

Individual Mandate to Obtain Health Insurance Coverage

ACTION NEEDED:

If Congress were to create an individual mandate to obtain health insurance coverage as part of comprehensive health reform, it should take great care to ensure that such a mandate is structured appropriately so as to not inadvertently cause costly damage to the existing private-market system.

BACKGROUND:

An individual mandate requires each citizen to have some type of health insurance coverage or face a penalty. Massachusetts became the first state to establish an individual mandate in 2006, and the idea is currently receiving bipartisan attention in many states and at the federal level.

The implementation of an enforceable and effective individual mandate may be a way to achieve the standard of near-universal coverage. However, NAHU has historically approached the idea of an individual mandate to obtain health insurance coverage with great caution.

Similar mandates for auto insurance coverage have failed to reduce the number of uninsured motorists. Forty-seven states have individual mandate auto insurance laws. However, the Insurance Research Council found that, in 2006, 14.6 percent of all U.S. motorists remained uninsured—almost the same percentage of Americans currently without health insurance (15.3 percent).

The goal of an individual mandate is to improve access and expand coverage. However, the guaranteed issuance of coverage reforms that would be required to implement an individual mandate could actually increase health insurance costs for consumers, particularly during the implementation phase before near-universal coverage is achieved.

Great care needs to be taken when implementing market reforms on a national level to not inadvertently cause costly damage to the existing private-market system. No matter how “fair” a market-reform idea might seem on its surface, it’s not at all “fair” if it prices people out of the marketplace.

Also, an individual mandate must be accompanied by assistance to those who cannot afford to purchase coverage independently, as the price of health insurance coverage is the number-one reason people aren’t already covered. The costs of such subsidies, and the issue of how “crowding out” the private market with public-subsidized coverage will be avoided, must be addressed.

Furthermore, benefit standards and enforcement mechanisms would need to be created to fairly implement such a mandate.

However, if such barriers could be overcome, enough people would be covered to mitigate the problem of adverse selection and its resulting cost consequences.

If the federal government were to require an individual mandate to obtain coverage, NAHU feels that it must be structured appropriately. The following elements are crucial to an effective and enforceable individual mandate:

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- While the mandate may need to be phased in over time, starting with perhaps select populations like children age 25 and under, ultimately it must apply to all populations equally.
- An individual mandate must be accompanied by a national qualified guaranteed access mechanism with a financial backstop so that all individuals have cost-effective private health coverage options available to them. This is especially critical during the transition period, when the mandate is being put into place and the entire population is not yet insured.
- An individual mandate should not be accompanied by overly rigid coverage standards that would make coverage unaffordable and inhibit private plan design innovations.
- Subsidies in the form of direct private coverage premium assistance or refundable advanceable tax credits for the purchase of private coverage must be made available to low-income consumers.
- An effective coverage verification system must be created, with multiple points of verification.
- An effective enforcement mechanism would need to be implemented with multiple enforcement points and effective penalties for noncompliance.
- Each state must be responsible for enforcement of the mandate for its own population. The United States is too large and diverse a country for such a mandate to work otherwise.

