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An Examination of the Individual Mandate

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Abstract

This paper examined the history, role, and the future of the individual mandate. It also examined problems in the United States' health care system that the individual mandate intends to address, such as free-riding and adverse selection. Research indicated that the individual mandate was first implemented in Massachusetts under Governor Romney. This research examined Massachusetts's individual mandate through public opinion polls before and after implementation. These public opinion polls indicated that the individual mandate was popular before and after it was implemented in Massachusetts. Studies also indicated that the individual mandate proved to be very successful. Massachusetts's individual mandate eliminated both the free-riding problem, and adverse selection. These findings indicate that the Affordable Care Act's individual mandate will have similar success at the federal level.

INTRODUCTION

President Obama signed the Patient Protection and Affordable Care Act, commonly called the Affordable Care Act, into law on March 23, 2010. The process of getting this law passed was a long, and contentious one. Healthcare was a major topic of discussion in the 2008 presidential primaries. Then- Senators Barack Obama and Hillary Clinton's healthcare plans caught national attention. Both of the Senator's healthcare plans intended to provide national health coverage, make health insurance more affordable, and drastically eliminate the number of uninsured. Their healthcare plans were almost identical, but their plans had different methods to reach the uninsured, and make insurance more affordable. Then-Senator Clinton included an individual health insurance mandate, while then-Senator Obama's plan was to provide a subsidy, but not create a requirement. Obama went on to win the primary, and then faced Senator

McCain, and later won the presidency. Soon after President Obama was inaugurated, he announced that he would begin working with Congress on health reform. In March 5, 2009, President Obama began the process of meeting with industry leaders to begin his healthcare initiative. Many insurance companies pushed for President Obama to include an "individual mandate" component in the law in order offset some their new incurred costs by other provisions of the Affordable Care Act. This individual mandate eventually became the most controversial portion of the law, and even made its way to be constitutionally challenged by the Supreme Court. As of March 23, 2010, the Affordable Care Act, and the individual mandate are both the law of the land.

The Affordable Care Act is the largest expansion of healthcare in the United States since Medicare and Medicaid. It aims at increasing the number of insured Americans, and reducing the overall cost of healthcare. This law has many provisions, some of which have taken effect, and some will take effect in the coming years. Some of the provisions included in the Affordable Care Act are an individual mandate that requires all Americans to have minimum coverage, subsidies for low income Americans to make health insurance more affordable, health insurance exchanges that will act as a marketplace where individuals and small businesses can compare policies and purchase insurance, ensuring that businesses employing fifty or more people provide health insurance for their full-time employees, and ensuring that young Americans can stay under their parents healthcare plans until the age of twenty-six. However, the focus of this paper will be on the individual mandate.

This individual mandate component in this law addresses several of the healthcare problems that America has faced for years. It is hoped that the mandate will fix these

issues. The idea of the individual mandate has been around for quite some time, and was actually implemented in the 2006 Massachusetts healthcare reform law. This law is said to be the inspiration for the Affordable Care Act, and many hope that the Affordable Care Act can be as successful as health reform was in Massachusetts.

This paper will focus on the individual mandate component of the Affordable Care Act. It will examine several problems that this country's healthcare system has faced, examine the attempts to implement an individual mandate, and explore the implications of the individual mandate. This paper seeks to offer a full examination of the individual mandate, and offer an educated conclusion based on the results of the Massachusetts health reform.

SECTION 1

The United States' healthcare system is always a topic of discussion. When healthcare in America is spoken about, it is usually done in a negative manner. Many feel as though there are many problems with our healthcare system, and that there needs to be some serious changes. With the passage of the Affordable Care Act (ACA), many of these healthcare problems are addressed through the individual mandate component. Many deem this component of the ACA as the most important, as it is the "enforcement mechanism" component of the law. While very controversial, the individual mandate is intended on addressing several problems in our healthcare system that have led Americans to believe that our healthcare system should be much better. There are many problems that the individual mandate addresses, but the ones that I want to address are the "free rider" problem, adverse selection, and cost.

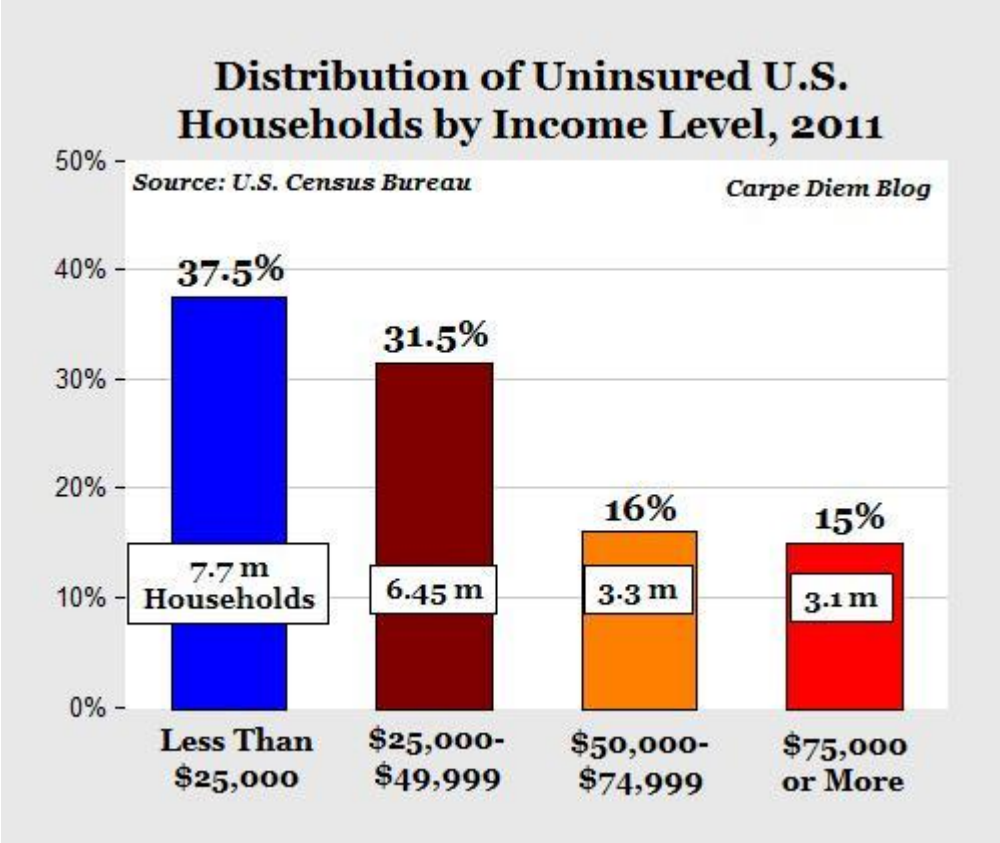
Free-Rider Problem

The free rider problem has been an issue in the American healthcare system for years. “A free rider is a person who enjoys the benefits of goods without contributing to the full cost or partial cost of providing them. This problem usually arises when there are spillover benefits or costs in the provision of goods.” (Mathur) This is a problem in healthcare that pertains to people who take advantage of beneficial rules when they need healthcare, but not paying into the system when they don’t. This is a problem that America’s healthcare system has faced for years, especially after 1986. The term “free-riding”, can be directly attributed to the passage of the Emergency Medical Treatment and Active Labor Act of 1986, or EMTALA. This law requires hospitals that accept Medicare and Medicaid to provide emergency care to anyone who needs it, regardless of citizenship, legal status, or ability to pay. EMTALA is known as one of the greatest unfunded mandate ever passed by Congress. It forces hospitals to care for people who are unable to compensate the hospital for doing so. When individuals choose to become free riders, it forces hospitals and other providers to charge other patients more to make up for the difference. This law is certainly the reason that we have “free-riders” in our healthcare system. This concept of free riding has become a problem that both the executive and legislative branches have struggled to manage. President Obama made the case for the individual responsibility provision by explicitly referencing the free-ride issue, noting that without the provision people would have an incentive to game the system:

> They would wait until they get sick and then you'd buy health insurance, right? No point in you -- I mean, it's just like your car insurance. If you could buy -- if the car insurance companies had to give you insurance, you'd just wait until you

> had an accident and then you'd be dialing on the phone from the wreck, and you'd say, "State Farm, I'd like to buy some car insurance please."… [T]he basic theory is, look, everybody here at some point or another is going to need medical care, and you can't be a free-rider on everybody else -- you can't not have health insurance, then go to the emergency room and each of us who've done the responsible thing and have health insurance, suddenly we now have to pay the premiums for you. That's not fair. So if you can afford it, you should get health insurance just like you get car insurance. (Berrier)

The President wanted to make it clear that it is not fair that free riders get to reap the benefits that other Americans are paying for. Without an individual mandate, people could wait until they were seriously ill to purchase insurance, knowing that insurance companies could not turn them down. Again, this leads to insurers being forced to raise prices, because they would be covering mostly sick people.



