

STATEMENT ON GAO REPORT REQUESTED BY SEN. BEN NELSON

The stated objective of federal health insurance reforms is to create a marketplace where everyone, no matter their condition, age or health history, can choose between a variety of health plans without fear of rejection or being priced out of the market. Accomplishing this goal, while preserving a competitive private marketplace, is very difficult.

Unfortunately, if you guarantee access to coverage without a significant penalty for late enrollment there will be those who wait until they need care to buy insurance coverage. This adverse selection would greatly increase premiums and reduce the number of carriers willing and able to compete in the market. This is why the federal law includes an individual mandate. Unless a significant majority of the population participates in the insurance pool the reforms designed to protect consumers will only result in higher premiums and fewer choices.

The question the GAO report seeks to answer is: Are there other alternatives to the individual mandate that will encourage participation and avoid adverse selection? We applaud this much-needed discussion and urge you to go further and ask not just whether there are alternatives, but will any of these alternatives actually work as well as an individual mandate? If not, then the overall goal of health reform would need to be adjusted.

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