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The Case for the Individual Mandate in Health Care Reform

A Comprehensive Review of the Evidence

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Introduction and summary

Until all Americans have access to health insurance in 2014 under the Affordable Care Act, 50 million people lack health insurance. Before the legislation is fully phased in, Americans can be charged higher premiums when they are sick, and adults can be denied coverage because of a pre-existing condition. Oftentimes, all it takes is one illness or injury to send a family into bankruptcy. Illness or medical bills cause 62 percent of all personal bankruptcies, and a significant portion of medically bankrupted families lacked health insurance or experienced a recent lapse in coverage.¹

In short, health insurance does not provide security to those who need it the most.

Moreover, caring for the uninsured when they show up at emergency rooms exacts high costs on our society. The uninsured still receive health care—much of which is not paid for—at a cost of \$57.4 billion in 2008, the last year for which data is available.² That uncompensated care is paid for by taxpayers through public programs, by health care providers through lost profits, and by providers shifting costs to private insurers. In turn, private insurers may increase premiums. According to one estimate this cost shifting increases family premiums by more than \$1,000 per year on average.³

While the uninsured still receive health care, they use much fewer health care services and do not receive all of the health care they need, which harms their health. The poorer health and shorter lifespans of the uninsured are estimated to cost the economy \$207 billion a year.⁴

Those who do have health insurance are at risk of losing it if they lose their job. Moreover, this risk may discourage employees from starting their own business or moving to a job in which they would be more productive—causing so-called “job lock.”

All of these problems have plagued the health care system for decades. If we want to solve them—but continue to rely on private health insurance markets—then

the most effective solution involves a requirement to maintain health insurance coverage, known as an “individual mandate.” That is the approach taken by the national health reform legislation signed into law in 2010, the Affordable Care Act.

In this report we will examine why the individual mandate is an essential pillar of comprehensive health care reform. In states that tried market reforms without a mandate, premiums increased significantly and enrollment declined. By contrast, the Massachusetts health reform law enacted in 2006 included a mandate with the result that coverage is now near universal. Independent analyses of the Affordable Care Act indicate that the mandate will be instrumental in achieving near-universal coverage, and that it will reduce premiums. Significantly, there is no evidence that any alternatives to the mandate would be nearly as effective.

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