



Individual Mandate: Inevitable, Unsustainable or Both?

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Robert Graboyes: Mini-CV

Education

- **University of Virginia:** BA
- **College of William and Mary:** MA
- **Virginia Commonwealth University:** MSHA
- **Columbia University:** MPhil, PhD

Currently

- **National Federation of Independent Business (2007-date):** Senior Health Care Advisor
- **Virginia Commonwealth University (1999-date):** Adjunct Associate Professor
- **University of Virginia (2005-date):** Clinical Associate Professor

Previously

- **University of Richmond (2001-2007):** Economics professor
- **Federal Reserve Bank of Richmond (1989-2002):** Economist/manager
- **Virginia Department of Taxation (1989):** Economist, revenue forecaster
- **Chase Manhattan Bank (1983-1988)** Economist/2VP; Economist for Sub-Saharan Africa; asset portfolio modeler

Miscellany

- **National Center for Policy Analysis:** Senior Fellow
- **American Institute for Economic Research:** Research Fellow
- **Kazakhstan School of Public Health:** Visiting Scholar
- **National Association for Business Economics:** Chair, national Health Economics Roundtable, 2004-06; Chapter President, Richmond, VA, 1989-1991
- **Global Interdependence Center:** Member, Global Health Committee

Why am I here?

- NFIB is wrestling with the individual mandate
 - So am I: today – my transient, personal views
- Inevitable? Unsustainable?
- California
 - Aware, but not expert
 - John Kabateck, NFIB/CA Executive Director
- ERISA: tourist

Between the jaws

- British Columbia possibility
 - Wait times (biopsy/surgery, 4/10 weeks)
 - Return to the U.S. (shutout scenarios)
- Worthy, but conflicting goals
 - Access (who? what? where? when? why?)
 - Insulation (catastrophic? first dollar?)
 - Affordability (says who?)
- Economic problem: pick any two
- Growing consensus on universal coverage
 - NFIB, I favor private care, private insurance

Why not status quo, single-payer?

- **Status quo**
 - Falling short on 2, maybe 3, dimensions
 - Can't credibly threaten denial of coverage
 - Funereal mandate problem
 - Will splinter as boomers age
- **Single payer**
 - For me, for NFIB, an axiomatic “no”
 - Canada's Supreme Court slammed Quebec
 - Dynamics: cost growth, state budgets, beware

EBHI problems (I)

- History: Truck system
 - “Sixteen Tons” Merle Travis (1947): *“St. Peter don’t you call me, ‘cause I can’t go. I owe my soul to the company store.”*
 - Workers got necessities through employers
 - Food, clothing, housing, credit
 - Paid out of wages
 - Complicated employment decision
 - Job lock: Leave the job, lose food and housing
 - Crushed competition: high prices, low quality, onerous credit
 - Dependency poisoned employer/employee relationship
 - American labor movement hated it

EBHI problems (II)

