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Why would Congress compel young adults to buy health insurance they don't need?

BY AARON YELOWITZ / Saturday, November 7, 2009, 2:45 PM

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Barack Obama won the presidency with 66% of the vote among adults ages 18 to 29 - a larger share than any presidential candidate in decades. So it's ironic that his health plan could impose its greatest hidden taxes on young adults.

Young adults make up just 17% of the population but account for 31% of the uninsured. The legislation before Congress would force young adults to purchase health insurance at prices far higher than the market would charge. The legislation would use that hidden tax to reduce premiums for their parents, who typically have higher incomes.

We can see how the Democrats' legislation would work by comparing premiums in California and New York. Like that legislation, New York requires insurers to charge young adults the same premiums as older adults. California does not.

According to eHealthInsurance.com, the median premium for a 25-year-old in New York is around three times as expensive as in California (\$410 versus \$134 a month). In addition, young adults living in California can choose from nearly 10 times as many health plans.

Since about one-third of young adults already reject health insurance at current prices, even more of them would avoid coverage if Congress drives those prices higher. Congress anticipates that response. Each bill includes an "individual mandate," which would force U.S. residents to purchase health insurance, whether they want it or not, on penalty of fines or imprisonment.

Why would Congress compel young adults to purchase health insurance they don't want to buy, at prices higher than they have already rejected? There are at least four possible reasons.

First, young adults may be unaware that insurance in the individual market is really quite affordable. Yet profit-maximizing private insurers have every incentive to communicate that information.

Second is the legitimate concern that the uninsured impose costs on the rest of us when they need medical care and can't pay their bills. But that cannot justify such a mandate, because those costs are a trivial 2.2% of total health care spending. Indeed, MIT health economist Jonathan Gruber and others find that the uninsured as a group pay more for their care than those with health insurance.

Third, lawmakers may consider it "wrong" that young adults prefer to spend their money on mobile phones and lattes instead of health insurance. Simply put, Congress may believe that young adults are ignorant or stupid - which is reflected in labeling catastrophic plans as "young invincible" plans. (Ironically, many older adults have themselves not purchased life insurance, disability insurance, or long-term care insurance - all key elements of responsible financial planning.)

If lawmakers' only motivation were the belief that young adults are stupid, they

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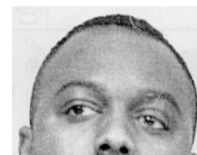
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would simply require young adults to purchase coverage at prevailing prices. Economists Kate Bundorf of [Stanford University](#) and Mark Pauly of the [University of Pennsylvania](#) estimate that one-quarter to three-quarters of the estimated 46 million uninsured Americans could afford coverage if they wanted it. In California, most young adults likely would qualify for and could afford the inexpensive plans on [eHealthInsurance](#), with premiums as low as \$672 per year.

A fourth reason is to redistribute income from young adults to older adults. Forcing young adults to purchase health insurance, and forcing them to pay actuarially unfair premiums, effectively taxes the young to subsidize the old. Never mind that median family income for households headed by someone in his 50s (\$60,000) is nearly double that for households headed by someone in their 20s (\$33,000).

A desire to redistribute income is the only thing that can explain a policy of forcing young adults to pay above-market premiums for health insurance. Gruber estimates that one bill before Congress would charge young adults at least 62% more than those low-cost California plans, even if they qualify for government subsidies. Young adults could end up paying hundreds or thousands of dollars more, many of them for a product they didn't want in the first place.

That would be a curious way for the President to repay some of his biggest supporters.

Yelowitz is an associate professor of economics at the [University of Kentucky](#), an adjunct scholar at the [Cato Institute](#) and the author of the report "ObamaCare: a Bad Deal for Young Adults." "Why would Congress compel people to buy health insurance they don't want?"

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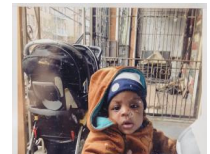
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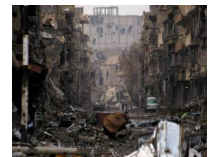
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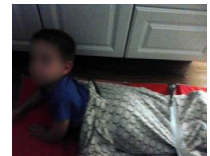
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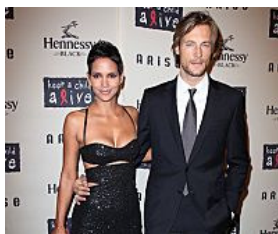
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