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The Economics of Employer Versus Individual Mandates

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Prologue:

America's belief in solving large problems through private/public collaboration has not guaranteed a solution to President Clinton's quest for universal health insurance coverage. The administration's propos requirement that all employers provide their workers with health insurance coverage has been attacked by the small-business community and most Republicans as too regulatory for the American appetite. The administration's plan also would require that unemployed and self-employed persons be subjected to a coverage mandate. In this paper economists Alan Krueger and Uwe Reinhardt argue: “If policymakers wis all Americans to have portable health insurance coverage, they must mandate that coverage…. Absent a mandate, millions of American families would simply choose to remain uninsured.” Krueger and Reinhard both of whom are professors of economics at Princeton University, discuss the financing of health care, explaining how most practitioners of their discipline view a mandate on employers to provide health insurance to their workers. Krueger is the Bendheim Professor of Economics and Public Affairs at Princeton's Woodrow Wilson School. He is coeditor of the Journal of Economic Perspectives and has published widely on labor market issues. He received his doctorate in economics from Harvard. Reinhardt is a well-known figure in health policy circles in the United States and abroad. A born teacher and a naturalized American, Reinhardt spent his early years in Germany, but he took his university training in Canada and at Yale University, from which he earned a doctorate in economics. Reinhardt has eclectic intellectual tastes. While a strong believer in markets, he also recognizes Canada's tax-financed health care system and Germany's social insurance scheme as approaches that provide their populations equitable protection against the uncertain nature of illness.

Abstract: This paper reviews the economic implications of employer and individual health insurance mandates. Although the cost of meeting an employer mandate is nominally paid by employers, in the long run much of the cost may be shifted backward to employees in the form of lower wages. We also compare the consequences of hypothetical employer and individual health insurance mandates for families with different income levels. Depending on their structure, an employer mandate may be more or less progressive than an individual mandate.

Topics:
Employer mandate | Private health insurance | Individual mandate | Premiums | Markets | Taxes | Cost reduction | Low income | Costs and spending | Federal health plans

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private supplementary coverage or Medicaid coverage), and about twenty-six million low-income nonelderly Americans were covered by Medicaid. The Departments of Defense and Veterans Affairs covered seven million Americans. About 38.9 million Americans were classified as “uninsured. ” EBRI, *Sources of Health Insurance and Characteristics of the Uninsured* (Washington : EBRI, January 1994), 5, Table 1.

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