



Healthcare in Iowa: What Should be the Goal? (Part I)

By Jonathan J. Miltimore

Improving healthcare access, quality, and affordability are important goals of the American people. In 2005 the U.S. Census Bureau estimated that 47 million Americans — 16 percent of the population at the time — did not have health insurance at some point during the year, including 8.3 million children.¹ A 2001 University of Iowa study estimated that six percent of Iowa's children — approximately 43,000 — went without insurance at some point during the previous year.²

So-called universal coverage can be achieved in one of two ways: 1) Have government provide care for all persons or 2) Compel individuals who can afford coverage and lack it into healthcare markets by forcing them to purchase private insurance (those who cannot afford private insurance would either be covered by a government program or subsidized).

State governments, impatient with the slow and deliberate ploddings of our machine-like federal government — attributable to the Constitution's complex and pesky system of checks and balances — are taking matters into their own hands. The solution de jure is the latter "market-based" approach: forcing individuals to purchase health insurance.

A bill currently alive in the Iowa Legislature (SSB 3140) is a step in this direction.³ Section 514M.8 states that it may be required that "parents of children up to eighteen years of age ... provide proof that each child has qualified health care coverage." Section 514M.2 would make it a state priority that "all Iowans have qualified health care coverage which meets certain standards of quality and affordability." But before Iowa Legislators yield to the siren call of "universal coverage," they may wish to take a look at how another state has fared in its attempt to mandate health insurance.

In 2006, former Governor Mitt Romney of Massachusetts signed into law a bill intending to provide universal coverage to all state residents. The bill, among other things, required that all residents own health insurance. Subsidies would be provided on a sliding scale to those within 300 percent of the federal poverty level and residents who did not purchase insurance would be sharply fined.⁴

Although Romney predicted that "every uninsured citizen in Massachusetts will soon have affordable health insurance and the costs of health care will be reduced," the results of the Massachusetts plan have thus far been far from impressive.⁵ As Michael Tanner, Director of Health and Welfare Studies at Cato Institute, has pointed out, not only is the Massachusetts program expected to exceed its \$1.8 billion budget by \$150 million in its first year, but between "half and two-thirds of those uninsured before the plan was implemented remain so."⁶

Tanner notes that the government mandate has proven singularly ineffective. Of the 219,000 enrollees in the program, 133,000 are receiving subsidies. Of these 133,000, more than half bear no expense for

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the coverage. Another 56,000 have been enrolled in Medicaid. Essentially, the impact of the mandate on those not receiving government subventions has been nearly nonexistent — less than 30,000.⁷

But the program's failings go beyond low enrollment. Massachusetts' healthcare system operates under a modified form of community rating that prohibits insurers from considering risk when offering plans. A perfectly healthy individual who abstains from tobacco pays the same premium as a corpulent, chronically ill diabetic who smokes. Because the young and healthy are forced to overpay for coverage — acting, essentially, as subsidizers for older and sicker citizens — they tend to eschew healthcare markets.

Since the Massachusetts mandate has proven ineffective in steering these individuals into the market, a disproportionate number of enrollees have been older and sicker consumers. As a result, healthcare costs are projected to increase by as much as 12 percent the following year — twice the national mean.⁸ The Boston Globe recently reported that to cope with the program's rising costs, a state panel recently voted to “cut payments to doctors and hospitals, reduce choices for patients, and possibly increase how much patients have to pay.”⁹

If states indeed are the “laboratories of democracy,” there may be a lesson to be learned from the failures of states to pass and implement a successful universal healthcare initiative; namely, that policy makers are starting from flawed premises and seek a quixotic goal. Essentially, universal coverage is the holy grail of American healthcare — a mythical, fleeting cure-all, ever just beyond our grasp.

Instead of forcing Iowans to purchase healthcare, or simply shuffling more Iowans into government sponsored coverage, Legislators should address the true problem that plagues citizens: the rapidly rising cost of care. Reducing the number of Iowans that lack health insurance is a goal all Iowans share. But forcing Iowans into a sick healthcare market is not a solution.

Until Legislators can cure Iowa's ailing healthcare market and give consumers a palate of high-quality affordable options, the quest of “universal coverage” will remain a fool's errand.

(Next month, see how this can be done).

Endnotes

- 1) U.S. Census Bureau, “Income, Poverty, and Health Insurance Coverage in the United States: 2005,” August 2006, p. 22, <<http://www.census.gov/prod/2006pubs/p60-231.pdf>> (February 14, 2008).
- 2) Public Policy Center, University of Iowa, Iowa Department of Public Health, and Child Health Specialty Clinics, “The 2000 Child and Family Household and Health Survey,” October 2001, <<http://ppc.uiowa.edu/health/iowachild2000/2001IowaChild.pdf>> (February 21, 2008).
- 3) Iowa Bill, Senate Study Bill 3140 by Committee on Human Resources.
- 4) William C. Symonds, “In Massachusetts, Healthcare for All?” Business Week, April 4, 2006, <http://www.businessweek.com/investor/content/apr2006/pi20060404_152510.htm> (February 17, 2008).
- 5) Mitt Romney, “Healthcare for Everyone? We've Found a Way,” The Wall Street Journal, April 11, 2006, <<http://opinionjournal.com/editorial/feature.html?id=110008213>> (February 14, 2008).
- 6) Michael Tanner, “Lessons from the Fall of RomneyCare,” Cato Policy Report, Vol. XXX No. 1, January/February 2008, pp. 8-9.
- 7) Ibid.
- 8) Ibid.
- 9) Alice Dembner, “Mass. Panel Approves Changes to Subsidized Residents Health Plan,” Boston Globe, December 14, 2007, <http://www.boston.com/news/local/articles/2007/12/14/mass_panel_approves_changes_to_subsidized_residents_health_plan/> (March, 18, 2008).

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