KansasCity.com
THE KANSAS CITY STAR.

Back to web version

Wednesday, Sep 2, 2009

Posted on Tue, Sep. 01, 2009

Enforcement is a concern with an individual mandate in health care reform

By DIANE STAFFORD
The Kansas City Star

If health care reform occurs, it is likely to include an individual mandate — a requirement that every American have health insurance.

In theory, health coverage would work something like the requirement that drivers buy auto insurance.

But everyone knows someone who has been hit by an uninsured, and sometimes even an unlicensed, driver.

So just how would an individual health insurance mandate work?

“I have difficulty understanding how we’d police the mandate,” said Truman Medical Center Chief Executive John Bluford. “It’s near impossible. People will game the system.”

Even so, an individual mandate appears to be the best way to ensure coverage for the most people.

The three major reform proposals under consideration in Congress each would require individuals to buy a minimum level of health insurance if they are not covered through an employer-based plan and if they are not eligible for low-income or older-American subsidized care.

The individual mandate would be accompanied by public subsidies for those who couldn’t afford the price of health insurance, whether on the open market, through an insurance exchange or from a government option.

Complicated formulas would set those subsidy levels based on household incomes.

To achieve universal coverage, an individual mandate is necessary to spread the risk pool, insurance companies say. It is considered the only way to insure that young, healthy people buy in and that people don’t game the system by opting in and out as their health needs occur.

Nearly one-third of the nation’s uninsured are people between ages 19 and 29, many of whom are termed the “young invincibles” who simply choose not to buy health insurance.

“I don’t like our current employer-based health care system,” said Steve Luptak, owner of Healthcare Advocacy, a Leawood-based consulting firm that helps individuals work through their health coverage problems. “But employers bring down premiums rates by covering some of the young, healthy folks who’d otherwise decline coverage. It’s a hard concept for folks to realize, but if you can keep a lot of people in the risk pool, insurance costs can be kept down.”

Private insurers have made it clear in the health reform debate that they can’t or won’t stop making health- and demographic-based coverage decisions (such as including denying coverage based on pre-existing conditions) — without an individual mandate.

“We must have an individual mandate to get rid of underwriting,” said Rick Kahle, president of the employee benefits division of Lockton Companies, referring to insurers’ decisions about how much risk to assume and whom to insure.

Tax penalties theoretically would help to keep people in the system and the insurance pool stable.

“If an individual pops in and out of coverage, companies would be left holding the bag and drive health insurance costs up for everyone,” said Tom Bowser, chief executive of Blue Cross and Blue Shield of Kansas City.

A few conservative groups, such as The Heritage Foundation and the Cato Institute, have aired doubts about an individual mandate. Some question its effectiveness; others think it would be a constitutional overreach by government.

Generally, though, individual mandates, in tandem with limited employer mandates, are finding support among

Republicans, Democrats, labor unions, businesses, health providers, insurers, and nonprofit health and benefits research organizations.

But Kahle said he doubted that an individual mandate could ever be effective beyond 95 percent of the population.

“There are some, for whatever reason, who will not sign up, even with public assistance,” he said, noting that many people eligible for Medicaid or SCHIP assistance fail to enroll in the programs.

Legislative proposals call for penalizing individuals who don’t buy health insurance by fining them. Suggested penalties would take the form of an income tax penalty, either as a flat fee or a percentage of individuals’ adjusted gross incomes.

Skeptics point to the experience so far in Massachusetts, where that state for three years has had an individual mandate for those not covered by employer or public policies.

“Some people have shown that they would rather pay the penalty than buy insurance,” said Torre Nigro, senior vice president-consumer products and small business at Kansas City Blue Cross and Blue Shield.

This year’s penalty for noncoverage in Massachusetts rose to more than $1,000, up from $220 when the program began in 2007. About 86,000 Massachusetts residents, out of 3.9 million tax filers in the state, paid the penalty last year, reports indicate.

At the national level, one bill calls for a penalty of $750 per uncovered person. Another plan calls for a penalty equal to 2.5 percent of income above $9,000, up to the price of the average premium sold nationally.

Penalties would not apply to low-income individuals whose health insurance is publicly subsidized.

“Whether it’s an individual mandate or a business mandate, it’s increasingly recognized that you need a mandate to make a reformed system work,” said Bob Litan, vice president for research and policy at the Ewing Marion Kauffman Foundation.

Not only does an individual mandate get private insurers on board with universal coverage, but, Litan added, it is the only way to deter “entrepreneurship lock.”

The current system, in which a majority of insured Americans obtain health care through employment-based plans, ties health care to jobs, making people afraid of or hurt by job loss.

Furthermore, the current employment-based cost structure penalizes small businesses, which pay higher insurance rates, if they can afford to offer employee health insurance at all.

Those drawbacks aren’t fueling enough public angst, though, to create a groundswell in favor of individual mandates.

“Any time you talk about substantial change in the status quo, the people who are happy with the status quo get nervous,” Litan said.

Part of the reason for public unrest is that there is not a single, exact plan for change. Instead, buzzwords and outright inaccuracies have clouded the reform climate.

To add to the confusion, there are alternate plans in addition to the three major bills that proposed individual mandates.

Some lesser-backed proposals would give health care vouchers to households. People would use the voucher amount to buy health insurance from competitive, private insurers on a government-regulated insurance exchange.

Unlike the individual mandate, which would work in combination with the currently dominant employer-subsidized health insurance system, vouchers would untie health insurance from jobs.

That is probably too much of a status quo shakeup for many to consider at this time.

The big sticking point for any reform is that, without a final piece of legislation, no one can estimate exactly what the costs, exclusions or subsidies will be.

And no one can guarantee that the proposed individual mandates, coupled with still-to-be-specified employer mandates, will produce sought-after cost savings or solve the health care access problem.

“My concern is that if we insure just half the people who are uninsured right now, I don’t think our primary care provider system can meet the demand,” Kahle said. “Primary care is already stressed and it’s about to get worse.

“Add to that that we, as a society, put paying medical bills at the bottom our budget pile after other expenses.”

ABOUT THE SERIES

This is part of a series of articles examining key questions in the health care reform debate. We're watching the plans as they evolve, focusing on what they'll mean for you, your family, your business and your tax bill.

ON THE WEB Go to KansasCity.com for a comparison of three proposals for individual mandates.

At KansasCity.com/ healthyquestions you can read previous articles in this series.

To reach Diane Stafford, call 816-234-4359 or send e-mail to stafford@kcstar.com.
