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The Evil Genius Of Obamacare's Millennial Mandate

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There is a current running through the ObamaCare debate that goes something like this:

Every other advanced country provides health insurance to all its citizens for a fraction of what Americans spend on health care. ObamaCare emulates what those countries do. Anyone who complains about ObamaCare increasing premiums or imposing other costs is therefore a right-wing nut who doesn't understand that universal coverage results in lower spending, not higher spending.

This line of reasoning, as it were, leads supporters to believe ObamaCare is a free lunch. Their ignorance is not accidental. MIT health economist and ObamaCare architect Jonathan Gruber helpfully explained some years ago that he and his co-architects deliberately designed the law to hide its costs and make the benefits seem like a free lunch.

ObamaCare's "Millennial mandate"—the requirement that employers who offer health coverage for employees' dependents continue to offer such coverage until the dependents turn 26 years old—is one of those supposed free lunches. This mandate's benefits unquestionably come at a cost. Expanding health insurance coverage among adults age 19-26 leads them to consume more medical care. When those people file insurance claims, health-insurance premiums rise. Yet ObamaCare does an amazing job of hiding those costs from voters.

Does ObamaCare impose a special tax that the IRS collects to pay for that extra coverage? No. That would be far too transparent. The cost just gets added to your premiums.

Does ObamaCare require employers to include a line-item on your premium payments, to show you how much this additional coverage is costing you? Absolutely not. That, too, would make the costs dangerously noticeable. The additional cost just gets thrown onto the pile, hidden among the costs of all the other mandated coverage you don't want, and the coverage you actually do want.

Maybe workers see their premiums rising, and are merely ignorant of the fact that the Millennial mandate is part of the reason? Nope. ObamaCare hides the cost further still. Explaining how requires a little bit of labor economics.

Workers pay about one-quarter of their health premiums themselves. Employers pay the rest. But employers get the money to pay that three-quarters share of the premium by taking money out of other types of worker compensation. So when your employer pays \$13,000 toward your health premiums, it is *you*—not your employer—who bears that cost, because you otherwise would have gotten that \$13,000 in salary or other benefits. Workers lose control over that money without ever knowing it belongs to them.

Workers therefore pay 100 percent of the cost of their health benefits, which means they pay 100 percent of the cost of the Millennial mandate as well. But you don't realize you bear those costs, because you never see your employer taking money away from other forms of compensation. In fact, since your employer is writing the check, you probably think it's your employer's money rather than yours. You probably don't know—because, importantly, you have no way of knowing—that the Millennial mandate is preventing you from getting a raise this year. Or that the Millennial mandate lead your employer to jettison other health benefits you value more, like lower deductibles or broader physician and hospital networks. And even if you notice those changes, you are more likely to blame their employer than ObamaCare.

ObamaCare's Millennial mandate may be the perfect crime. Politicians hand out benefits, but no one can tell who's paying. Workers don't see a special tax. They don't see a special premium surcharge. At best, they see only a fraction of the increase in their premiums. They may not see their premiums rise at all. And if they feel any harm, they are likely to blame someone other than the politicians who enacted ObamaCare.

How can voters possibly weigh whether the Millennial mandate's benefits justify the costs when ObamaCare so systematically keeps them in the dark? They can't. And, as Jonathan Gruber let slip, that is by design.

Thank God, as always, for economists. Some of them are actually trying to reveal the costs and benefits of this mandate.

- Stanford University's Jay Bhattacharya and his coauthor estimate the mandate has reduced wages for workers in affected firms by \$1,200 per year. That's about \$6,000 per affected worker since the mandate took full effect in 2011. Note that *all* workers subject to the mandate saw this reduction in wages, not just workers with dependents.
- Asako Moriya of the federal Agency for Health Care Research & Quality and her coauthors find evidence that adults age 19-26 used more inpatient care and mental-health services, and that those who were hospitalized were more likely to be insured.

- Gregory Colman (Pace University) and Dhaval Dave (Bentley University) find evidence that the mandate: induced adults age 19-26 to reduce their labor supply; resulted in those adults spending less time waiting for care; induced them to spend more time socializing; and improved these Millennials' subjective well-being.

Thanks to such scholars—and only thanks to them—we can have a reasonably informed debate about whether the benefits of this mandate are worth the costs. When it comes to ObamaCare, having information about costs and benefits is the exception rather than the rule.

Even so, don't expect that information or that debate to do a whole lot of good. The political system doesn't much care about weighing benefits against costs. Politicians obey whoever shouts the loudest.

In this case, that would be the small number of employers, insurers, health care providers, and (to a lesser extent) Millennials who get relatively large benefits in the form of a competitive advantage or other indirect subsidies. The political system will obey them rather than the much larger population of workers, employers, and others whom this mandate harms.

Why? Because even though it is larger, that group doesn't shout as loudly because it is much harder to organize. And one of the reasons they are so hard to organize is, as Jonathan Gruber reminds us, ObamaCare's authors *designed* the law to make sure that its victims don't even realize they are victims. That's why ObamaCare's Millennial mandate may survive even if its costs vastly exceed the benefits.

Note: I will be hosting a discussion on ObamaCare's Millennial mandate featuring Prof. Jay Bhattacharya (Stanford) and Asako Moriya (AHRQ) at the Cato Institute in Washington, D.C., this Wednesday, March 30, from 12-1:30pm ET. See more information here.

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