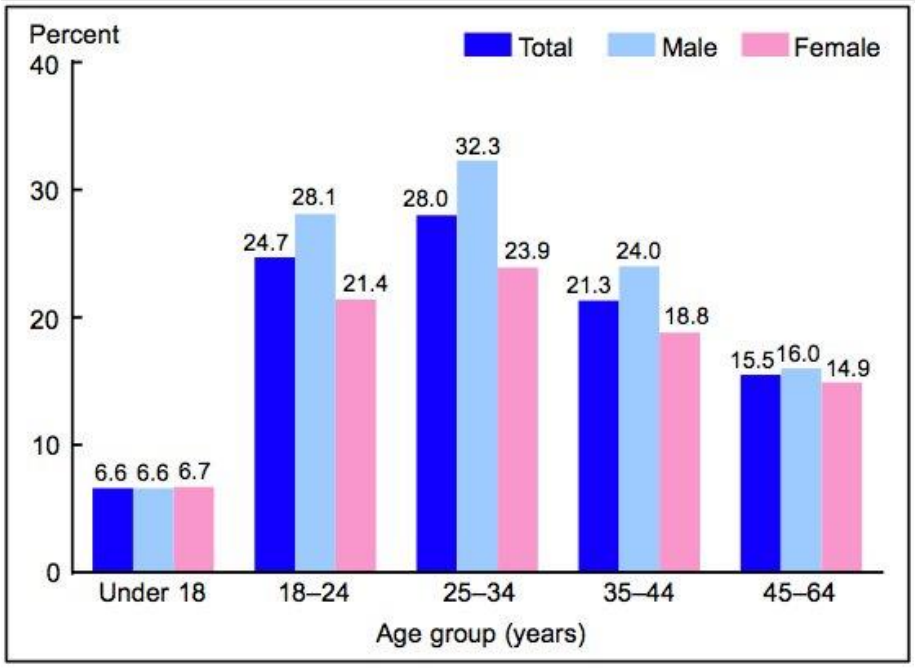


Figure 2. Percentage of persons under age 65 without health insurance coverage at the time of interview, by age group and sex: United States, January–September 2012

NOTES: Estimates for 2012 are based on data collected from January through September. Data are based on household interviews of a sample of the civilian noninstitutionalized population.

DATA SOURCE: CDC/NCHS, National Health Interview Survey, 2012, Family Core component.

These two charts represent examples of the largest "free-riding" group in our healthcare system, the young adults. The first chart is from the U.S. Census Bureau, and it illustrates that 31% of Americans without health insurance live in households making $50,000 or more, and 38% are between the ages of eighteen and thirty-four. This chart shows that there were 3.1 million households making $75,000 per year or more who were not covered by health insurance in 2011, and this group represented 15% of the total number of uninsured households the previous year. There were about 3.3 million households without health insurance with household income between $50,000 and $75,000 in 2011, representing 16% of the uninsured. Combined, 31% of Americans without health insurance were living in the 6.4 million uninsured households with annual income of $50,000 or more (Perry). If household income met or exceeded $50,000, wouldn't that mean that those 6.4 million households are without health insurance voluntarily? There is a very good chance that this is true. It is possible that many of the younger people in those age groups are voluntarily uninsured, because they believe themselves to be young and healthy and elect not to purchase health insurance. While many of these younger people An author named Thomas Sowell has countlessly expressed his belief that younger Americans choose not to purchase health insurance, and that many of the uninsured are uninsured due to their own wishes. Thomas Sowell wrote:

> As for those uninsured Americans who are supposedly the reason for all this sound and fury [Obamacare], there is remarkably little interest in why they are uninsured, despite the incessant repetition of the fact that they are. The endless repetition serves a political purpose but digging into the underlying facts might undermine that purpose. Many find it sufficient to say that the uninsured cannot

> "afford" medical insurance. But what you can afford depends not only on how much money you have but also on what your priorities are. Many people who are uninsured have incomes from which medical insurance premiums could readily be paid without any undue strain (see chart above). Many young people, especially, don't buy medical insurance and elderly people already have Medicare. The poor have Medicaid available, even though many do not bother to sign up for it, until they are already in the hospital– which they can do then. Throwing numbers around about how many people are uninsured may create the impression that the uninsured cannot get medical treatment (Sowell).

Sowell's main focus in his statement was to point out that many people who lack health insurance could afford it. He pointed out that many young people choose not to purchase health insurance, and there are several reasons for this. Since the largest groups of people who are uninsured are people under the age of thirty-four, I will focus on why young people choose not to purchase health insurance. There was a study at Central Michigan University that looked into why young adults lack health insurance. This research produced several different conclusions. In 2008, almost one in ten young adults aged twenty to twenty nine years old had two or more emergency room visits in the past twelve months. The expensive cost of medical attention along with a lack of health insurance results in the young adult population delaying treatment. When treatment is delayed, medical conditions often become more serious and more expensive to treat and cure, if they are treated at all. While many young adults are uninsured due to the high costs of health insurance, many are uninsured due to them thinking that they are impervious to illness. "Many young adults simply do not value health insurance. Johnson

(2010) studied young adults from a Midwestern university and found 85.7% of young adults who were insured by their parents did not think college students were more prone to accidents or unintentional injuries. Furthermore, respondents did not see coverage as necessary in college or important afterwards. Of all the uninsured young adults surveyed, not a single one was dissatisfied about being uninsured (Blair). Unfortunately, this is the mindset that many young Americans have. However, the individual mandate attacks this free-rider problem, and should minimize its detrimental effects. The individual mandate solves the free-rider problem by requiring most Americans to purchase health insurance, or forcing them to pay a penalty for non-compliance. I will speak more on the penalty in chapter three.

Adverse Selection

Another major issue with our healthcare system is the problem of adverse selection. In order to guarantee access to health insurance at a premium rate that is affordable, the healthcare law must prohibit discrimination based on health status. This means requiring an insurer to enroll all individuals who apply for coverage even if they are sick or have a pre-existing condition, known as "guaranteed issue." This also means prohibiting an insurer from charging higher premiums for that coverage if an individual is sick or injured and regulating how much premiums can vary based on age, known as "modified community rating." Otherwise, this would mean older, less healthy individuals would be priced out of the market, and the guarantee to enroll in coverage would do them no good (Tanden, Spiro). This is very similar to the free rider problem, but it is important to note the differences. The free-rider problem leads to adverse selection. In fact, free riders participate in adverse selection. So what is adverse selection? It is a technical term

that deals with medical underwriting. Underwriting is the use of statistics to predict the chance of paying benefits to the insured in the risk pool. Lower risk individuals have a small chance of needing medical services, so their premiums should be low enough when correctly underwritten so that purchasing insurance is an economically wise idea. Higher risk individuals have a high chance of needing medical services, so their premiums should be high enough when correctly underwritten to cover all the medical expenses within a risk subset. (medicalpastiche) Simply put, adverse selection in health insurance describes a situation when individuals with higher risks buy more insurance, and individuals with lower risk defer from health insurance. As stated earlier, young, healthy people will not purchase health insurance, or wait to purchase it until they become sick or have an accident. So the pool of insurance owners does not have enough healthy people to cover the medical claims of the high-risk individuals. An example of a low-risk individual would be a healthy twenty six year old female with no family history of cancer and no insurance claims made for ten years. An example of a high-risk individual would be a fifty five year old woman whose parents died from cardiovascular cancer, who also smokes, and is being treated for high blood pressure and diabetes. Both the low-risk individual and the high-risk individual have differing rationales as to why they should or shouldn't purchase health insurance. The low-risk individuals could ask, "why pay for expensive health insurance which I almost certainly will not need in a certain time period?" The high-risk individual could ask, "why pay for my current medical bills at full price when I can just buy insurance instead to cover almost all of these expenses?" This causes a problem in the healthcare system. If only high-risk individuals purchase health insurance, then where will the money come from to pay for the large medical bills of

these high-risk individuals? The premiums from just the high-risk individuals would certainly not be enough to cover the cost of the paid claims without some sort of risk adjustment. This is because the pool of insurance owners does not have enough healthy people to cover the medical claims of the high-risk individuals. When there is no mechanism to limit adverse selection, many individuals wait to get health insurance until they need care, because they know that coverage will be guaranteed at a premium rate that will not rise due to them being sick or injured. Less healthy, more costly individuals would largely make up the insurance risk pool. This adverse selection would lead to premiums rising and lead to more healthy individuals to drop insurance coverage. This could possible lead to the so-called "death spiral." The death spiral is the worst-case scenario of adverse selection. "In a death spiral, prices rise so much that over time the person who last year decided that it was barely worth purchasing an insurance contract decides this year to forgo insurance and risk the financial burden of getting sick instead. If this happens year after year, only the very sickest are left insured -- and at very high prices."(Friedman and Becker) So how does the individual mandate address the issue of adverse selection? Well the individual mandate was designed to combat adverse selection. The individual mandate combats adverse selection the same way it does the free rider problem. It requires most Americans, including the young and healthy population that has avoided purchasing insurance, to purchase insurance or face a penalty. This will in turn diversify the risk pool, and bring down costs. I will speak more on how the individual mandate works in later chapters.

