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The Madness of the Mandate

What's wrong with the government forcing individuals to buy health insurance.

Peter Suderman | October 9, 2009

Over the summer, the health-care debate focused on the controversy over the so-called "public option"—a government-run insurance plan intended to offer a low-cost alternative to private insurers. But squabbling over the public plan has diverted attention away from the true centerpiece of all current reform efforts: an individual mandate requiring every American to buy health insurance. Even without any form of public option, a nationwide mandate opens the door to de facto government control over the entire insurance industry, while potentially killing off the low-cost plans that could truly revolutionize American medicine.

An insurance mandate is a crude solution to the what many liberals consider the primary problem with America's health-care system: the large number of uninsured. One of the most frequently repeated statistics in the health-care debate is that there are 47 million people without health insurance in the U.S. Anyone looking for a way to get all of those people insured is left with only one option: force them to get insurance.

Problem is, the 47 million statistic is misleading. And even with a mandate, health reform legislation is projected to leave tens of millions uninsured.

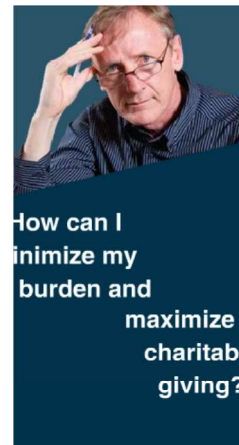
Let's start with the 47 million figure. The number is presented as a static fact, but instead it's the total number of people who go uninsured for even a single day each year. The number also includes several million illegal immigrants, 11 million individuals who **already qualify** for some form of government health assistance, and 18 million individuals who **make more than \$50,000 a year**, many of whom presumably could buy insurance but simply choose not to.

Meanwhile, mandates don't actually bring everyone into the system. Some people simply wouldn't comply. Others would choose to pay a penalty in order to avoid buying insurance. The latest report from the CBO estimated that the health-care plan put forth by the Senate Finance Committee would **leave** "about 25 million nonelderly residents uninsured (about one-third of whom would be unauthorized immigrants)."

In other words, a mandate is, at best, a leaky solution to an incredibly exaggerated problem.

Yet advocates claim that it's the only way to cover everyone and bring down costs. In the real world, however, that's just not true.

As Cato Institute health-policy analyst Michael Cannon **pointed out** in a recent paper, mandate supporters often argue that, by bringing everyone (or nearly everyone) into the insurance pool, a mandate will save money on so-called "uncompensated care"—the unpaid-for care doled out to free-riders throughout the nation's emergency rooms. But **according to the Urban Institue**, a left-leaning think tank, uncompensated care only accounted for about 2.2 percent of health spending



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But in 2009 walls still remain

in 2008. So, at most, savings would amount to measly 2.2 percent—and that's *before* accounting for the additional costs imposed by a mandate.

And those costs can be significant. As Cannon explains, "when government makes health insurance mandatory, it must define a level of coverage that satisfies the mandate." That means that many lower-coverage, lower-cost plans no longer make the cut—and premium costs go up. As Cannon calculated based on a study by Massachusetts Division of Finance and Policy, mandatory coverage requirements can "increase the cost of insurance by as much as 14 percent—or nearly \$1,700 per year for family coverage." Two-and-a-half years after first imposing a mandate, the state now has the dubious honor of having the nation's **most expensive health insurance premiums**, and the future looks even more grim: Insurers have already **announced plans** for double-digit hikes next year.

Nor does the existence of a mandate guarantee that public spending on health-care will be kept in check. Indeed, the opposite has occurred in Massachusetts. The state's medical spending is so out of control that, **according to the *Boston Globe***, state insurance commissioners now worry that it "could threaten the state's model health insurance law and bankrupt employers and patients."

Supporters claim the Massachusetts plan has been a success because it's increased the percentage of people in the state with health insurance. And it's true. Estimates suggest that, these days, the percentage of uninsured in Massachusetts numbers somewhere between 2.2 and 4 percent (although given that 86 percent had insurance before the mandate took effect, this isn't as much of an accomplishment as they claim). But what good is insurance if the program that funds it isn't sustainable? Even among those who view the plan as a model for the nation, there's **concern** that skyrocketing costs "threaten the long-term viability of the initiative."

Meanwhile, a mandate's minimum coverage requirements would effectively outlaw low-cost health-care solutions like health-savings accounts (HSAs) that let individuals pay for care out of accounts they control—and, unlike traditional insurance plans, have a legitimate (if not yet definitive) **record of lowering health-care spending**.

But in Washington's current reform-crazed atmosphere, sensible ideas like giving consumers more control over their health-care don't stand a chance. Instead, liberal reformers appear to have succumbed to the power of compulsory insurance. And if they get their way, it won't be long before we're all in the grips of mandate madness.

Peter Suderman is an associate editor at Reason magazine.

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