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The Moral and Economic Case for Health Insurance

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Mary Brown, a 56-year-old Florida owner of a small auto repair shop was offended by the enactment of the Affordable Care Act of 2010. With backing from the National Federation of Independent Businesses, she filed suit to have the law thrown out as unconstitutional. Mary especially objected to the "individual mandate" that would require every American, starting in 2014, to choose a health insurance plan (and pay for it, although people with low incomes would get extra help to afford a good plan). She claimed that the mandate would be a financial drain on her business and an affront to her individual liberty. Ironically, as her legal challenge progressed through the courts, Mary and her husband ran up high medical bills due to serious illness. After they were forced into bankruptcy, Mary lost the auto repair shop and now survives on $275 a month in unemployment benefits. This real-life story helps us understand why simply leaving health care coverage up to individual decisions does not work well – for individuals, families, communities, or taxpayers.

Why Individual Decisions May Fall Short

In heated political debates about the U.S. government's role in health insurance, many conservatives argue not just that Affordable Care should be repealed, but that existing programs like Medicare should be turned into market-based insurance plans, where individuals "choose" when and where they buy coverage. But it turns out that health insurance does not work like one consumer product among many. Health coverage is not like broccoli or luxury cars.

- Because the risk of ill health is both uncertain and scary, people like Mary Brown do not know how to forecast what they might need or be able to afford. A choice to buy health insurance, or not, might look good at one moment, and look very bad one car accident or grave diagnosis later.

- Free-market theory predicts that consumers will insure against catastrophic medical events and cover lower-cost services themselves. In reality, consumers typically choose policies with low deductibles and co-payments. Research shows that consumers are risk averse, which may lead them to buy policies with low deductibles to ensure ready access to medical care. While for economists this constitutes overpaying for insurance, for health-care consumers such efforts to minimize loss and anxiety satisfy a concern for overall well-being.

- Health insurance markets are not entirely free, anyway. Insurance companies have a lot of information about who may become sick or disabled. They can "cherry pick" customers or charge vulnerable people extra to increase profits. In an unregulated market, insurers accept – or avoid – patients as much as patients choose health plans.

- Doctors and hospitals won't let uninsured sick or injured people go untreated. Most Americans do not want that, and state and national laws require care to be provided. The costs are simply added onto health insurance costs for others, or passed to taxpayers. Costs get imposed on the rest of us in other ways, too. Mary Brown's unemployment benefits, for example, are charged to all workers and businesses; and her community has one less auto repair shop paying taxes on its profits.

Health Insurance Helps People Flourish

An alternative perspective recognizes that good health and secure access to health care are fundamental to a person's ability to work and meet responsibilities to others. Society has a strong stake in every individual and family being able to flourish, so it makes sense to find shared ways to avoid the anxieties and risks that come from ill health or an inability to pay for needed care.

Health insurance supports each person's health and reduces insecurity. But health insurance only works if everyone has it – *before* an emergency happens. Stop-gap or last-minute measures don't work. Rather than leaving it up to each person to decide whether and when to buy insurance, a nationwide approach to universal health insurance ensures continuous coverage for all. Medicare already works this way for the elderly. The Affordable Care Act uses subsidies plus the individual mandate requirement to make sure all families obtain affordable insurance.

The Economic Benefits of Universal Health Insurance

The United States can move toward universal health insurance under the Affordable Care Act. Or our nation could just expand Medicare to cover everyone, not just our grandparents. Either way, universal health insurance will further economic security and opportunity:

- Major illness and disability can hit a family's budget hard, not only to pay for care but also because work-time may be lost. Universal health insurance prevents the risk of economic catastrophe, because everyone contributes during times of health as well as illness. The financial costs are smoothed out and no one person or family faces bankruptcy.

- Universal health insurance boosts the economic security of individuals and communities. Everyone shares the tax burden, and extra costs don't get shifted to unlucky businesses or families. In periods of economic slowdown, health care is still there – and the health industry keeps employing workers and generating income.

- Universal health insurance works by giving extra help not just to people who fall ill, but also to lower-income individuals and to those who unfortunately lose their jobs. It makes society a bit more economically equal – and does even more to assure that every person has an equal opportunity to work and flourish. The entire nation benefits as a result, and so do local communities. Mary Brown's community would be better off if her auto repair shop was still open for business.

Read more in Jennifer Prah Ruger, "Moral Foundations of Health Insurance." *Quarterly Journal of Medicine* 100, no. 1 (2007): 53-57.