

# Passing the Healthcare Buck

The rising cost of health insurance has been a major preoccupation of late, even warranting a lengthy comment in the past State of the Union speech. In response to the rising cost of health insurance – and the soaring cost to the states due to uninsured visits to the emergency room and Medicaid expenses – Massachusetts has taken the rather dramatic step of requiring health insurance by law.

In an attempt to shift risk away from the state itself, Massachusetts has legislation pending that will create new obligations for both businesses and individuals:

## Massachusetts Seeks to Mandate Health Coverage

**Bill Would Penalize Citizens Who Don't Buy Insurance; Business Fears Higher Costs**

Wall Street Journal *April 5, 2006; Page A1*

In a far-reaching bid to obtain universal health-care coverage in their state, Massachusetts lawmakers overwhelmingly approved a bill that is the first in the nation that requires all citizens to buy medical insurance.

The bill also requires that businesses not offering health insurance pay penalties to help cover the uninsured and uses a combination of added state spending, tax incentives, insurance subsidies and expanded government-insurance programs to reach the estimated 550,000 Massachusetts residents who are currently uninsured. Gov. Mitt Romney, widely viewed as a possible presidential candidate, has indicated he intends to sign the bill....

Yesterday's action shows that states may prove more adept at coming up with plans to provide universal coverage after President Bill Clinton found such efforts to be a big stumbling block at the federal level in the 1990s. ...

Though some business groups, such as the Greater Boston Chamber of Commerce, have generally voiced support for the bill, others, especially those representing small businesses, are wary of its effects on costs and job creation. In addition, health-care experts say *the plan...provides little new money to pay for health care* [The obligation has merely been shifted to small businesses and individuals– CLS]. They note that under Gov. Michael Dukakis, Massachusetts approved a plan for universal health coverage in the late 1980s that died because of lack of money.

Under the plan approved yesterday, uninsured residents who don't buy new, low-cost plans...would face financial penalties beginning in July 2007.... In the second year, those who don't buy would have to pay a fine equal to half of the monthly premium cost of an affordable plan. For a full year, the fine could total about \$1,200

for a young adult who would be eligible for an individual plan. There are no criminal penalties for not buying insurance.

In another provision that stirred unease among some businesses, *the proposed law would require companies with 11 or more employees to provide health coverage or pay a per-employee annual fee of \$295.* In addition, employers whose uninsured workers make multiple use of emergency room care -- "free riders," in the bill's parlance -- would have to pay between 10% and 100% of the portion of those medical bills exceeding \$50,000....

Healthcare costs have soared in recently years, far outstripping all measures of inflation. As numerous articles have suggested, part of the problem is structural; the people that receive the service – the patients – are separated from those who pay – the insurance companies, government agencies, etc. This observation is true and can be addressed with structural reforms. But there is a larger issue that cannot be “fixed,” and that is that Americans are using more healthcare. It’s a basic tenet of economics that when demand for a good or service rises faster than supply, the price will rise. With the baby boomers aging, demand for healthcare will only continue to rise. Expect the cost to rise with it.

Massachusetts is the first state to make health insurance mandatory for all individuals, but others can be expected to move in that direction soon. Maryland has already passed a controversial bill that forces larger companies like Wal-Mart to assume new health liabilities; this Massachusetts legislation is the next progressive step.

The key point to realize is that all of these moves are attempts shift liability from one group to another. And whether the state pays or your company pays, *you* pay indirectly via higher taxes or fewer job opportunities.

There is no dodging the healthcare bullet.