

Individual and Employer Mandates

Can the Two Halves
Make Insurance
Coverage Whole?

Todd Eberly
June 13, 2006



Where Things Stand

- 48 million – the number of individuals uninsured in 2004
 - 40.1 million – the number of adults
 - 8.8 million – the number of adults who earned below 100% FPL
 - 12.03 million – the number who earned more than 300% FPL
 - 25.9 million – the number who were employed
 - 6 million – the number of children with at least 1 FTE parent



The Role of Employers

- 66.5% of the uninsured were employed or were the children of an employed parent
- 59.8% of Americans who receive insurance through their employer
- Many policymakers are looking to employers
 - Time to “pay or play”



Pay or Play

- Firms required to offer health insurance, or spend at least a minimum amount of payroll toward insurance costs
- Employers failing to meet the threshold are penalized



State Pay or Play Initiatives



■ California - Health Insurance Act of 2003

- All employers to offer insurance by 2007
- Failure to comply results in penalty fee to fund coverage for the uninsured
- Signed by then Governor Gray Davis
- Overturned via a ballot measure in November 2004



■ Maryland - Fair Share Health Care Fund Act of 2005

- Employers with 10,000+ employees
- 8% of payroll on health benefits
- Penalty paid to the state for non compliance
- Vetoed by Governor Ehrlich
- Veto overridden by Assembly

Life after the Wal-Mart Bill

- Maryland Wal-Mart bill faces challenges
 - But effects of passage are clear
- 19 states introduced pay or play bills in 2005
 - Only MD enacted legislation
- As of April 2006 – 28 states were considering pay or play legislation



Targeting Large Employers

- 24 of 28 legislative proposals target employers with >1,000 employees
 - Most target employers with >10,000
- Of the 48 million uninsured, 7 million work for large employers
 - Obviously only part of any solution



Employer Mandates

- What if the employer mandate was nearly universal –
 - What if all employers, regardless of size, were required to offer insurance?
 - Even to part-time employees?
 - Sound like paradise?
- Where could we look to study such a program?
 - How about paradise?



A stylized map of the Hawaiian Islands is shown in yellow. The islands are labeled with their names: KAUAI, MOLOKAI, MAUI, HAWAII, KAUAI, MOLOKAI, MAUI, HAWAII, KAUAI, MOLOKAI, MAUI, HAWAII. The largest island, Hawaii, is at the bottom right. The other islands are arranged in an arc above it.

KAUAI

The Hawaii Experience

- Prepaid Health Care Act of 1974
 - Hawaii requires nearly all employers to provide health insurance
 - Applies to employees who work 20 hours or more a week
- But, “*aloha*” doesn't always mean “*goodbye*”
 - After implementation, uninsured fell below 5%
 - Rate now at 10%
 - Ranks tenth in the nation
 - Even with lowest unemployment rate – 2.7%

Employer Mandates

- Hawaii's 10% may seem like paradise to:
 - New Mexico – 21.5%
 - Texas – 24.8%
- Could the Hawaii approach work on the mainland?
 - Hawaiian employers can't move across the state border
 - Would Maryland risk losing employers to Delaware, Virginia, or Pennsylvania?



Employer Mandates - Limits

- Employer mandates only take us so far
 - What if all employers offered?
 - 26 million of the 48 million uninsured are employed
 - Only 80% of those offered insurance accept
 - Universal employer mandate may cover 20 million
 - 28 million still uninsured
- Employer mandates simply cannot close the gap alone



Individual Mandates

- Pay or play for individuals
 - All eligible for public programs would be enrolled
 - Those not eligible must purchase privately
 - Low income individuals may receive subsidies
- Too radical?
 - 75% of Americans believe that people should be responsible for making sure they have health insurance
 - Though half reject the need for a law mandating coverage



Individual Mandates

- Legislation introduced in Maryland in 2005 and 2006
 - Mandates for those over 350% FPL
- American Health Benefits Program Act introduced in Congress in November
 - Would create a national individual mandate

