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## **Fixing Healthcare – Features Interview with Leslie Norwalk – Sound Physicians Board Member**

### **'Young invincibles' imperil health reform**

By Parija Kavilanz, senior writer, April 9, 2010: 4:38 PM ET

NEW YORK (CNNMoney.com) -- One of the biggest risks to the success of health reform, comes not from the sick but from the young and healthy, a former top official in charge of Medicare and Medicaid administration said Friday.

"There are 47 to 50 million uninsured Americans and 14 million of them are young invincibles." These are individuals 30 or younger who can afford insurance but typically choose not to have it, said Leslie Norwalk, the former acting administrator for the Center for Medicare & Medicaid Services.

Young adults are considered to be vital for health reform to work. That's because they're disproportionately uninsured, according to health policy research group The Commonwealth Fund, comprising about 17% of the under-65 population, but nearly 30% of all uninsured Americans.

"The one critical question that I have is 'Will they now sign up [for insurance coverage] or do nothing?'" Norwalk said, speaking at a Hospitalists and Health Care Reform panel discussion at the Society of Hospital Medicine annual meeting in DC.

The legislation mandates that all Americans will have to buy health care insurance or pay a fine. The aim is to prevent people from waiting until they are sick to buy coverage.

Beginning in 2014, the fine will be \$95 for an individual and increases each year until 2016 topping out at \$695 or 2.5% of an individual's annual income. Per family, fines are capped at \$2,250 as of 2016.

But Norwalk fears that the penalties may not be sufficient to convince these younger uninsured Americans to buy year-round coverage, adding that "without these young invincibles, the health care system could be in big trouble."

"How [health] insurance works is that you have a big pool of people. Many are high risk, with serious medical problems. Some are medium risk and several others are healthy," Norwalk said in an interview with CNNMoney.com.



In order for insurers to afford "very expensive" customers in the high risk pool, they need to offset those costs with a fairly large number of healthy customers, she said.

"The healthy customers pay their premiums but don't access the system in any great way," Norwalk said.

Now insurers face more expenses as the law mandates that insurers have to issue policies to riskier consumers, such as those with pre-existing conditions.

"If I am 25 years old and relatively healthy, it might be an economically rational decision for me to pay the \$95 penalty for the year versus the thousands of dollars in premiums," she said.

"But for insurers to pay for more sick people, they also need more healthier people to sign up for coverage," said Norwalk.

And unless insurers are able to keep offsetting their cost to cover high-risk customers with healthy customers, she says premiums for everyone else will rise.

"Getting these young invincibles covered is critical to keep this from happening," she said.

### **Can't afford health care? Wait 'til June**

Other experts took a different view on young invincibles' ability to get insurance.

A fairly large percentage of the young don't have insurance because they can't afford it, said Sara Collins, vice president with The Commonwealth Fund.

"Young adults in lower-income households represent nearly 70 percent of all uninsured young adults," she said.

New measures now provide coverage for these individuals.

Under the legislation, Medicaid coverage is being extended to more low income adults. Many of these young adults will now not have to pay for coverage, Collins said.

In addition, she said other uninsured adults with tight budgets be able to purchase discounted health plans at health exchanges beginning in 2014.

One of the most significant measures kicks in next year.

In 2011, employers will have to provide coverage for their workers' dependents 'till age 26 if they don't have access to other employer-based health care coverage.

Despite these measures, Collins agrees that there will be some consumers who will opt to pay the penalty instead of buying coverage. But she's hopeful it won't be a significant percentage that do that.

There is a stereotype that people between the age of 24 to 29 don't buy insurance. But when you compare the percentage of young invincibles who buy policies through their employers' plans with percentage of older adults who do the same, there's not much difference, she said.