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Mandated Health Insurance Squeezes Those in the Middle

By [VANESSA FUHRMANS](#)

BOSTON -- President Barack Obama and his congressional allies have made insuring nearly all Americans a major goal of overhauling the nation's health-care system. One of their toughest challenges will be trying to cover people like Ron Norton of Worcester, Mass.

Mr. Norton, 49 years old, is an adjunct professor at a local community college who earns about \$40,000 a year. He's also one of roughly 200,000 Massachusetts residents who remain uninsured despite a state law requiring residents to have health insurance.

"I can't use up all of my savings just to buy mandatory insurance," Mr. Norton says. It's like penalizing "the homeless for refusing to buy a mansion."

As lawmakers hammer out legislation aiming to extend coverage to the country's 46 million uninsured, one of the most sweeping proposals has so far stoked relatively little debate: a requirement that nearly all Americans carry health insurance, much like drivers are required to have car insurance.

All of the major health bills winding through Congress feature a so-called individual mandate similar to the one in Massachusetts. Mr. Obama supported the idea in his speech to Congress last week. Such a mandate, proponents argue, is necessary to keep premiums affordable: The healthy, who are relatively cheap to cover, help pay for the sick.

Subsidies for premiums would help low-income families gain coverage, while the prospect of fines would prod others to buy insurance.

But people like Mr. Norton show how difficult it could be to bring into the insurance pool the millions of consumers who make too much money to qualify for assistance, yet not enough to bear the full cost of new policies on their own.

Three years after Massachusetts's ambitious universal-coverage law went into effect, two-thirds of its previously 600,000 uninsured residents have coverage, according to state data. It has the lowest rate of uninsured in the country -- about 3% according to a state survey, compared with 15% nationwide. But the remainder -- many younger, male and fairly healthy -- has proved tougher to cover.

Costs to expand insurance coverage in the state are growing rapidly because of higher-than-expected enrollment in free and state-subsidized plans, and rising health-care costs. Critics say the Obama plan could face similar problems, contending it doesn't do enough to control costs.

In 2007 -- the first full year of the program -- the state exempted from the mandate 76,000 people it determined couldn't

afford the cheapest plans available to them. An additional 68,000 had to pay a penalty for going without coverage -- a fine that has risen to \$1,068 for the 2009 tax year.

On a national scale, pulling off an individual mandate could be more difficult. The Congressional Budget Office has estimated that as many as nine million legal American residents might still go without insurance under the initial House legislation released in July, despite its subsidies. The leading proposal in the Senate would place more restrictions on assistance, likely increasing the number who might go without insurance.

"If you're talking about millions of people who will have to buy insurance by themselves, this could be a difficult political issue," says Robert Blendon, professor of health policy and political analysis at Harvard University. "Unless subsidies are substantial, you're going to have middle-class resistance to this."

The current House bill calls for subsidies to individuals who earn as much as \$43,000, or up to \$88,000 for a family of four. That level is four times the federal poverty level. It would require many people who don't buy insurance to pay a 2.5% levy on their adjusted income.

A bill the Senate Finance Committee is drafting would limit subsidies to people earning as much as \$32,500, or \$66,000 for a family of four. That level is three times the federal poverty level. The bill would levy much stiffer penalties: from \$750 to \$1,500 a year for people earning less than the income cutoff point, and up to \$3,800 for families that earn more than that threshold.

An independent contractor, Mr. Norton doesn't get benefits through the state-run Quinsigamond Community College where he works. His wife's employer, a dental practice, covers her, but not dependents. With a combined income of between \$60,000 and \$70,000, the family goes without cellphones for Mr. Norton and his teenage daughter, and a needed roof repair, but still makes too much to qualify for subsidies.

The cheapest plan available to him and his 16-year-old daughter costs \$464 a month, or \$5,568 a year, and comes with a \$2,000 deductible per person.

"It's insurance you can't possibly use," he says, referring to the thousands of dollars he'd pay in premiums and deductibles before the coverage would kick in.

Mr. Norton says he worries about not having insurance for himself or his daughter, but so far they've been lucky. They pay for routine checkups, he says, and have had minimal health-care expenses.

Last year, Mr. Norton paid a penalty of nearly \$1,000 for going without coverage, cutting into the family budget that includes a mortgage and \$3,600 in recent years for his daughter's orthodontic bills.

A spokesman for the state said that while it has achieved near universal coverage, Massachusetts always recognized there would be "some people for whom coverage would not be considered affordable." He said that based on Mr. Norton's income, the state would likely waive the penalty for Mr. Norton if he appealed for an exemption. He hasn't done that.

When it became the first state to require residents to have health insurance in 2006, Massachusetts provided free or heavily subsidized coverage to people with incomes up to 300% of the federal poverty level.

The majority of its newly insured, or some 264,000, are in free or subsidized plans.

All but the smallest employers were required to offer employees insurance or pay toward the coverage of low-income residents. That helped push nearly 96,000 people into health plans sponsored by their employers, state officials say.

"The real success story is that neither the employer or individual penalties are that rigorous but they work," says Bruce Bullen, chief executive of Harvard Pilgrim, one of the state's biggest health insurers.

