

Requirement For Americans To Get Insurance Is Central To Health Overhaul


But past experience suggests government mandates don't necessarily ensure compliance

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Dulsi Beaslin, who's been uninsured for four years, says she'd likely buy coverage under the mandate, particularly if it's subsidized. (Pizac Photography LLC/KHN)

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If Congress passes a law that requires Americans to buy health insurance, Rebecca Antonelli already knows what she'll do: Just say no and pay a penalty instead.

"It comes down to an economic decision, and I'd be more inclined to save the money and take a risk of getting sick," says Antonelli, 46, a marketing consultant in Raleigh, N.C., who dropped her insurance policy last year when her business slumped.

Both the House and Senate health care overhaul bills require most Americans to carry health insurance or pay a penalty. Yet government mandates don't necessarily ensure compliance: Not all Americans buckle up, or get their children vaccinated.

Some health experts worry the proposed penalties are too low and that many younger, healthier people may agree with Antonelli, opting to pay the fee and gamble on their health. That could drive up the costs of covering older and sicker people.

"If you get too many young and healthy people who slip through, all the insurance market reforms start to unravel and the whole health bill unravels," says John Holahan, director of the Urban Institute's Health Policy Research Center.

Yet Congress risks a political backlash if penalties are too steep, particularly among those who earn too much to qualify for subsidies, Holahan says.

Under the Senate bill, people who don't buy coverage would face a maximum penalty of \$95 beginning in 2014. That would jump in 2016 to \$750 or two percent of their annual income up to the cost of the cheapest plan, whichever is greater. In the House bill, violators would pay as much as 2.5 percent of their annual income up to the cost of the cheapest plan beginning in 2013.

When people buy health insurance on their own rather than through employers, the average cost in 2016 is projected to be \$5,500 for an individual policy and \$13,100 for family coverage, according to the Congressional Budget Office.

Both health bills would provide a sliding scale of subsidies to individuals who earn less than \$43,320 or families of four who earn less than \$88,200. The bills also exempt millions of people from the mandate, including those with religious reasons and financial hardship.

Massachusetts' example

White House budget director Peter Orszag says penalty size isn't the only factor in determining whether people buy coverage. He predicts the mandate will help create societal expectations that everyone gets health insurance, just as most people feel obligated to buckle their seat belts.

He points to Massachusetts, which in 2007 became the first state to require that most residents have insurance. Since then, the percentage of uninsured has declined to four percent from about seven percent.

The Massachusetts penalty for failing to buy insurance this year is \$1,068 — about half the cost of the lowest annual premium. About 96 percent of tax filers in the state in 2008 reported they had coverage; only one percent paid a penalty.

The nonpartisan Congressional Budget Office, which assesses the impact of legislation, says the number of people opting to pay the penalty instead of buying coverage would be "limited."

Others aren't so sanguine.

"Engineering social norms is hard," says Jeffrey Munn, a principal with the consulting firm Hewitt in Washington. "We may need to temper our expectations around what an individual mandate can actually accomplish."

A recent CBO report provides a few examples of Americans who don't follow existing mandates:

Most states have required seat belt use for about two decades, yet 18 percent of Americans still don't buckle up.

Schools have required children to get immunized for chickenpox since the 1990s, but 15 percent don't get vaccinated.

Nearly every state requires drivers to have car insurance, but 15 percent don't comply.

Views of the uninsured

The promise of health benefits could convince some of the uninsured to buy coverage, including Dulsi Beaslin.

Beaslin, 39, owns a nail salon in Holladay, Utah, and has gone without insurance for four years. She says she'd likely buy coverage under the mandate, particularly if it's subsidized.

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"These new benefits will take the sting out of the mandate and help me to purchase coverage that I will want to have," says Beaslin, who hasn't been able to pay for insurance on her \$30,000 annual income.

Others say they'll defy the mandate.

"I will not purchase the health insurance, and I will not pay the penalty," says Charles Moore, who does database programming in Houston and leads jeep tours in the Rocky Mountains. Moore, 54, hasn't had health insurance since leaving the Air Force in 1984.

"Everyone succumbs to some major illness at some point," Moore says, "and if I can't pay for it, then I don't want to stick my hand in someone else's pocket."



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