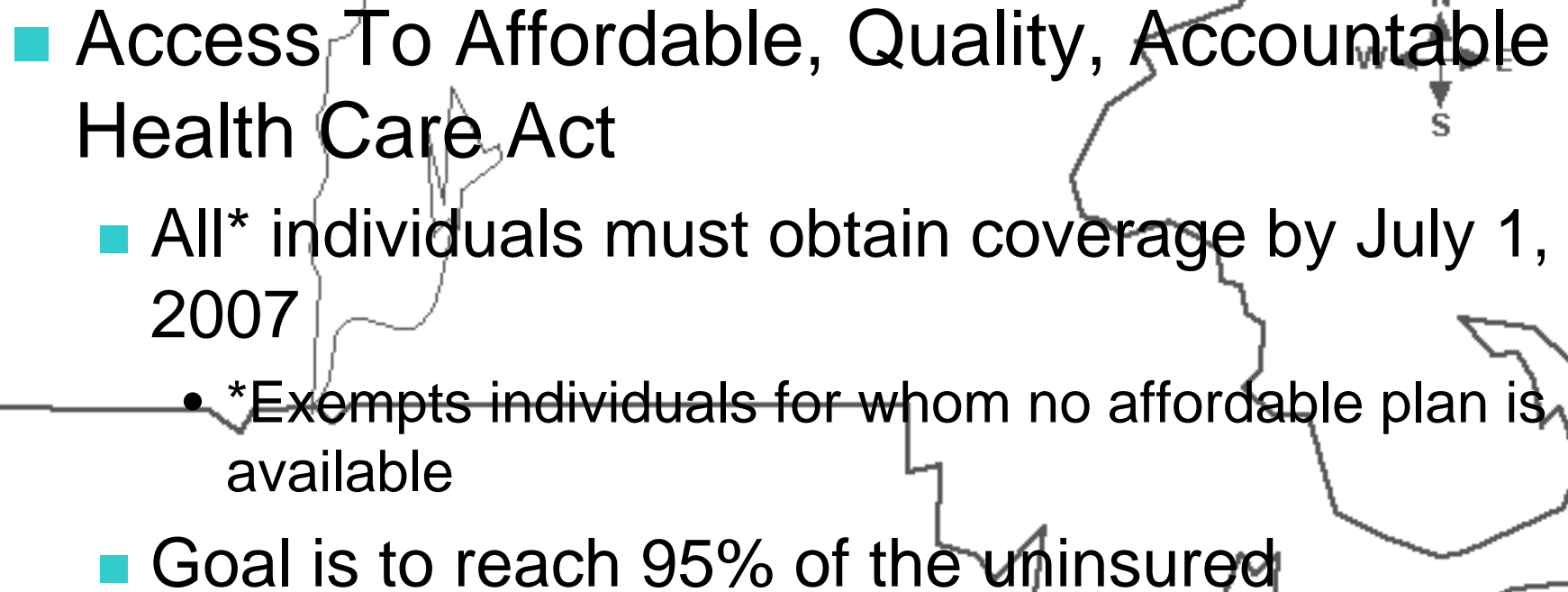


Maine: DirigoChoice

- Maine enacted the Dirigo (*I Lead*) Health Reform Act in 2003 - voluntary
 - DirigoChoice provides discounted health insurance to businesses with 50 or fewer employees, the self-employed, and individuals
 - To be paid for through savings to providers
 - Insurers then return savings to the state
 - Only 8,000 of an anticipated 30,000 choose to join DirigoChoice
- Things are a little prickly in the Pine Tree State
 - State contends insurers saved \$44 million last year
 - Insurers disagree – threaten to pass costs on through premiums
 - State considering may reforms



Massachusetts

- 
- Access To Affordable, Quality, Accountable Health Care Act
 - All* individuals must obtain coverage by July 1, 2007
 - *Exempts individuals for whom no affordable plan is available
 - Goal is to reach 95% of the uninsured

Massachusetts

- How will they reach 95%?
 - **Commonwealth Health Insurance Connector**
 - **Insurance Market Reforms**
 - **Subsidized Health Insurance**
 - **Medicaid**
 - **Individual Responsibility**
 - **Employer Responsibility**