About 46,000 residents have bought full-price insurance plans on their own. About half purchased those plans through a program set up by the state to make it easier and cheaper for individuals to buy nonsubsidized health coverage.

Michael Kovner, a self-employed health-care technology consultant, is one of them. Mr. Kovner, 53, had been on the plan of his old employer, IBM, until benefits he maintained for a temporary period under the federal Consolidated Omnibus Budget Reconciliation Act, or Cobra, expired this year.

It took him half an hour to go online and purchase a plan for \$442 a month -- slightly more than his Cobra premiums. "It was as easy as ordering from Amazon," said Mr. Kovner, plus, he didn't have to answer any questions about his medical history.

Nationwide, the average cost of an individual plan for someone of Mr. Kovner's age was \$302 a month in 2007, according to the trade group America's Health Insurance Plans. But those typically carry higher deductibles and fewer benefits than what's required in Massachusetts, and exclude many people with medical problems.

In Massachusetts, rising health-care costs, already among the highest in the country, threaten the insurance mandate's long-term viability. The state's costs to expand coverage have swelled nearly 70% to an expected \$1.75 billion in fiscal 2010 from a base of \$1.04 billion in 2006, about half of which is supported by federal funds, according to the Massachusetts Taxpayers Foundation, a nonprofit policy research group.

Private health-insurance premiums in Massachusetts have been traditionally higher than the national average, fueled by the state's concentration of doctors and expensive academic medical centers, and continue to rise at 5% to 10% annually. State officials say the number of people who remain uninsured is small enough that their exclusion from the risk pool doesn't affect its costs.

As the state embarks on a revamp of the way doctors and hospitals are paid, state officials agree that the ability to control costs will ultimately make or break the universal-coverage initiative.

"If it's not affordable, it's not sustainable," says Jon Kingsdale, executive director of the authority that oversees the state coverage plan.

Already, rising premiums have started to push some out of the insurance pool.

Peter and Kirsten MacDonald of Brockton, Mass., are the kind of young, healthy individuals Massachusetts needs in the system to spread the risk and help pay for it. But the MacDonalds have calculated that they're better off without coverage.

They bought their own insurance in 2006, after Mr. MacDonald, a 39-year-old computer consultant, lost his job and began to work as an independent contractor. Insuring the couple and their four children then cost \$650 a month, or \$7,800 a year, and didn't include prescription-drug coverage. It was "a lot, but something we could afford," Mr. MacDonald says.

The next year, premiums rose to \$750 a month and to about \$900 a month in 2008. The MacDonalds say their actual

medical costs hadn't come close to the premiums they were paying. "What are we getting for it?" Ms. MacDonald says they asked themselves before canceling.

Now they put aside \$750 a month to cover medical costs as they arise, plus the \$1,068 penalty each adult would pay for going without coverage. The biggest expense came last year, when their then 4-year-old son, James, fell and cut the bridge of his nose. The five stitches and care of a plastic surgeon cost \$2,000, which the MacDonalds said they were able to pay from reserves they'd set aside.

Mr. MacDonald said he'd be inclined to buy insurance if he could buy cheaper catastrophic coverage, but such policies don't count in the Massachusetts plan.

The mandate hasn't always worked as intended. Early on, the state combined the small-business and individual insurance markets to lower the price of individual premiums in the program the state set up to make it easier for people to buy nonsubsidized care. Insurers agreed to eliminate waiting periods and pre-existing condition exclusions for individual customers.

Now, one insurer, Harvard Pilgrim, says it's discovered about 40% of people who bought an individual plan through the program in a 12-month period left after less than five months. While they had the coverage, they incurred an average \$2,400 in monthly medical bills -- six times the plan's projections.

Harvard Pilgrim's Mr. Bullen isn't sure why the people dropped out or why their bills were so high. He suggests some people may have signed up for coverage to take care of known medical needs, then canceled after they received care. Others, he suspects, might have had insurance, but briefly doubled up to take advantage of broader coverage the state requires individual plans to offer, such as some fertility treatments.

Massachusetts has tried to prevent people from dropping private insurance for state-subsidized plans, something federal lawmakers also want to avoid. The state disqualifies people whose employers offer coverage from getting subsidies. That's caused another group of uninsured to fall through the cracks.

Nestor Nunez, a 53-year-old driver for a private bus company, earns between \$35,000 and \$40,000. That would qualify him and his wife, Aymara, for a state-subsidized plan with \$232 in monthly premiums, something he could afford.

But he has access to coverage through his employer. The problem is, those premiums would cost between \$381 and \$588 a month, more than he can pay, he says, so he goes without coverage. "The state doesn't make me pay a penalty, so they admit I can't afford this," he says of the automatic waiver he gets based on his income and the premium he'd have to pay.

Now, Mr. Nunez pays for his diabetes and blood-pressure medication on his own and reports results of his daily at-home blood-sugar tests to his doctor to avoid lab fees.

Still, he recently got a \$1,010 bill for other lab work, and the Nunezes aren't sure how they'll pay it. They've begun using less air conditioning and cutting down on small luxuries, such as the elaborate cakes Mrs. Nunez often bakes. "Now we need to watch every penny, because we don't know when we're going to really need it."

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