



Enforcing an Individual Health Insurance Mandate Using the Tax Code Is a Taxpayer Protection Pledge Violation

April 27, 2009

Contact: Ryan Ellis, ATR Tax Policy Director: rellis@atr.org

- 172 Members of Congress and 34 Senators have signed the Taxpayer Protection Pledge to their constituents and the American people. It obliges them to oppose any and all net income tax increases
- Many of these same elected officials have been seeking to craft a Congressional Republican alternative on health care. One of the ideas that has been reported is to require Americans to purchase health insurance (an “individual mandate”). By itself, this proposal is dubious from a liberty perspective, but irrelevant from a tax perspective. It’s a regulatory cost of government, but not a tax
- Any penalty/fine imposed by the government is a tax—an involuntary payment to the government. This penalty/fine/tax has morphed in recent years to take the form of a surtax on Americans in order to finance this individual mandate. Americans would pay the surtax on their 1040s, and have the money available to purchase a health insurance plan offered in a government-sponsored “exchange” or “connector,” much like the Massachusetts model.
- **Because this surtax is a net income tax hike (as evidenced by scores for Senator Wyden’s “Healthy Americans Act”), support for this proposal is inconsistent with the Taxpayer Protection Pledge and a clear Pledge violation. It should be vigorously-opposed by Pledge signers.**
- An individual health insurance mandate is bad public policy for several reasons:
 1. Conservatives should never be forcing Americans to purchase an over-priced, over-regulated product **under threat of a tax hike**
 2. According to the Urban Institute, only 3 percent of all health care spending goes toward uncompensated/uninsured health care—the **“free rider” problem is therefore overstated** by individual mandate supporters
 3. If Congress requires a mandate, they also must define what constitutes “insurance.” This will result in disease groups and others lobbying Congress to mandate that their health care spending be made mandatory
 4. **Forcing Americans to purchase health insurance doesn’t do anything to lower the cost of insurance.** Indeed, with Congress defining what “insurance” is after being lobbied by Washington, DC interest groups, health insurance will very likely get more expensive, not less
 5. As a result of this higher cost of insurance, Congress will feel pressured to enact more top-down, Washington-focused “solutions” like **price controls** (already seen in Mass.) and **“community rating”** (forcing a 25 year old jogger to pay the same premium as a 58 year old chain smoker)
 6. **Republicans have plenty of ideas on how to lower the cost of health insurance,** which is the real issue here (e.g. small business health plans, health tax credits, HSAs, interstate purchase of insurance, etc.)

722 12th Street N.W.

Fourth Floor

Washington, D.C.

20005

T:(202)785-0266

F:(202)785-0261

www.atr.org