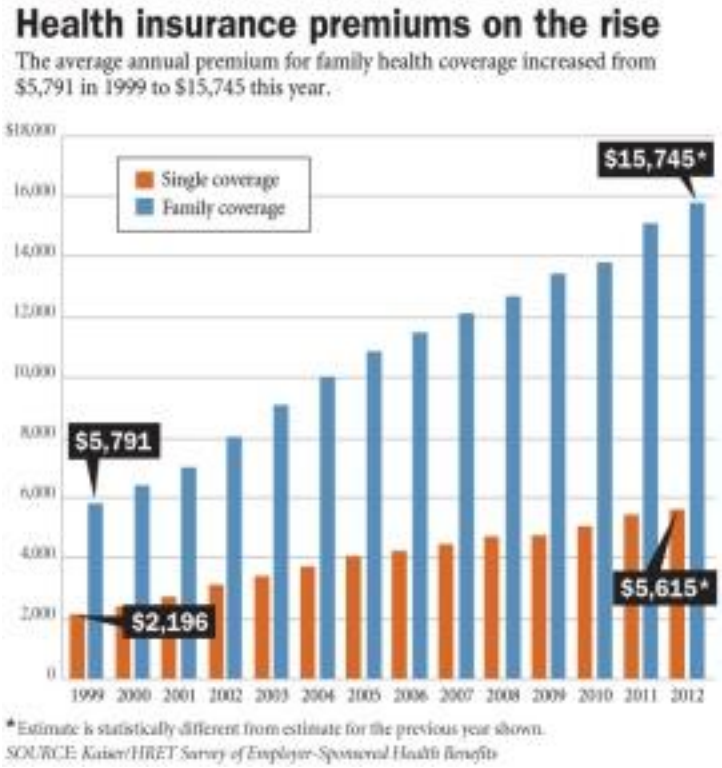
Rising Costs

One of the more obvious problems in the United States' healthcare system is the high cost of care. Premiums are very expensive, and the cost of care in the United States has been on the rise for decades. Many people cannot afford to pay for health insurance. "The United States spent approximately $2.2 trillion on health care in 2007, or $7,421 per person – nearly twice the average of other developed nations. Americans spend more on health care than on housing or food. If rapid health cost growth persists, the Congressional Budget Office estimates that by 2025, one out of every four dollars in our national economy will be tied up in the health system." (4) Healthcare costs continue to rise even as wages stay stagnant. The burden of rising costs falls on both the employers and the employees.

> Since 2002, employer-sponsored health coverage for family premiums have increased by 97%, placing increasing cost burdens on employers and workers. [3] In the public sector, Medicare covers the elderly and people with disabilities, and Medicaid provides coverage to low-income families. Enrollment has grown in Medicare with the aging of the baby boomers and in Medicaid due to the recession.[1], [4] This means that total government spending has increased considerably, straining federal and state budgets. In total, health spending accounted for 17.9% of the nation's Gross Domestic Product (GDP) in 2010. (kaiseredu)

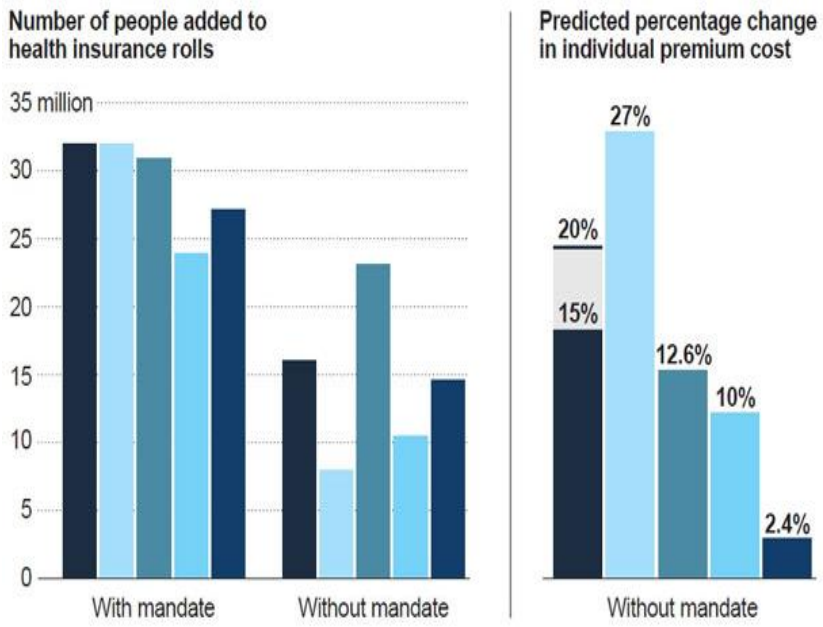
Even premiums are on the rise in this country. Premiums rose by five percent in 2008. Why are costs continuing to rise? There are many ways to answer this, and people will

give several different answers to this question. I will go back to what was said earlier and blame the free-riding problem and adverse selection for rising costs.



Take a look at the continuing rise of premiums over the years. The free-riding problem has cost America roughly $30 billion a year. This increases premiums on the high-risk individuals who are affected via adverse selection. There are other factors such as medical costs increasing, new technology, and new drugs that contribute to the rise in healthcare costs. Nonetheless, the individual mandate is projected to bring down premiums. Note that this is just a projection, and no one will no for sure until the individual mandate is in action in 2014. The portion of the ACA that prohibits discrimination against individuals with pre-existing conditions would certainly increase premiums if there were no individual mandate portion of the law. Insurance companies would be overwhelmed with many new enrollees that they would have to cover who are high risk. However, the individual mandate's requirement for all individuals to purchase

insurance or face a penalty diversifies the insurance risk pool, and should theoretically bring down the cost of care. Take a look at the chart below.



Source: Rand Corporation technical report, *The Effect of the Affordable Health Care Act on*

While this just a projection of what would happen to premiums without the mandate, there is a very strong possibility that this is true. Without the money generated from people purchasing insurance or paying the fine for non-compliance, this chart illustrates that premiums would probably rise about fifteen percent. Without diversity in the insurance risk pool, health insurance and premiums must rise, and have been on the rise for many years. I will speak more on this chart, and the effects of not having the individual mandate in the ACA later.

SECTION 2

Most people know the individual mandate as the "linchpin" in the Affordable Care Act. It is the most controversial aspect of the law, and it has been the subject of strict scrutiny. It has even been viewed as an attempt for the government to overstep its bounds of power. However, the individual mandate is not a new subject and has been around some time, and was thought of far before President Obama took office. In this chapter, I will focus on the history of the individual mandate, and examine how it was implemented in Massachusetts.

History

The concept of the individual mandate is considered to have originated in 1989 at the Heritage Foundation. Stuart M. Butler of the Heritage Foundation called for "Assuring Affordable Health Care for All Americans", and included a provision to "mandate all households to obtain adequate insurance." They eventually adjusted their stance on this issue a few years later. The next instance of the individual mandate being introduced was in 1993. In 1993, republicans introduced two healthcare bills that contained an individual health insurance mandate to oppose the health care plan of President Bill Clinton and Hillary Clinton. (Latino) Supporters of those bills included Republicans Orrin Hatch, Charles Grassley, Robert Bennett, and Christopher Bond, all of which currently oppose the idea of an individual mandate. One of the bills was the Health Equity and Access Reform Today Act of 1993, or HEART. Nearly half of the Republicans in the Senate supported this bill, which proposed health insurance vouchers for low-income individuals, and included an individual mandate (Latino). In 1993,

House Minority Leader Newt Gingrich was among many republicans who supported the idea of the individual mandate. However, he has also rescinded his position in support of the individual mandate. The individual mandate was born a conservative idea, and was introduced several times before President Obama introduced it.

Massachusetts Health Reform Act

The first time in history when the individual mandate was implemented was in 2006 by then-Governor Mitt Romney. The law is known as the Massachusetts Health Reform Act, and informally known as Romneycare. Romneycare mandates that nearly all residents of Massachusetts have a state-government regulated minimum level of healthcare insurance coverage if they can afford it. It established an independent public authority known as the Commonwealth Health Insurance Connector Authority, also known as the Health Connector.

> "One of the models for the exchanges established in the Affordable Care Act, the Connector's core responsibility is to act as an "intermediary that assists individuals in acquiring health coverage." The Connector established both a subsidized health insurance program serving uninsured adults in families with incomes up to 300 percent of the federal poverty level (Commonwealth Care) and an unsubsidized market (Commonwealth Choice)."(Massachusetts Health Connector)

Commonwealth Care is one of the newer subsidized health insurance programs offered by the Commonwealth of Massachusetts. It is a major part of the Health Care Insurance Reform in Massachusetts. Its intent is to target the income-eligible Massachusetts residents who are not eligible for the state's Medicaid program, which either does not

work or who work for employers that do not offer health insurance. Commonwealth Care allows eligible residents access to certain subsidized private health insurance plans.. Residents of Massachusetts must have health insurance coverage under Romneycare. Health insurance coverage must be indicated on tax forms. The current penalty for not purchasing health insurance is half the cost of the lowest available yearly premium, which will be enforced as an assessed addition to the individual's income tax. Below are two charts. Below are two charts from Massachusetts's governments website that represent the penalty for forgoing insurance, and a chart that represents the federal poverty level guidelines. The first is a chart that illustrates the penalties that each individual must pay if they do not purchase health insurance in the state of Massachusetts. The second is a chart that illustrates the 2012 federal poverty level.

