



Universal Coverage, Universal Responsibility
A Roadmap to Make Coverage Affordable for All Americans

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EXECUTIVE SUMMARY

The most promising and politically feasible route to universal coverage, we believe, is to make an adequate level of health insurance mandatory *and* affordable for all individuals, a system that could build on the various structures that already exist. The grand bargain underlying compulsory health insurance should be *universal coverage in exchange for universal responsibility*. Insurance should be required, but in exchange it should also be affordable. By making both the insurance mandate and subsidy *citizen-based*, the nation can achieve universal coverage, expanded choice among private plans, and continuity of coverage and care regardless of employment status. Just as drivers are required to have insurance, the responsibility to avoid imposing the burden of uncompensated health care costs on society must be elevated from a voluntary to a mandatory duty of citizenship.

GOALS OF REFORM

- Universal Coverage and Responsibility
- Expanded Choice, Portability, and Continuity of Coverage
- Affordability Regardless of Job Status
- Improved Incentives for Cost Containment
- Reduced Administrative Burden on Business

FEATURES OF THE SYSTEM

- ***Individual Insurance Mandate:*** The essential starting point for achieving universal coverage is a new social bargain: guaranteed access to adequate *and* affordable coverage in exchange for the personal responsibility to maintain insurance, with a contribution based on ability to pay. Employers and

government would share the responsibility to subsidize and guarantee the affordability of that insurance.

- ***Limit the Mandate to Basic but Adequate Coverage:*** An adequate but basic level of coverage would be required and subsidized for those who cannot afford it. The required benefits package could mirror the benefits required under the Blue Cross Blue Shield Standard Option offered to federal government workers through the Federal Employees Health Benefit Plan (FEHBP).
- ***Shared Financial Responsibility:*** Contributions to the cost of health insurance would be divided among the three current sources of today's private employer-based health insurance system: federal tax subsidies, an employer contribution, and individual payments that would never exceed a modest share of a family's adjusted gross income.
- ***Employer Contribution:*** Employers can either offer coverage to all their employees at least as comprehensive as the required basic level of coverage, or they can make a premium contribution equal to a low and fixed percent of payroll. Because employer-sponsored plans would be eligible to receive the tax credits that would subsidize insurance for low-income individuals and their dependents, low-wage workers would become relatively *less* expensive to cover rather than more.
- ***Tax Credits:*** The difference between the cost of the required level of coverage and the individual's required contribution would be made up by a federal tax credit that would be refundable, advanceable, and calculated on a sliding-scale basis according to income. The premium contributions for the basic

level of coverage would be excluded from taxable income, as employer-paid health benefits are today, but any additional health benefits compensation would be reported as income.

- **Community Insurance Pools:** Each state would receive an initial federal grant to establish and operate one or more Community Insurance Pools that would offer every American a choice among competing private insurance plans. To be eligible to receive tax credits as payment, participating insurers would be required to offer and separately price the nationally mandated benefits package on the basis of guaranteed issue and guaranteed renewability on a community-rated basis.
- **Integrating Medicaid into the Mainstream:** Medicaid would continue to assure affordability and access for the lowest income people by subsidizing premiums and cost-sharing; filling in benefit gaps for some individuals getting coverage through the Community Insurance Pool; serving the special health and long-term needs of people with disabilities and chronic health problems; and coordinating eligibility for benefits across populations and programs.
- **Financing:** While overall health spending by the federal government would increase, the net cost would be reduced by at least three changes: the tax exclusion for employer-paid premiums would be capped at the cost of the mandated benefits package; all employers not providing the minimum level of coverage would be required to contribute a fixed percent of each worker's wage toward the cost of their employees' coverage; and the insurance mandate would raise premium revenue and minimize uncompensated care, spreading the costs of care more evenly among all insured individuals.
- **Incentives for Cost Containment:** The system of mandatory self-insurance proposed here does not anticipate any form of rationing, premium caps, or other mechanisms that would force cost control directly. It does, however, include a number of features that should help to reduce administrative costs, make consumers more cost conscious, increase competition in the small group and individual market, and encourage insurers to place more emphasis on preventive care. Unlike today's system, distinguished by the enormous waste and discontinuity of policy churning, individuals would be able to remain with the plan and doctors of their choice as they move from job to job.

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A more detailed version of this paper is available online at www.newamerica.net or by request to zeldin@newamerica.net.