

# INTERACT FOR HEALTH

A Catalyst for Health and Wellness

## The New Healthcare Law and You



### What is the Individual Mandate and will it affect me?

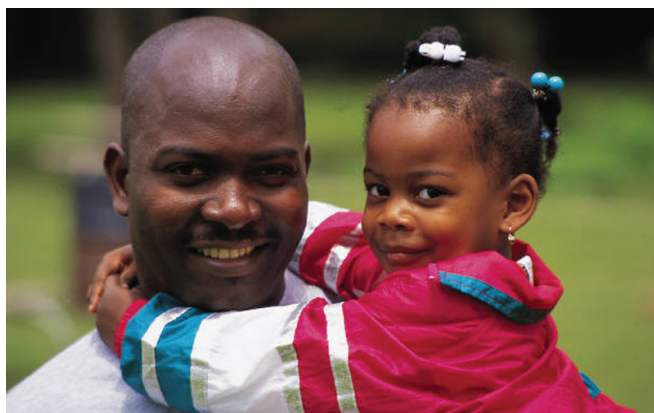
The **Affordable Care Act (ACA)** became law in March 2010. One of its biggest goals is to increase the number of insured Americans by making sure that everyone can get basic affordable health insurance. To do this the ACA created new coverage rules:

- How much you pay in co-pays and deductibles each year is limited.
- Your premiums cannot increase because you are sick.
- You cannot be denied insurance because you are sick.
- Your insurance cannot be canceled if you get sick.
- Insurers cannot put limits on how much they will spend for you on essential health services each year or over your lifetime.

For you, these rules work to lower your costs by limiting how much insurers can make you pay. Insurers will argue that these rules may increase their costs because:

- Insurers can no longer refuse to cover anyone, no matter how much healthcare they use or how much it costs the insurer.
- Insurers can no longer make you pay more in premiums than someone else similar to you because you need more healthcare services.

To balance these increased costs to insurers, the ACA created the “individual mandate.”



#### What is the individual mandate?

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The individual mandate is the rule that almost everyone must have insurance or pay a tax. It begins in 2014.

#### Why is there a mandate?

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The ACA requires that everyone have health insurance so that:

- People don't wait until they get sick to buy insurance
- Sick people are not the only ones who buy insurance when the new law prohibits insurance companies from denying coverage to sick people
- The costs of covering almost everyone are shared by almost everyone, which can drive down the cost of insurance
- New insurance company costs created by the consumer-protection rules and newly insured people are covered by new income
- People have an individual responsibility to cover the cost of their own care

#### Does the mandate apply to me?

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Yes, if you are a U.S. citizen or legal immigrant, unless:

- The cheapest insurance available to you costs more than 8 percent of your income
- You will be uninsured for three months or less
- You fit certain limited religious objections
- You are a member of an Indian tribe
- You are a prisoner
- You would qualify for Medicaid if your state implemented the Medicaid expansion.

## What is the Individual Mandate and will it affect me? (continued)

### How health insurance works now

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Today, most health insurance companies are for-profit, and they charge different amounts to cover different people and groups based on the amount of healthcare services used. An insurance company has to take in enough money to pay for healthcare services used by the people it enrolls as well as its own costs and profits.

Over time, this has led insurance companies not to enroll a lot of sick people, who cost more. The companies have financial incentives to turn down sick people who want insurance, and charge higher premiums to sicker people and groups.

### Does the mandate force me to pay for someone else's healthcare?

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The idea of insurance is to manage financial risk. Each family has a small risk of having a very serious and costly illness or injury. For those who have an illness or injury, the cost can be a disaster. People buy health insurance to pool their risk, making it much less costly and more manageable. This works when everyone is in the pool; it doesn't work when a lot of people are not in the pool.

Health insurance works differently than other types of insurance. Other types of insurance cover accidents and not maintenance. For example, car insurance does not pay for oil changes or new tires. Health insurance, on the other hand, pays for physicals and immunizations. Health

insurance pays for these services because they can prevent disease and reduce long-term costs. People who choose not to buy insurance transfer some of their financial risk to everyone else because unpaid bills are covered by charity, taxes and higher insurance premiums.

### How health insurance changes with the mandate

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The individual mandate changes the rules. Because most people will be covered, insurance companies will not compete by covering the least-costly people. Instead they will compete by getting more patients and by providing quality benefits and services. There will also be quality incentives to make sure they do not compete by cutting the amount or quality of care.

**INTERACT  
FOR HEALTH**

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*a catalyst for health and wellness. We accomplish our mission by promoting healthy living through grants, education and policy. Interact for Health is an independent nonprofit that serves 20 counties in Ohio, Kentucky and Indiana.*



You can ask us questions and find copies of our materials at: <http://reform.interactforhealth.org>.