

Massachusetts: Map for Missouri?

Individual Mandate

One of the most prominent features of Massachusetts' health reform legislation is the individual mandate. This analysis addresses the issue of individual mandates and their role in a Massachusetts-like universal coverage plan for Missouri. The brief summarizes part of a longer report prepared for the Missouri Foundation for Health by researchers at Saint Louis University.

Background: Why is Reform Needed?

An individual mandate requires that every citizen carry health insurance as long as an “affordable” plan is available. An individual mandate reduces the per person cost of health insurance and eliminates the potential for “free riders” (i.e. individuals who choose not to purchase available coverage and then use free or low-cost medical care paid for by state and private entities).

The Individual Mandate Proposal in Massachusetts

Beginning in 2007, Massachusetts state law will require residents to report health insurance status on their income tax returns. After verifying this information through an insurance industry database, the Department of Revenue will assess a financial penalty on individuals who have access to but have not purchased affordable health insurance.

Proponents of insurance reform in Massachusetts view the individual mandate as necessary for achieving universal coverage. Even with other reforms in place – such as Medicaid expansion, the Premium Assistance Program, and the Purchasing Pool – individuals could still voluntarily “opt out” of health insurance. Only with an individual mandate will all residents be required to obtain and maintain health insurance.

The individual mandate represents a significant shift in state policy. It makes the purchase of health insurance coverage an individual responsibility. Additionally, an individual mandate that is conditioned on the availability of affordable plans compels state policymakers to develop effective mechanisms for subsidizing adequate and affordable health coverage.

An Individual Mandate for Missouri

An individual mandate in Missouri similar to that in Massachusetts would affect approximately 13 percent of Missouri's uninsured. This number includes 62,900 working adults, 18,300 children, and 8,400 disabled adults.

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Issues for Policymakers

The extent to which an individual mandate for health insurance would solve the problem of the uninsured in Missouri depends on a number of factors:

- ◆ **Affordability.** The biggest challenge for lawmakers could be defining and implementing a standard for affordable coverage. Affordability levels would need to be indexed to income and family size, and rates would need to be set at prices generally acceptable to the public.
- ◆ **Implementation.** The rules and regulations governing the implementation of an individual mandate to purchase affordable health insurance are critical to its success. Key factors include: the availability of affordable plans; definitions regarding the requirements of adequate coverage; and safeguards to ensure that individuals who cannot afford to purchase health insurance are not penalized.
- ◆ **Enforcement.** Policymakers would also be challenged to determine the appropriate financial penalty for individuals who do not purchase affordable health insurance and thus violate the insurance mandate. The consequences for non-compliance with the mandate would need to be sufficient so as to dissuade free riders.

Summary

A mandate requiring individuals to purchase affordable health insurance would have the greatest impact on employed individuals (and their families) that lack insurance. An individual mandate would position 13 percent of Missouri's uninsured to take up health coverage. The success of an individual mandate is contingent upon both the definition and availability of affordable qualified health plans and the enforcement of related rules.

The information presented here is taken from a series of issue briefs prepared by the Saint Louis University Health Policy Legislative Analysis Team. Other subjects covered by the series include Medicaid expansion, an insurance purchasing pool, a premium assistance program, and employer mandate. The authors of this brief are Dan Gentry, PhD, Associate Professor of Health Management and Policy, School of Public Health; Sidney Watson, JD, Professor of Law; and Timothy McBride, PhD, Professor of Health Management and Policy, School of Public Health.