Income and Age	**150.1-200% FPG**	**200.1-250% FPG**	**250.1-300% FPG**	**Above 300% FPG Age 18-26**	**Above 300% FPG Age 27+**
Tax penalty	$19 per month $228 per year	$38 per month $456 per year	$58 per month $696 per year	$83 per month $996 per year	$105 per month $1260 per year

(Massachusetts Health Insurance Requirements)

House hold size	Annual Income (% of Federal Poverty Guidelines)			
	150% FPG	200% FPG	250% FPG	300% FPG
1	$16,764	$22,344	$27,936	$33,516
2	$22,704	$30,264	$37,836	$45,396
3	$28,644	$38,184	$47,736	$57,276
4	$34,584	$46,104	$57,636	$69,156
5	$40,524	$54,024	$67,536	$81,036
6	$46,464	$61,944	$77,436	$92,916
7	$52,404	$69,864	$87,336	$104,796
8	$58,344	$77,784	$97,236	$116,676
each extra person	+$5,940	+$7,920	+$9,900	+$11,880

(Massachusetts Health Insurance Requirements)

As the income and age of an individual increase, so do the penalties. The federal poverty level numbers shown are for individuals only. These figures have been adjusted for family size. The Massachusetts Department of Revenue is in charge of setting and collecting the penalties. Massachusetts's residents can be uninsured for a grace period of three months out of the year before facing a penalty. (Massachusetts Health Connector)

There are some individuals who are exempt from the penalty of not purchasing health insurance. If you are an adult with an income at or below 150% of the federal poverty level, if you receive a religious exemption, hardship exemption, or file and win an appeal, then you can avoid the penalty for not purchasing health insurance.

The Massachusetts Experiment

Who were the stakeholders during this time? How was the Massachusetts healthcare law implemented? Did it achieve its outlined goals? How did the people react to the legislation before it passed, and how has the experience been since then? These are

all important questions in understanding the role the individual mandate played during this time.

Stakeholders

There were many stakeholders during the time of the Massachusetts healthcare law's birth and implementation; however, for the sake of this paper I will discuss the main two: the residents of Massachusetts and the employers. The first group of stakeholders, Massachusetts' citizens, played an important role in the passage of healthcare reform in the state. The first poll regarding how the residents of Massachusetts felt about the new healthcare law was in 2003. The Harvard School of Public Health and Blue Cross Blue Shield of Massachusetts Foundation took this poll. Below are the results from this poll.

EXHIBIT 1
Massachusetts Residents' Support For Proposals To Cover The Uninsured, 2003

	Percent in favor
Expanding existing state programs	82
What if you heard that expanding these programs would require raising taxes to pay for the cost?	55
Employer mandate	76
What if you heard that it would be so expensive that employers would be forced to lay off workers?	35
Tax credits and deductions for the uninsured	70
What if you heard that the amount of tax relief would not be enough to cover the cost of a private plan?	36
Legally requiring all residents to have health insurance	56
What if you heard that even with the government's help, people won't be able to afford insurance and the law will cause financial hardship?	22
Single-payer government plan	50
What if you heard that you would have to wait longer for some hospital and specialty care?	30

SOURCE: Harvard School of Public Health/Blue Cross Blue Shield of Massachusetts Foundation, September 2003.

In 2003, the healthcare reform law that Governor Romney proposed was well received with fifty-three percent support. Forty-seven percent of Massachusetts's residents said that government should make a major effort to provide health insurance for the most uninsured residents, even if a tax increase was likely. Notice when residents were asked, "What if you heard that expanding these programs would require raising taxes to pay for the cost"? Fifty-five percent of the residents responded in support. Massachusetts's residents were also highly supportive of an employer mandate with seventy-six percent in support of it. However, when the question was asked, "What if you heard that it would be so expensive that employers would be forced to lay off workers" the support fell to thirty-five percent. The public was highly supportive when asked about legally requiring all residents to have health insurance with fifty- six percent in support. However, notice when there is a mention of financial hardship support fell to twenty-two percent. What does the 2003 poll tell us? The 2003 poll in Massachusetts showed that there was no consensus as to how reform should be achieved. "Survey results also showed disagreement about who should pay to cover the uninsured. Although fifty-seven percent thought that government should be responsible, there was no consensus on which level of government: thirty-five percent said the federal government; eighteen percent, the state; and one percent, local governments. Fifteen percent said that the uninsured themselves held responsibility, and twenty percent gave the responsibility to businesses (16 percent) and charities (4 percent)." (Blendon) This poll showed that there was much to do in regards to public support of the law, even though support seemed positive. Observers of these polls highlighted the importance of paying attention to public support for the law

over time, and many implementation decisions were made with an eye bolstering that support. (Blendon)

Massachusetts Residents' Support Of The Health Reform Law And Support For The Individual Mandate, 2006–2008

	Support for the law (%)			Support for the mandate (%)		
	2006 (1)	2007 (2)	2008 (3)	2006 (1)	2007 (2)	2008 (3)
Overall	61[2,3]	67	69	52[2,3]	57	58
Sex						
Male (a)	60	66	66	53	59	52
Female (b)	62[3]	68	72	51[3]	55[3]	62[a]
Age (years)						
18–29 (a)	51	59	66	44	57	48
30–49 (b)	65	67	67	53	56	56
50–64 (c)	64	71	70	56[3]	62	65[a,b]
65+ (d)	58[2,3]	69	77[a]	51[3]	54	62
Income						
<$25,000 (a)	56[3]	61	75	43	50	53
$25,000–$49,999 (b)	55[2]	67	64	47	55	49
$50,000–$74,999 (c)	64	70	72	58	61	57
$75,000+ (d)	65	69	70	60[3,a,b]	63[a]	69[a,b]
Education						
High school degree or less (a)	62	61	65	50	48	45
Some college (b)	57[2,3]	70	69	44[2,3]	61	58[a]
College graduate (c)	62[2,3]	71[a]	73	60[3,a,b]	64	69[a,b]
Party identification						
Democrat (a)	68[2,3]	76	76	56[2,3]	66	65
Independent (b)	60[3]	64	70	53	53[a]	58
Republican (c)	56[a]	57[a,b]	44[a,b]	51	52[a,b]	48[a]

The public was very supportive of the new healthcare law when it first passed in 2006. Above are polls from in 2006, 2007, and 2008 by The Harvard School of Public Health and Blue Cross Blue Shield of Massachusetts Foundation. The poll taken in 2006 found that the public was largely supportive of the new law with sixty-one percent support across a variety of demographic groups. This is up from fifty-three percent in 2003. As shown in the chart above, fifty-two percent of residents supported the mandate in 2006, fifty-seven percent supported it in 2007, and fifty-eight percent supported it in 2008. The chart also indicates that women, respondents over the age of fifty, people in families earning more than $75,000, those with some college education, and college

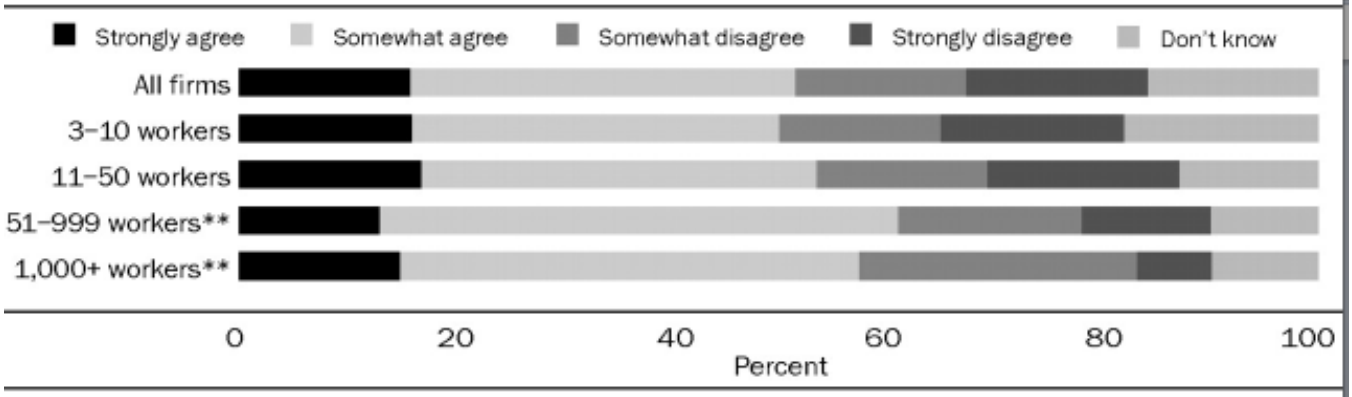
graduates each became more supportive of the mandate over time. Democrats have also become more supportive of the law over time, while Republicans have remained evenly divided. 2008 is when some differences across socioeconomic groups arose. The respondents with the lease educations were less supportive of the mandate than respondents with the highest education. The poorer respondents were also less supportive of the mandate than the wealthier respondents. The lower income residents and the minorities, all who opposed the law, were also groups that were more than likely to be uninsured. Both Romneycare and the individual mandate portion of this law were always supported by at least a slight majority of the Massachusetts residents.

How do the Massachusetts residents feel about the law now? Well, support has consistently risen for the healthcare reform and the individual mandate every year since 2006. Overall support of the healthcare law's support has risen from fifty-three percent in 2009 to sixty-two percent in 2012. Despite the dragging financial environment of the state, polls indicate that seventy-four percent of the state wants the law to continue. There has been almost no change in the percentage of those who want the state's healthcare law to be repealed. According to a poll taken by Harvard, about fifty-one percent of Massachusetts's residents currently support the individual mandate, and forty-four percent oppose it, while the remaining five percent remain undecided. Robert Blendon, professor of Health Policy and Political Analysis at the Harvard School of Public Health says, "The picture of how the Massachusetts health care law is working out is different than many national commentators suggest. Most people in Massachusetts approve of this law, and it hasn't negatively affected them".

The next group of stakeholders that I will discuss is the employers. There was not

much information on how employers felt prior to the passage of the healthcare reform law, but polls have shown how employers felt about the law after it was implemented. The Robert Wood Foundation of Massachusetts took a survey in 2007, and it revealed that Massachusetts's employers were generally supportive of healthcare reform, and that there were few signs of possible crowding out. (Gabel) Employer-based coverage expanded from 2006 to 2007 as a result of a higher percentage of workers taking up coverage.

