanges or gateways.

Those who qualify for a subsidy will never see that cash directly. Legislation suggests the money would flow from the government to the health insurance plan, working like a coupon to discount the price of premiums for consumers, said Jennifer Tolbert of the Kaiser Commission on Medicaid and the Uninsured.

One Democratic proposal offers the subsidies to individuals who make as much as \$54,150, or \$110,250 for a family of four.

In Massachusetts, the subsidies deeply discount the cost of insurance. Depending on annual income levels, individuals pay between \$39 and \$342 each month and families with children pay between \$78 and \$820.

One thing is sure: The subsidies have proven popular and have contributed to a higher-than-expected price tag for the state's reform, according to nonprofit health policy analysts. Officials had estimated that health care reform would cost the state \$472 million in 2007-2008, but it ended up costing \$628 million, giving ammo to those who think health care reform on the national level [could come at too high a cost](#).

What if I don't pay?

To enforce the mandate, most policy experts expect Congress will create a tax penalty to ding those who can afford to buy in but choose not to.

Under one draft Senate bill, Congress would direct the Treasury Department to determine a penalty. The penalty wouldn't apply to Indian tribes or to those who can't get "affordable" health care coverage or to those who have an "exceptional financial hardship."

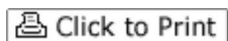
In Massachusetts, those who can afford health insurance but choose to ignore the mandate face a tax penalty of as much as \$1,068 in 2009. The state also has special exceptions for those who make too much to get subsidized health care but can't afford private insurance, Tolbert said.

Differing estimates suggest that the mandate has spurred some 97% of Massachusetts tax filers to get health insurance. Tens of thousands remain uninsured: They tend to be younger, unmarried men of lower income levels, state agencies report. ■

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