Making Universal Health Care Work

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Making Universal Health Care Work

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“The Future of Employer-Provided Benefits”
John Marshall Law School
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Summary

- 46 million Americans lack health care coverage

- Universal health care coverage would
  - Help them
  - Reduce administrative costs
  - Get treatment costs under control
  - Reduce job lock and other labor market problems
Overview of the Health Care System

- $1.7 trillion in national health care costs
- $5,671 per capita in 2003
- Twice as much as other industrialized countries

Principal coverage mechanisms
- Medicare
- Medicaid
- Employer plans
# Health Coverage of the Nonelderly, 2004

<table>
<thead>
<tr>
<th>Source of Coverage</th>
<th>millions</th>
<th>percentage</th>
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<tbody>
<tr>
<td>Total population</td>
<td>255.9</td>
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<tr>
<td>Medicare</td>
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<tr>
<td>Medicaid</td>
<td>34.2</td>
<td>13.4</td>
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<tr>
<td>Military health care</td>
<td>8.1</td>
<td>3.2</td>
</tr>
<tr>
<td>No health insurance</td>
<td>45.5</td>
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# Health Coverage of the Elderly, 2004

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Millions of Americans Lack Coverage

- In 2004, 245.3 million Americans (84.2 percent) had coverage
- 45.8 million (15.7 percent) were without coverage
Clusters without Coverage

- Employees of small businesses
- Workers who lose their jobs
- Workers who decline employer coverage
- Low-income parents
- Low-income childless adults
- The near elderly
- Young adults
- Children
- Immigrants
Many Workers Lack Coverage

- Of the 37.3 million uninsured Americans between 18 and 64 years old in 2004
  - 27.3 million worked during the year
  - 21.1 million worked full-time
Incremental Solutions

- Focus on programs for particular groups
- Expand Medicaid to cover more children
- Expand programs for
  - Those going from welfare to work
  - For the disabled
  - For the unemployed
- Association health plans
- Relax federal preemption under ERISA
Comprehensive Solutions

- Universal Coverage
- Single-payer national health insurance
  - Expanding Medicare or Medicaid
  - President Clinton’s 1993 proposal
- Employer mandates
- Employee mandates
- Subsidies and tax credits
- Insurance market reforms
Mandates

- **Employer**
  - Require employers to either provide health care coverage for their workers or pay a payroll tax
  - “Play or pay” approach

- **Individual mandates**
  - Require individuals to secure coverage from their employers or otherwise
  - enforced with tax penalties, etc.
Universal Coverage with an Individual Mandate

- E.g., the New America Foundation proposal
- Government would guarantee access to health care
- Each person would have to get basic health insurance
  - Pay for it with a combination of employer and employee contributions
  - And government assistance, in the form of refundable tax credits calculated on a sliding scale based on need
- Community insurance pools would be established in each state to offer individuals a choice among alternative health care plans
Massachusetts Health Plan

- The law requires individuals to have health insurance and redeploy state funds to help pay for it.
- Will cover 95% of the uninsured in 3 years.
- Everyone “plays their part”: individuals, government, health care providers, employers.
Massachusetts Health Plan

- **Health Insurance Connector**
  - To connect individuals and small businesses with health insurance products
  - Improves portability

- **Insurance Market Reforms**
  - Includes merging the non- and small-group markets in July 2007, a provision that will produce an estimated drop of 24% in non-group premium costs
Massachusetts Health Plan

- Subsidized Health Insurance
  - Sliding-scale subsidies to individuals with incomes below 300% of the Poverty Level ($48,000 for a family of 3)
  - No premiums for people with incomes below 100% of the Poverty Level ($9,700 for an individual)
  - No Deductibles

- Medicaid expansions
Mass. – Individual Mandate

- Individuals must have insurance by July 1, 2007
- Penalties for not having insurance:
  - Tax year 2007: loss of the personal exemption
  - Subsequent tax years: fine equaling 50% of the monthly cost of health insurance for each month without insurance
- Individuals who cannot afford insurance are not penalized
Mass. – Employer Contributions

- Employers who don’t make a “fair and reasonable” contribution will be required to make a per-worker “fair share” contribution.
- Capped at $295 per full-time-equivalent employee, per year.
- Businesses with 10 or fewer employees will be exempt.
Universal Coverage with an Employer Mandate

- Combine employer mandate and targeted health-care subsidies
  - All employers would be required to either provide health care coverage for their workers or pay a payroll tax so the government could provide coverage (“play or pay”)
  - Government would provide targeted subsidies to help pay the health-care costs of low-income workers and their families
Targeted Subsidies

Subsidies could be provided either to employers or to workers
  - E.g., a tax credit to the employers of low-wage workers
  - Alternatively, tax credits or health care vouchers for workers
Transition to Expanded Coverage

- **Tax Changes**: cap the exclusion for employer-provided insurance at a fixed dollar amount and gradually replace it with a tax credit
- **Employer Mandate**: require employers to offer a plan, and automatically enroll workers
- **Individual Mandate**: require workers to get coverage
Conclusions

- All in all, we should be able to redesign the health care system to provide universal coverage.
- And we should be able to do it in a way that minimizes work disincentives.
- In short, we can make universal health care work.