EXHIBIT 1
Employers' Views Of Whether The Massachusetts Health Care Reform Has Been Good For Massachusetts, By Firm Size, 2008



SOURCE: Robert Wood Johnson Foundation/NORC/Blue Cross Blue Shield of Massachusetts Foundation Survey of Massachusetts Employers, 2008.

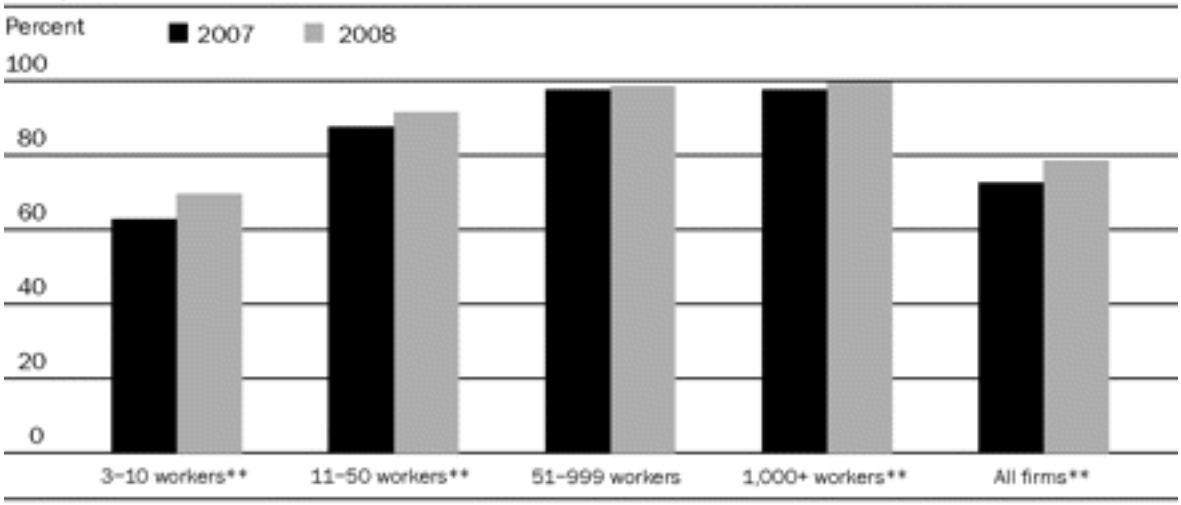
When asked whether they agreed that the "health care reform plan has been good for Massachusetts" fifty-two percent of employers indicated agreement and thirty-three percent disagreement." (Gabel) There wasn't much difference in firm size. There also wasn't much difference in support for health reform among employers who did offer coverage and employers who did not offer coverage. The percentage of employers that strongly agreed that "all individuals bear some responsibility for buying health insurance, if their income is above the poverty line" increased from thirty-seven percent to forty-six percent.

The percentage of firms that either strongly or somewhat agreed, "employers with 10 or fewer workers should not be exempted from…either offering health benefits or paying the 'fair share' contribution" was statistically unchanged for each response from 2007 to 2008. Among firms not offering coverage, the percentage that strongly agreed declined from 27 percent to 13 percent, although 28 percent somewhat agreed. (Gabel)

"A statistically equivalent percentage of Massachusetts's employers (35 percent in 2007, 38 percent in 2008) strongly agreed with the so-called fair share provision of the health care reform plan. The percentage that somewhat agreed was also statistically unchanged. This provision stipulates firms with eleven or more workers to pay the "fair share" requirement of up to $295 annually per employee if the firm does not offer insurance. The percentage of firms with 11–50 and 51–999 workers that strongly agreed increased statistically." (Gabel)

When asked if the annual fair share requirement was "too much," "too little," or "about right," 45 percent of firms said "about right". More firms (27 percent) indicated that the $295 figure was "too little" than "too much" (15 percent). Only 16 percent of firms not offering coverage (not shown) viewed the amount as "too little," as compared to 30 percent of firms offering coverage. (Gabel)

EXHIBIT 6
Percentage Of Firms In Massachusetts That Offer Coverage To Employees, By Firm Size, 2007 And 2008



SOURCES: Robert Wood Johnson Foundation/NORC/Blue Cross Blue Shield of Massachusetts Foundation Survey of Massachusetts Employers, 2007 and 2008.
NOTE: Statistical significance denotes that the estimate for 2008 is statistically different from the estimate for 2007.
** $p < 0.05$

So how did employers respond to the health reform? The chart above is a survey from Blue Cross Blue Shield of Massachusetts Foundation, and it illustrates that from 2007 to 2008 there was an increase in employers that offered coverage. Employers with eleven to fifty workers offering coverage rose significantly, from eighty-eight percent to ninety-two percent. Nationally, the percent of employers offering coverage was statistically unchanged from 2007 to 2008.

A clear majority of employers feel that "overall, the healthcare reform plan has been good for Massachusetts." A majority of employers believe they should provide benefits, and employees have the responsibility of purchasing health insurance.

Who is still Uninsured

Even though Massachusetts was very successful in the health reform effort, there are still many people who remain uninsured. The Census Bureau found 370,000 people uninsured in Massachusetts. That is almost six percent of the state's population. Even though the Massachusetts health reform offers subsidies to people of low income, the majority of the uninsured in Massachusetts still remains to be the working poor. A group of researchers conducted a study to understand why people remained uninsured after the health reform. They surveyed 431 patients, ages eighteen to sixty-four. They found that of the 189 patients without health insurance, two-thirds were employed, while only a quarter had access to employer-sponsored insurance. 35.2% of the uninsured reported that they lost their previous coverage, and 51.9% claimed that they lost their coverage due to loss of job or job transition. "These findings illustrate that tying insurance to employment can be an unstable mechanism for providing coverage," said the study's lead author, Dr. Rachel Nardin, a neurologist at Cambridge Health Alliance. Over eighty-five percent of the uninsured patients had incomes that could have made coverage at little cost or free, but one-third of them reported being uninsured because they could not find insurance that they could afford. (McCormick) Senior author Dr. Danny McCormick, an internist at Cambridge Health Alliance, said: "It appears that for people with very low incomes, even state plans with subsidized insurance premiums may be too costly. Also, under the reform law workers who are offered employer sponsored insurance but decline it due to cost are not eligible for state subsidized insurance, no matter how poor they are." (McCormick) The study also found that only 5.6% of the interviewers were uninsured due to them thinking that they did not need insurance. This study goes to show the many

ways that patients get left out of a complex system for providing health insurance. The health reform did reduce the number of uninsured, but it did not reach all of the demographic groups that it targeted. The individuals who are still without coverage in Massachusetts are the undocumented immigrants, those who are not eligible for coverage due unaffordable premiums, and people who choose to pay the penalty.

Background on Public Opinion in Massachusetts

Why was the Massachusetts healthcare law always so popular? Why was the ACA more controversial? The answer to both of these questions lies in the political climate of Massachusetts compared to the United States as a whole. In Massachusetts, most people's political values resonated with universal care. Robert Blendon from Harvard found that ninety-two percent of residents in Massachusetts believe that healthcare is a right. Massachusetts also has far more Democrats and Independents than Republicans in relation to the country. In 2004, during the second year of Governor Romney's term, nationally thirty-two percent of registered voters considered themselves Republican, thirty-five percent considered themselves as Democrat, and twenty-five percent identified themselves as Independent. In Massachusetts, sixteen percent identified themselves as Republican, thirty-four percent as Democrat, and forty-seven percent as Independent. Massachusetts is home to a very large group of Independents. (Blendon) Polls have been shown that these differences in parties play a large role in health reform, because every party has differing views as to what should be done. Democrats and Independents are far more supportive of universal healthcare than Republicans. A national poll was taken in 2008 of registered voters, and sixty-five percent of Democrats

and forty-seven percent of Independent said that they favored a health plan that included a major effort to provide health insurance to all of the uninsured. Only twenty-six percent of Republicans shared this view. Twenty-eight percent of Republicans, six percent of Democrats, and twelve percent of Independents thought that things should be kept the same in regards to healthcare. These polls offer strong evidence that Democrats and Independents may have played an important role in the healthcare reform in Massachusetts.

