

<div>The Government We Deserve</div> <div>GENE STEUERLE</div>	April 6, 2010
<div>INDIVIDUAL HEALTH MANDATES AND A SILLY COURT BATTLE</div>	
<p>One of the most frustrating aspects of the health reform debate has been the extent to which many legitimate questions about what might work were ignored in favor of fights over ideology. As advocacy triumphed over expertise, those who promised more than they could deliver fought with defenders of an unsustainable status quo. At times, it was like watching two groups argue over whether to make a building entirely of steel or entirely of glass when neither approach works by itself. One result is that the new health reform still needs a lot of fancy structural work to stand and extensive plumbing to be usable.</p> <p>Consider individual mandates. The term "mandates" is misleading (see http://www.urban.org/publications/1001325.html). The question is usually framed as whether we can force an individual to purchase insurance. But these mandates don't really make anyone do anything. The more fundamental issue is whether we can or should penalize those who do not buy health insurance. If not, additional subsidies are the sole way left for government to encourage people to obtain insurance. And that gets very expensive very fast. If you buy my logic, individual mandates look more like a Republican alternative to higher taxes and larger subsidies than a Democratic push for larger government.</p> <p>Since this key point wasn't ironed out in the health care debate, it's now up to the courts to decide. Thirteen states, led largely by Republicans, are asking the judiciary to determine whether government can require <i>some</i> of us who don't buy health insurance to pay some tax. (Nobody is contesting whether government can force <i>all</i> of us to pay tax to provide health insurance for those who don't buy it for themselves.)</p> <p>If Congress hadn't childishly decided that compromise is for sissies, this court battle could have been avoided. Instead of imposing a separable penalty or tax on individuals, health reform law could simply have denied the uninsured some other government benefits, such as child credits, subsidized interest rates on their student loans, mortgage interest deductions, or other supports. For those too poor to pay, batching benefits this way would have been administratively simple too: low-income folks could sign up for health benefits as a condition of getting their food stamps (now called supplemental nutritional assistance) or other benefits. All government subsidy programs set conditions for participation, so there would be no basis for a court battle.</p> <p>Now if the Republicans win the court battle, which I'm told is highly doubtful, the law will probably just be amended to move in the direction I suggest. But there's a practical reason to do it no matter which way the court battles go. Using current benefit programs to ensure compliance and penalize noncompliance makes it unnecessary to try to collect money from people who don't buy insurance. Reducing future benefit amounts is far simpler than tracking down non-payers and trying to get money they may not have. The IRS learned this long ago when it adjusted withholding tables to ensure that most people would have enough income tax withheld and no more would have to be collected at year's end.</p> <p>Besides keeping taxes lower for all, penalizing individuals who don't buy insurance would also</p> <ul style="list-style-type: none">• be fairer to those who buy health insurance who now have to pay (through their taxes) the full freight for those with equal incomes who don't;• require people to cover some of the cost of the backstop "insurance" that Medicaid or new health exchanges provides when health care bills get too big to pay out of pocket;• relieve some pressure on employer mandates, which work like minimum wage increases to discourage employment; and• stick to reform's promise of stopping insurance companies from excluding those with preexisting conditions—a reform generally favored by both Democrats and Republicans. Without penalties, the preexisting condition clause would encourage people to avoid buying insurance until they become sick <p>If political theater hadn't overtaken horse sense as much as it has, Republicans could have compromised with Democrats on the design and use of individual penalties without either side caving on their key principles. They'd both realize that individual penalties help avoid some of the higher taxes, higher subsidies, higher minimum wages, exclusions for preexisting conditions, and other inequities born of alternative approaches. Legitimate conservative and progressive principles aren't the health care reform problem now as much as lack of a shared interest in integrating these principles into a system that works.</p>	
<p>The Government We Deserve is a periodic column on public policy by Eugene Steuerle, an Institute fellow and the Richard B. Fisher Chair at the nonpartisan Urban Institute. Steuerle is also a former deputy assistant secretary of the Treasury. The opinions are those of the author and do not necessarily reflect those of the Urban Institute, its trustees, or its sponsors.</p> <p><i>Note to Editors:</i> Publication of this column is encouraged and permission is hereby granted, provided that the author is properly cited. For information or comments, e-mail feedback@urban.org.</p> <p>Subscribe/unsubscribe to The Government We Deserve</p> <p>View previous columns in The Government We Deserve archive at www.governmentwedeseerve.org</p>	