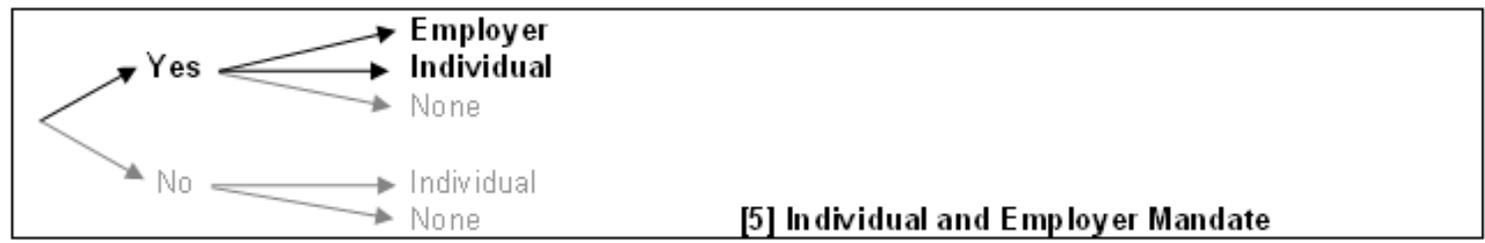
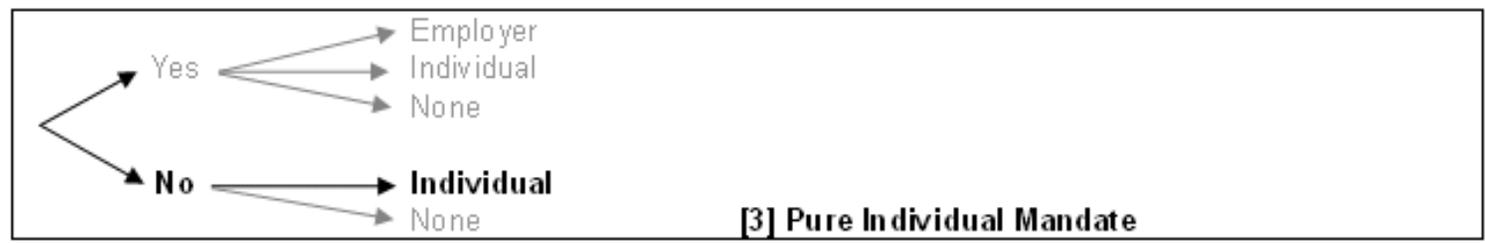
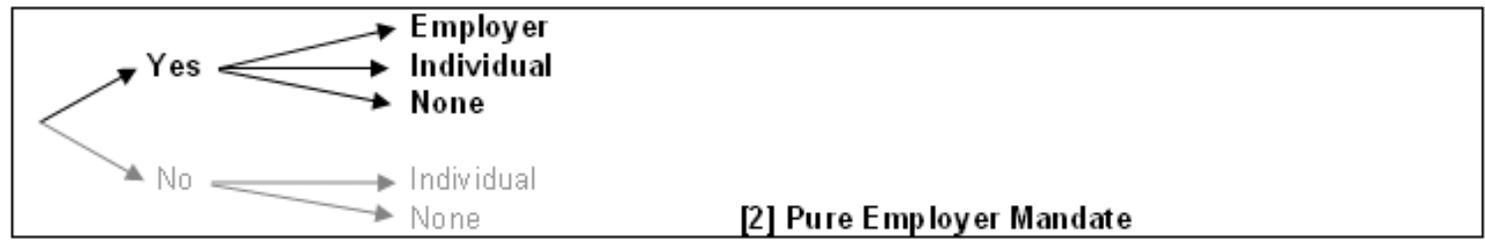
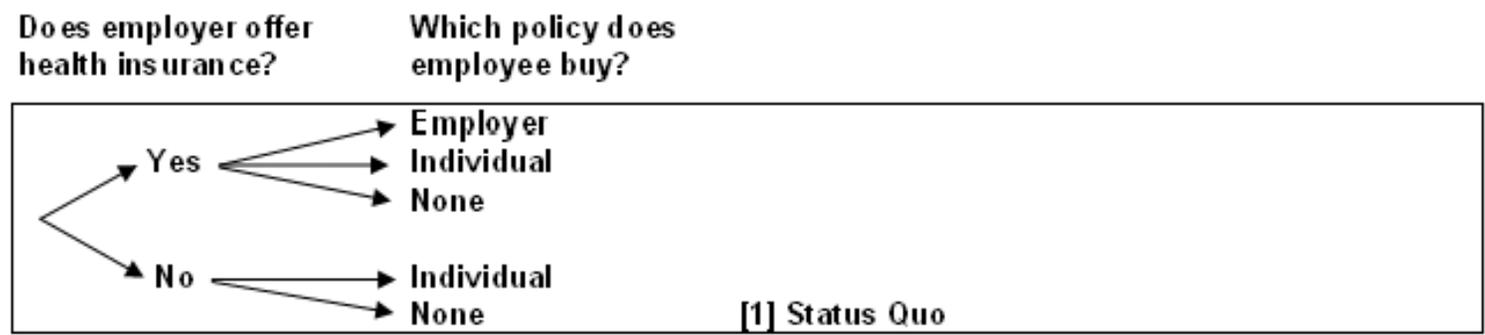
- **Same effects from EBHI**
 - Dependency
 - Muddled employment decisions
 - Job lock
 - Breaks in coverage
 - Consumer detachment from product
 - No motive for transparency
 - Fragmented consumer pool
 - Shorter time horizons – no wellness incentives

EBHI Problems (III)

- **Historical accident, growing out of wage-price controls**
 - Ironically, started buying health insurance from the company store around 1947
 - Cemented in place by tax code, labor regulations
- **Bad for small business**
 - Huge fixed costs in managing plans
 - No expertise
 - Uninsured employees
 - Creates competitive disadvantage
 - Risk puddles

Individual mandate is left on menu

- Consistent with other forms of insurance
- What do we mean by “individual mandate?”
- Developing a taxonomy
- Now, Hawaii, Switzerland, MA & CA?, ???
- [4] and [5] retain EBHI problems
- [3] interesting



“Individual mandate” meaningless in isolation

- Is it coupled with an employer mandate or stand-alone?
- How is it financed?
 - Payroll tax?
 - Play or pay?
- Is the enforcement unobtrusive and cost-effective?
- Who determines the qualifying package?

Mandate and Financing Are Separate

- Payroll tax
 - Detrimental to labor: Encourages capital-intensive processes and outsourcing
 - Detrimental to small businesses: thin margins
- Arbitrarily bestows windfall gains and losses
 - Hits employees, employers differently across firms, across years
 - Hits whomever is more vulnerable. (yacht tax)
- Political factors
 - Other states copy and go beyond
 - Politically easy to adjust rates and firm sizes

Individual Mandate: Enforceability

- Enforcement problems with mandates
 - Easiest are one-time (e.g, vaccination)
 - Health insurance tough -- monthly
 - Hawaii health insurance
 - Auto insurance
 - Income tax
 - Immigration
 - Swiss health insurance
- So what? Great vs. good

Individual Mandate: Basic package

- Problem:
 - State orders mandate
 - State can escalate costs of mandate at will
- Oregon problem
- Massachusetts providers today
- CAHI treatment mandate annual report

Are there mechanisms?

- Separate the two functions
 - Interstate purchases of insurance
 - Regional compact (like banking)
 - Federal Reserve-type structure
 - Base closing model
 - Pay or play for individuals; priced at some percentile of the overall population

Lessons

- Political environment is changing
- Dollar figures are set to soar
- Flexibility must be built in

- Appropriate enforcement institutions
- Control over qualifying package
- Awareness of dynamic environment