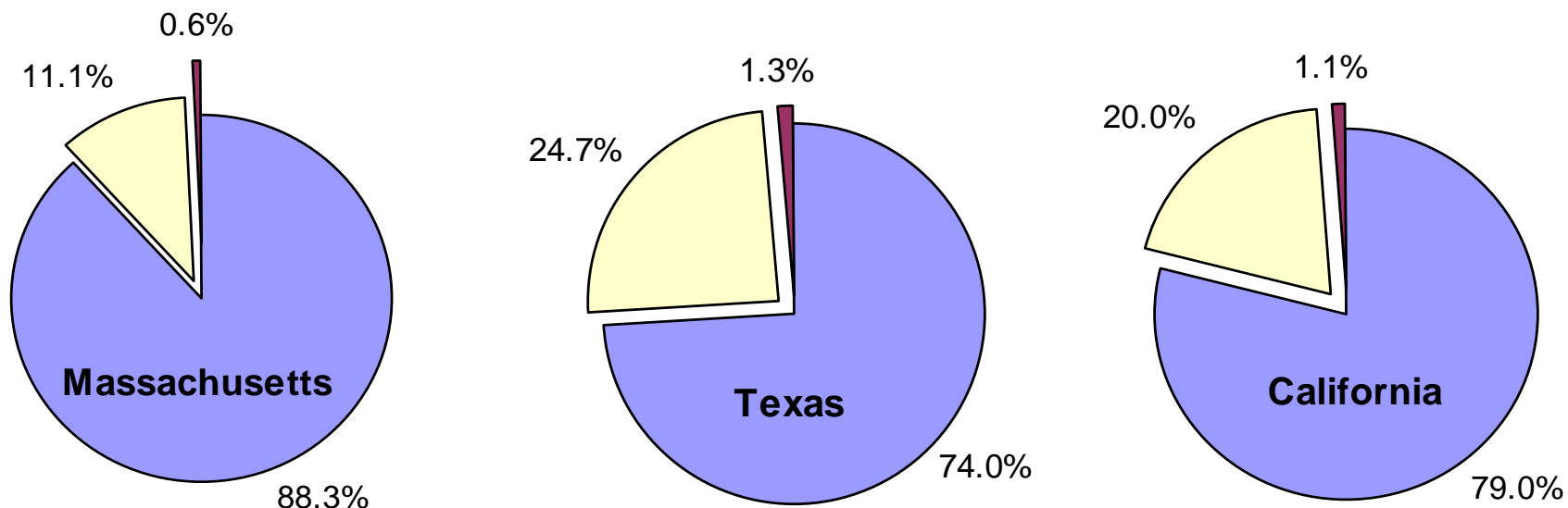


Financing?

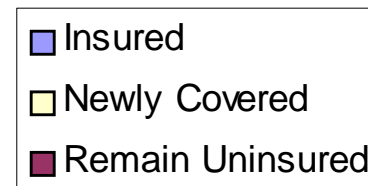
- Expected to cost \$1.2 billion over three years
 - Mostly financed with existing funds
 - Medicaid
 - Uncompensated Care fund
 - Employer Contributions
 - General Revenue picks up the rest (\$125 million)



A Model for Other States?



- Covering 95% of the uninsured means 1 in 9 in Massachusetts
 - But 1 in 4 in TX and 1 in 5 in CA
- Massachusetts has fewer low income earners
- 74% in Massachusetts have private insurance
 - Only 60% in TX and 62% in CA
- Massachusetts already spends 5 times more than CA for uncompensated care per uninsured individual



Can We Get There?

- As shown by the Hawaii example, employer mandates are not enough
- As shown by Maine, individual “choice” is not enough
 - Vermont to follow suit
- Massachusetts expects to reach nearly everyone
 - Time will tell
 - But can other states replicate?
- Mix of Individual and Employer Mandates likely has broader reach
 - Given state competition for business/employers, will states rush in?

