

## **CLINTON VERSUS OBAMA ON HEALTH MANDATES**

When Senators Hillary Clinton and Barack Obama spar over health mandates, they're dealing with only one piece of an intriguing policy dilemma: how to achieve meaningful health reform. Unfortunately, presidential debates invite mainly sound bites on this broad, complex issue. For instance, it's unclear which types of "mandates" are really being opposed or supported.

Mandates figure into many government policies. In Medicaid for the poor, the program benefit must be spent on public health insurance. Some poor people might prefer to spend the money on other goods, but that's not an option. That's one type of mandate.

How about Medicare? You and I must pay a Medicare tax on our earnings. We really can't opt out of the program. The tax mandates our participation.

The logic behind a mandate centers on equal justice for those equally situated. Suppose you and I each have the same income, but you purchase health insurance and I don't. Then, when I get sick and can't afford to pay for my health care, I go to the hospital and rely on some free or uncompensated care. It might be inferior care, but, nonetheless, you still end up paying for me through higher taxes or insurance premiums. With a mandate, I no longer can so easily opt out.

Here's the rub: mandates don't work without penalties for noncompliance. Whoever doesn't buy health insurance has to pay some price or bear some consequence.

A small price might be easier to enforce. But then it is less likely to induce a person to buy insurance. A larger price or penalty creates more of an incentive to buy insurance, but then it becomes harder to enforce and might be considered unfair if the cost of insurance and the penalty are set too high. Either way, it is very hard to collect penalties at the end of the year. The IRS has a horrible time collecting from taxpayers who don't pay up.

My sense is that when candidates for office discuss a "mandate," they speak of it as an unavoidable commandment. Therefore, by assumption, health insurance would be universal for those subject to the mandate. But unless penalties cost more than the insurance itself and they can be enforced on everyone, then the mandate is partially avoidable. When health experts refer to a mandate, on the other hand, they speak more broadly of anything that induces further participation through a penalty, tax, or fee—a stick rather than a carrot.

Given the ins and outs of mandates, then, the practical differences between what Clinton and Obama would implement may be more apparent than real.

Clinton says she is going to mandate insurance purchase by all, but she doesn't fully address the enforceability issue. For instance, the Massachusetts health plan—which resembles what Clinton is proposing—is learning what it can implement as it tries to ratchet up penalties beyond simply denying a personal tax exemption to people who don't buy insurance.

Obama says he doesn't favor mandates, except for children. Why? Medicaid and perhaps new subsidies he would offer would make insurance fully affordable for the poor. In effect, no penalty would need to be assessed on them. But what about families with children who aren't fully subsidized? What consequence or penalty would they face if they didn't insure their children? Suppose Obama would deny them some tax or welfare benefits—a limited but enforceable proposition. Then, why wouldn't he also be willing to extend at least some affordable penalty to middle and upper income adults who do not buy insurance for themselves?

In effect, Clinton may be suggesting more of a commandment than she can enforce, Obama less of an inducement than he can provide.

Let me offer my solution (again!) for one enforceable way to extend "mandates." Deny various tax and welfare benefits to those who do not buy insurance. Massachusetts adopted my early 1980s suggestion at least to deny the personal exemption to individuals not buying insurance. But more can be done.

For instance, at least for the middle- and upper-income classes, the federal government could make the \$1,000 per child credit, which most taxpayers receive, available only for those who buy insurance for their children. To extend the mandate further down the income scale, I would beef up and extend the credit to those not eligible. This method of denying public benefits is more easily enforced than trying to run around and knock on doors to collect sizable sums of money.

Mandates have to be integrated with subsidies—the sticks with the carrots. But with health care costs now approaching \$22,000 per household (more than 20 percent of monetary household income), government contributing more than half (if you count tax subsidies), and looming future commitments for health and retirement that already can't be met, neither Clinton nor Obama really has much leeway to increase government health spending. Even another \$100 billion annually in this \$2.5 trillion marketplace covers only 4 percent of costs—never mind the opportunity costs of skimping on education, work subsidies, infrastructure, and other public goods to pay for ever-rising health care costs.

So, both sticks and carrots are probably necessary, neither alone being sufficient. A mandate can nudge many Americans to buy a modest insurance package, if we make it as simple, enforceable, and effective as possible. Practical ways of making the mandate work, as well as constraining costs, will be the real challenge confronting the next president.

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See also "Administering Health Insurance Mandates" (forthcoming), by C. Eugene Steuerle & Paul Van de Water, prepared for the National Academy of Social Insurance and National Academy of Public Administration, available upon request.

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