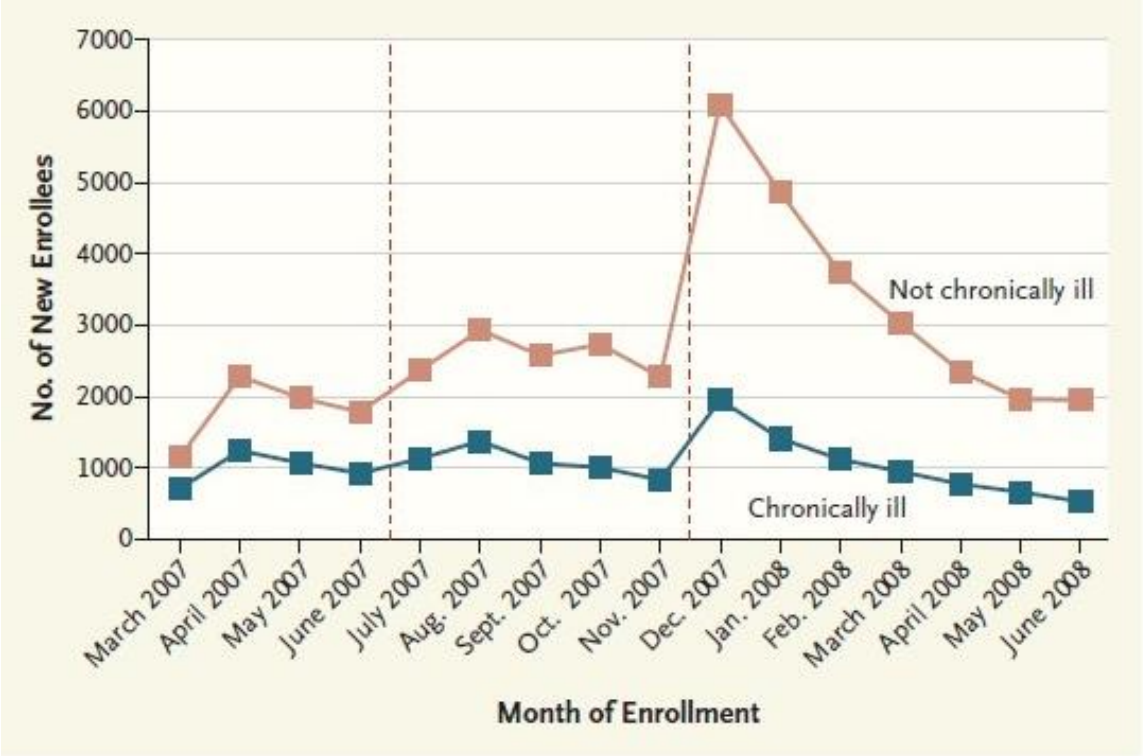
Another reason for the Massachusetts's success is due to its historical political leaders. Massachusetts has had talk about health reform for years. The people of Massachusetts have been exposed to debate on universal coverage for years from the leaders of the state. Senator Edward Kennedy was a champion of universal health coverage in Congress, represented Massachusetts for more than forty years, and ran for president in 1980, campaigning in on a promise of universal health coverage. In 1988, then Governor Michael Dukakis signed the Health Security Act to promote universal health coverage in Massachusetts. However, the universal coverage provisions were never implemented, and were ultimately repealed. (Blendon)

Did it Work?

Did the Massachusetts health reform produce the results that it was intended to? Yes it did. More people are covered, more businesses are offering insurance, and the residents are healthier. 96.1% of the population in Massachusetts is covered. Since 2006, there have been about 401,000 people in Massachusetts who have gained coverage. More than sixty percent of the uninsured gained coverage. Seventy-seven percent of the state's

businesses currently offer health coverage, up from seventy-three percent since implementation. More than ninety percent of residents have a primary care physician, and four out of five have seen their doctor in the last twelve months. A study has shown that 150,000 people stopped smoking after Massachusetts expanded coverage for smoking cessation. The largest health improvements have occurred in women, minorities, and low-income residents. Finally, Growth in health insurance premiums has slowed from about sixteen percent in 2010 to less than two percent today. (mass)

The chart below illustrates how the individual mandate kept adverse selection below levels that could destabilize the insurance market. As shown, when the mandate was first phased in, there was a greater increase in the number of healthy enrollees than number of enrollees with chronic illness. When the mandate became fully effective at the end of 2007, there was a substantial increase in the number of healthy enrollees, and a small increase of people who had chronic illness. The gap eventually shrank as the remaining uninsured complied with the mandate. However, it is clear from this chart that the mandate brought many more healthy people than non-healthy people into the risk pool. “The large jump in healthy enrollees that occurred when the program became fully effective suggests that enrollment by the healthy was not simply slower than enrollment by the unhealthy, but rather that the mandate had a casual role in improving risk selection.” (Chandra) It is safe to say that the individual mandate played an important role in eliminating what could have been dangerous adverse selection in Massachusetts.



SECTION 3

This chapter's main focus is to define what the individual mandate is, and how it is implemented in the Affordable Care Act. I will discuss the implications of the individual mandate, and explore who is affected by it.

What is the Individual Mandate?

So what is the individual mandate? How does it operate within the Affordable Care Act? Well as part of the Affordable Care Act, one of the changes to the health insurance system is a provision that attempts to guarantee access to coverage for everyone regardless of pre-existing conditions. The Patient Protection and Affordable Care Act, or PPACA is a United States federal statute that was signed by President Barack Obama on March 23, 2010. This statute addresses every single major health care

issue that I stated earlier. However, the PPACA is aimed primarily at decreasing the number of uninsured Americans, and reducing the overall cost of healthcare. The PPACA is a statute that has many provisions that work together to accomplish the overall goals of increasing the amount of insured people and reducing the overall cost of care. However, the individual mandate portion of this statute is what holds many provisions such as these together. The individual mandate provision of the recently passed health reform legislation requires citizens to have insurance coverage that meets the minimum standards set as part of health insurance exchanges, including guaranteed access to affordable coverage, essential benefits and other consumer protections. The legislation imposes a tax penalty on individuals – who do not purchase coverage. (Key Features of the Law)

Beginning in 2014, the Affordable Care At includes a mandate for most individuals to have health insurance or potentially pay a penalty for noncompliance. Individuals will be required to maintain minimum essential coverage for themselves and their dependents. Some individuals will be exempt from the mandate or the penalty, while others may be given financial assistance to help them pay for the cost of health insurance. Beginning with their 2014 federal taxes, many consumers who can afford health insurance, but decide not to buy it will owe penalties to the IRS when they file their taxes in the spring of 2015. The Congressional Budget Office has estimated that roughly four million people will choose to pay a penalty each year instead of purchasing health insurance. (CBO) Why would anyone want to pay a penalty instead of purchase his or her own health insurance? This answer is quite simple. The group that is expected

to pay the penalty is young Americans that do not have children who feel as though they are healthy enough to forego insurance.

What are the Penalties for Non-Compliance?

The intent behind the individual mandate is to ensure that the most people that can be insured will be insured, but there are penalties for not complying with the mandate. There is no penalty for a single gap in coverage of less than three months a year. However, these penalties start out small in 2014 and 2015, but they begin to rise to their full levels in 2016. Beginning in 2014, the penalty for being without health insurance is $95 per adult and $47.50 per child, or 1.0% of family income, whichever is greater. In 2015, the penalty for being without health insurance is $325 per adult and $162.50 per child, or 2.0% of family income, whichever is greater. In 2016, the penalty for being without health insurance is $695 per adult and $347.50 per child, or 2.5% of family income, whichever is greater. It is expected that in the early years of this law, many people will face penalties due to anticipated confusion. (The Requirement to Buy Coverage Under the Affordable Care Act)

What happens if you refuse to pay the penalty?

There is no concrete evidence as to what will happen if people do not pay the fine. The Affordable Care Act forbids the IRS from aggressive efforts to collect the penalty from people who do not pay. (IRS Enforcement of Individual Mandate Destined for Failure? Seemingly, the only thing that the IRS can do is to withhold tax refunds from those who owe penalties. Insurers are required to send out notices of health coverage that will, over time, become as routine as a taxpayer's W-2 statement of taxable wages. This

reporting system is expected to experience a learning curve, and there may be a few adjustments in the future. (IRS Enforcement of Individual Mandate Destined for Failure?)

Does everyone have to pay the penalty if they don't purchase health insurance?

The answer to this is no. There are several groups of people who are exempt from the individual mandate. Individuals that are members of Indian tribes, undocumented aliens, incarcerated individuals, individuals with a religious conscience exemption, individuals whose required contribution would exceed eight percent of their household income. (Touschner)

Who can receive a government subsidy?

The reason the law is called the Affordable Care Act, is because it's supposed to be "affordable". There are some people who will qualify for government assistance that will make health insurance very inexpensive. Specific criteria must be met in order for an individual to qualify for a subsidy. In order for an individual to qualify for a government subsidy, the individual must be a citizen or legal resident, must have an income between 133%-400% of the federal poverty level, and their employer would have not offer a health insurance plan. Medicaid will cover individuals making fewer than 133% of the poverty level. The chart below represents the 2012 federal poverty level. (Touschner**)**

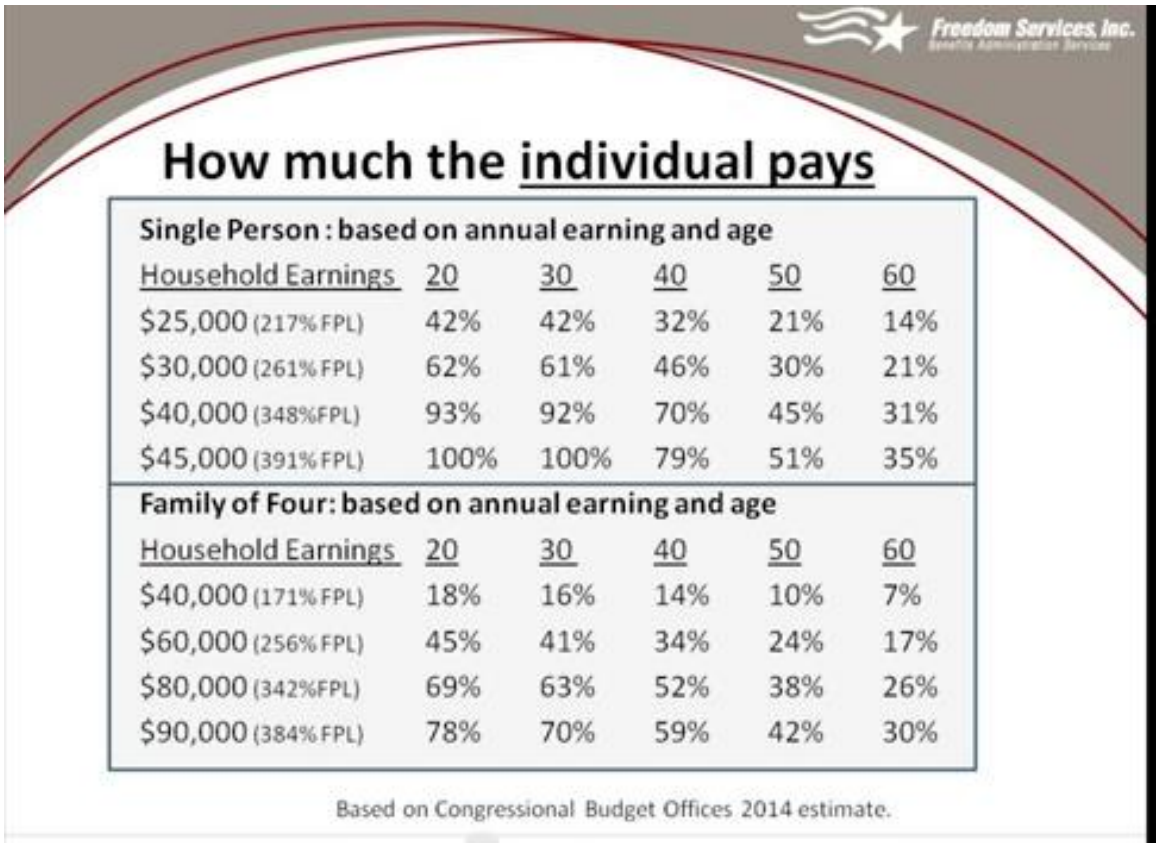
Household Size	100%	133%	150%	200%	300%	400%
1	$11,490	$15,282	$17,235	$22,980	$34,470	$45,960
2	15,510	20,628	23,265	31,020	46,530	62,040
3	19,530	25,975	29,295	39,060	58,590	78,120
4	23,550	31,322	35,325	47,100	70,650	94,200
5	27,570	36,668	41,355	55,140	82,710	110,280
6	31,590	42,015	47,385	63,180	94,770	126,360
7	35,610	47,361	53,415	71,220	106,830	142,440
8	39,630	52,708	59,445	79,260	118,890	158,520
For each additional person, add	$4,020	$5,347	$6,030	$8,040	$12,060	$16,080

(Chandra)

How do the subsidies work?

Below is a chart that represents how much an individual would pay when offered a subsidy. This is just an estimate by the Congressional Budget Office, but it is what they believe that the system will work like. Look at the example of a 30 year old in the column, who is earning 30,000$ a year, notice that they are at 261% in the federal poverty level, which is between the mandatory 133-400% of the federal poverty level. (CBO) That individual would have to pay sixty-one percent of their premium, and they would be receiving thirty-nine percent of their premium from the federal government. If you look at a family based example you notice that a thirty year old of a family of four earning $80,000, they would pay sixty-three percent, and receive a thirty-seven percent of their subsidy. There will be several different health plans that will be available in preparation for the subsidies, but for now I will focus on the 70% silver plan as the base

plan. Let's say that this plan has a premium of $100, and the individual is twenty years of age and earns $25,000 a year. Because they pay 42%, their subsidy would be 58% or they would get a $58 subsidy towards the premium on that 70% silver plan. (Health Insurance 101)



Who benefits and who doesn't?

A study at the Urban Institute found that the Individual Mandate only affects between 2-5% of Americans. (Blumberg) The reason for this is that most Americans had health insurance before the individual mandate was put into law. Even though the percentage is small, the number of Americans affected by this mandate remains large. The financial tests to avoid a penalty include having family income that is too low to require filing a federal tax return. This would include an individual that makes less than

$9,350, and $18,700 for a family. This basically says that if you are under the poverty line, then you do not have to worry about-facing a penalty. So this shows that the poor will benefit greatly from this mandate, because they are likely to not be out of any money. Does this mean that the wealthy are hurt by the mandate? No, it does not. Most wealthy people have health insurance. Even if they did not, the amount that they would pay is not a significant amount relative to their income. (Blumberg) Do all people who make a sufficient amount of money have to pay for health insurance? The answer to this question is also no. Higher-earning households may also be exempted from penalties for not buying health insurance if their out out-of-pocket cost for private health insurance is more than eight percent of their taxable income. This amount is for any additional cost after subtracting employer healthcare insurance contributions. The people who do not benefit from this individual mandate are middle class Americans. "For example, a single individual making $46,030 and a family of four making $93,700, both policy holders at age 40, would not be qualified to receive subsidies as they will be required to purchase into buying health care insurance that will cost them $4,500 and $12,130, respectively." (Understanding the "Individual Mandate") Keep in mind that health insurance premiums bought through Exchanges would vary by age. According to the Congressional Budget Office, it "estimates that the national average annual premium in an exchange in 2016 would be $4,500-5,000 for an individual and $12,000-12,500 for a family for Bronze coverage."(Requirement to Buy Coverage Under the Affordable Care Act)

Will everyone have healthcare due to the Individual Mandate?

There are currently about 50 million people who are uninsured in this country. Almost 257 million people are insured. (Requirement to Buy Coverage Under the Affordable Care Act)Even though this law mandate will greatly increase the amount of people insured, it won't get everyone insured. The Congressional Budget Office estimates that there will be roughly 26 million people still uninsured despite the individual mandate. (Requirement to Buy Coverage Under the Affordable Care Act) This number is likely to reflect the young people who do would rather pay the penalty than be insured, and the individuals who fall short of receiving a subsidy, and believe they can better afford the penalty than health insurance.

Justice Robert's View on Constitutionality

Just recently, the United States Supreme Court declared the individual mandate constitutional. In a 5-4 decision, the mandate was declared constitutional, because the penalty for violating the mandate may be considered a tax. Justice Roberts had a fifty-nine-page opinion, and much of it explained that the penalty could be a tax. Justice Roberts had much to say about this:

> The most straightforward reading of the mandate is that it commands individuals to purchase insurance," Roberts added, but the Commerce Clause does not give Congress that power. "Under our precedent, it is therefore necessary to ask whether the government's alternative reading of the statute -- that it only imposes a tax on those without insurance -- is a reasonable one…."The Affordable Care Act's requirement that certain individuals pay a financial penalty for not obtaining

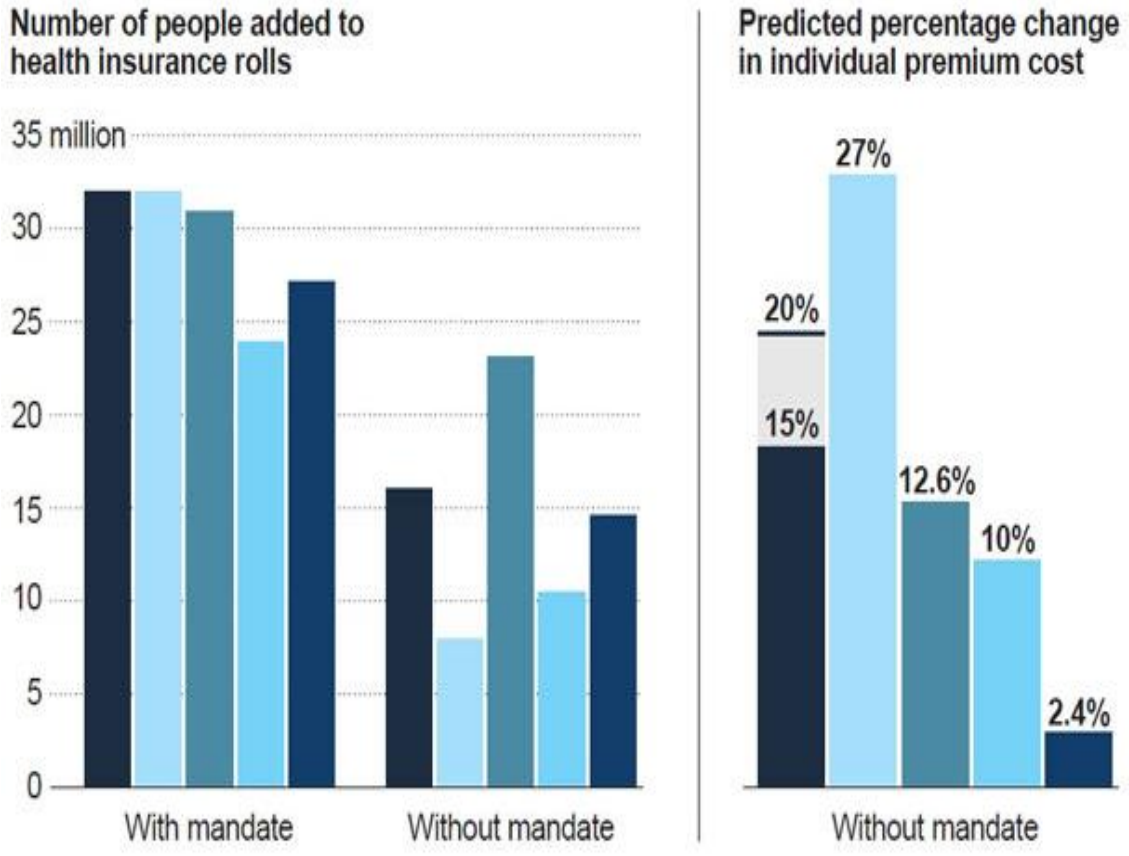
> health insurance may reasonably be characterized as a tax. Because the Constitution permits such a tax, it is not our role to forbid it, or to pass upon its wisdom or fairness. (JURIST)

Justice Roberts claimed that the individual mandate could not be upheld under the commerce clause. His reasoning was that upholding it under the Commerce Clause would permit Congress to a vast domain of authority. Congress already has the power to regulate what people do, and upholding the Affordable Care Act under the Commerce Clause would give Congress the power to regulate what people do not do. Justice Roberts claimed that the Framers gave Congress the power to regulate commerce, and not compel it. (JURIST) Ultimately, he claimed that the individual mandate couldn't be sustained under Congress's power to "regulate Commerce". If an individual does not maintain health insurance, the only consequence is that he must make an additional payment to the IRS when he pays his taxes," this means "the mandate is not a legal command to buy insurance. Rather, it makes going without insurance just another thing the government taxes, like buying gasoline or earning an income." (JURIST) Justice Roberts believed that the individual mandate was something that people could neglect without facing overbearing consequences.

What would happen without the individual mandate?

There would be several implications to the healthcare system if the ACA were upheld without the individual mandate. Without the mandate, people would only have subsidies to induce them to purchase health insurance. The Affordable Care Act as a

whole is expected to reduce the number of uninsured from 50 million to 26 million. Without the mandate, experts have estimated that insurance premiums would rise about 15% and that the number of uninsured would only be reduced to 34 million. (Buettgens) The simple reason for the premiums rising would be the problems of adverse selection and the free-riding problem that were discussed in chapter one. The reason that there are more uninsured without the mandate is due to the fact that they can continue to free ride, and it gives many people less incentive to sign up for health insurance. On the chart below, five different organizations did an estimate on the affects of the Affordable Care Act without the individual mandate.



Source: Rand Corporation technical report, *The Effect of the Affordable Health Care Act on*

CONCLUSION

Overview of Research

Through my research I have found that the individual mandate was intended to address some major problems big the United States' healthcare system. The two main problems that the mandate is intended to address are the free riding problem and adverse selection. My research indicated that President Reagan created the free-riding problem through the Emergency Medical Treatment and Active Labor Act or EMTALA. This law requires that hospitals provide emergency care to anyone who needs it, regardless of citizenship, legal status or ability pay. (Roy) I found that this law creates free riders, which cost the country roughly 40 billion dollars a year. While this law may be what brought about free riders, I believe that it is a good thing that we as a country ensure that everyone has access to healthcare, regardless of their ability to pay. After examining the free rider problem I moved to the problem of adverse selection. My research indicated that the adverse selection problem is one of the reasons we need an individual mandate for health insurance. I found that people who purchase health insurance typically have better information about their health status than the people selling insurance. People will use this superior information about their health status to determine if it is a good deal for them if insurance is offered in the market at the average cost of care. (Roy) All of the people expecting to pay less for health care than the price the companies are asking for the insurance will drop out of the market: the young and healthy for the most part; all that is actually needed is that some people are willing to take a chance and go without insurance. With the relatively healthy people dropping out of the insurance pool, the price of insurance must go up, and when it does, more people drop out, and the price goes up.

This leads to the market breaking down and nobody, or hardly anybody, being able to purchase insurance. (Economist's View) We need health insurance, because we do not want people to be financially ruined when they are faced with an expensive health problem. This health insurance must be distributed over a wide variety of people so that the average cost will be affordable. I believe that the individual mandate is one way to ensure that the insurance pool is diverse enough to avoid adverse selection. My research suggests that without the individual mandate, the health insurance would be likely to break down.

The next part of my research focused on several instances in history when the individual mandate was introduced. The first instance was with the Heritage Foundation in 1989. The call for "Assuring Affordable Health Care For All Americans" was meant to oppose the single-payer system and the employer mandate favored by the Democrats at the time. There were also several bills in Congress that was introduced that included an individual mandate. However, the individual mandate's first success was in Massachusetts with Governor Mitt Romney. Governor Mitt Romney introduced health reform that strongly resembles the Affordable Care Act. I was intrigued by the fact that this was always an attractive law to the residents of Massachusetts. Before I researched health reform in Massachusetts, I thought that the individual mandate and the health reform law would have a similar unpopularity as the Affordable Care Act and the individual mandate. I found that the reason that the popularity of the health reform in Massachusetts is due to the overwhelmingly large percentage of Democrats in the state. My research indicated that political parties play a very large role what role the government should take in healthcare. I found that this law has been very successful since

its implementation. Massachusetts now has the least number of uninsured than any other state. Most importantly, I found that the individual mandate played the most important role in the state's health success. The individual mandate portion of the law eliminated adverse selection by adding a large number of healthy individuals into the insurance pool, and the free riding problem was strictly limited. I believe that the quick success in Massachusetts is one of the reasons the Affordable Care Act was introduced, and one of the reasons the individual mandate was included into the law.

Finally, I examined the implications of the individual mandate under the Affordable Care Act. I examined the subsidies, the fees for non-compliance, the popularity, and the future of the individual mandate. I found that this mandate is almost identical to the mandate Governor Romney implemented in Massachusetts. Examining the individual mandate from reviewing its implementation in Massachusetts to now has led me to several conclusions.

My Thoughts

Examining the individual mandate has allowed me to come to the conclusion that the individual mandate was a completely necessary provision in the Affordable Care Act. I have a couple of critiques and a few praises of the individual mandate. I began my paper with discussing the problems that the mandate is intended to address. I believe that the mandate will eliminate adverse selection, bring down healthcare costs, and I think it will have an affect on free riders. However, I think that proponents of this law have over-amplified the problem of free riders in this country. My research indicated that free riders cost the healthcare system around $43 billion a year. While that is a very large number, it

is not very much compared to other drivers of healthcare costs, including uncompensated care resulting from Medicare and Medicaid. People seldom use the emergency room, which is why they are referred to as emergencies. Sure, I believe that the mandate's penalties will encourage many more people to enter the insurance pools, but I also believe that their will still be people who forgo insurance and the penalties even after the mandate is in place. My only suggestion would be to make the penalties for the mandate much stricter. I think that if the penalties for the mandate were stricter, then the individual mandate could limit free riding even more.

Both sides of the political spectrum have supported the idea of an individual mandate at least once. I found it interesting that the mandate began as a conservative idea, opposing the health reform proposed by President Clinton. I find it ridiculous that now that the President and other Democrats support the individual mandate, the Republicans deem it as government takeover. However, I still believe that the idea of mandating people to purchase health insurance is not government takeover. I think it should be thought of as personal responsibility, which is what conservatism was founded I believe that everyone should be responsible enough to purchase health insurance. Most people, if not everyone, incur some sort of illness severe enough to go to the emergency room. No one is above getting seriously ill, and everyone should be able to pay for this care. I believe that mandating people to purchase health insurance, and providing subsidies to those who can't afford it indicates that we are taking a step forward in personal responsibility as a country. I believe that Governor Romney realized Massachusetts needed to be more personal responsibility in his state at the time. With the implementation of an individual mandate, Governor Romney was very successful in

promoting personal responsibility in his state. His mandate addressed both the free riders and the problem of adverse selection. When the mandate became fully effective at the end of 2007, there was a large increase in the number of healthy enrollees and a much smaller increase in the enrollment of people with chronic illness. It was very clear that Romney's health reform brought many more healthy people in the insurance pool. I believe that Massachusetts serves as a model for the country as a whole in terms of health reform. Our country will likely see similar results. Unlike Massachusetts, America is politically polarized. The individual mandate is not very popular right now, mostly due to our country's political arena. However, I do believe after the individual mandate goes into effect, the approval rating will rise.

The final thing that I did in this paper was examine the individual mandate under the Affordable Care Act. This mandate is a great tool to increase the number insured in the country. The subsidies and penalties work great alongside the mandate. I believe that it is very important to note that this mandate doesn't actually force people to purchase insurance, but rather it encourages people to do so. I only have two critiques of the individual mandate. First off, I wish that President Obama could have made the penalties for the mandate stricter. Under the Affordable Care Act, the government will take no harsh actions against those who forgo the penalties. There should be sanctions against those who decide to not pay these penalties, because these people will cost the healthcare system money. However, I understand that President Obama probably didn't want the penalties to be too strict, because it would have bad political fallout. The second, and last critique that I have of the individual mandate is that the subsidies that go along with the mandate do not address the middle class American well enough. Under this law, some

people will earn just enough to not receive any government subsidies, but do not earn that healthcare is not a large expense. The middle class is usually the group that doesn't benefit as much as the poor and the wealthy. I would suggest that President Obama extend subsidies to those whose income falls at 500% of the federal poverty level.

Without the individual mandate, the insurance market could be subject to doom due to the lack of diversity in the insurance pool. I think that President Obama made a smart choice by adding the mandate into the Affordable Care Act. After reviewing the results of the individual mandate in Massachusetts, it is apparent that this mandate will add more healthy people into the insurance pool, and decrease costs. The individual mandate has received a lot of bad publicity, because of the political climate we live in. People would rather hear critique than praise these days. However, I am confident that after this mandate goes into effect in 2014, people will be more welcoming to it after they see its positive effects. I believe that the individual mandate is important for our country to start promoting personal responsibility.

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