Heavy Lift

Truly Comprehensive Immigration Reform Would Span the Migrant Labor Lifecycle

By Emma Aguila and John Godges
Riding the Rails

IT IS A SCENE plucked out of American history, yet it is still happening today among those coming to America. It is as epic a quest for honorable work and a better life as America has ever witnessed, yet it goes largely unnoticed. It is a stirring display of human spirit and initiative fueled by promise, yet it is just as likely to be perceived as a menace.

Our cover image captures the timeless scene. It is also boundless: The recent photograph of the freight train was taken in Oaxaca, but a comparable one could have been taken in Iowa. The image also goes to the heart of our cover story, which argues that the United States and Mexico should cooperate on labor reform as part of immigration reform.

From 1901 through 1903, an estimated 25,000 “trespassers” were killed on American railroads. One-half to three-quarters of these people were deemed “vagrants”: wandering, homeless wage earners in search of work. One such wanderer was my immigrant great-grandfather, Nicola Di Gregorio, who was killed on the rails in 1902. Three decades later, in the 1930s, massive unemployment, bank failures, foreclosures, and evictions forced 2 million Americans into transience, either on the rails or on the roads.

The journey of the migrants on our cover mirrors those of their predecessors who have ridden the rails in search of work during hard times. Migrants such as these are still arriving in our communities, even working in our homes, yet we often fail to see how quintessentially American they are.

—John Godges

On the Cover: Outside the town of Unión Hidalgo in Oaxaca, southern Mexico, migrants clamber atop a freight train bound for the U.S.-Mexican border on April 29, 2013. AP IMAGES/EDUARDO VERDUGO

Get the Big Picture

RAND Review covers the big issues with an eye for the important details.
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Former bracero Sabino Muñoz Montesino sits in his living room in Irapuato, Mexico.

Former bracero Sabino Muñoz Montesino sits in his living room in Irapuato, Mexico.
Government Testimonies

On Suicide Prevention

“Research has identified three groups at increased risk of dying by suicide. People who have attempted suicide in the past are 40 to 50 times more likely to die by suicide than members of the general population. Those with a mental illness are more than 20 times more likely. Persons who have a substance use disorder or who are heavy users of alcohol and other drugs are also at increased risk.

“Across the United States, there is a relationship between household gun ownership and suicide rates. Thus, reducing individual risk may result not only from mental health services, but from ensuring proper gun access, storage, and handling.”

Rajeev Ramchand, behavioral scientist, in testimony presented before the California State Senate Select Committee on Mental Health, September 24, 2013

“There is a relationship between household gun ownership and suicide rates.”

On North Korean Biological Weapons

“North Korea could use biological weapons against a variety of military and civilian targets in South Korea. Biological weapons would likely be delivered as an aerosol of some kind that would be dispersed and then carried by the wind. Many people downwind of the release location would be exposed unless they wore some form of protection or were physically located in a place that protected them from exposure.

“According to one source, 1 kilogram of anthrax could spread lethal effects over 0.2 to 2.6 square kilometers, depending on wind and weather conditions. The nighttime population density of Seoul averages about 20,000 people per square kilometer, meaning that upward of about 50,000 people could be effectively exposed by 1 kilogram of anthrax.”

Bruce W. Bennett, defense analyst, in testimony presented before the U.S. House Armed Services Subcommittee on Intelligence, Emerging Threats, and Capabilities, October 11, 2013

“Biological weapons would likely be delivered as an aerosol.”

Forty Years amid Peculiar Trees

Believe it or not, the gibberish above is code for a cryptic Edgar Allan Poe clue to the location of buried treasure. In Poe’s 1843 short story, “The Gold-Bug,” William Legrand deciphered the code using symbol frequencies. He first looked for the most frequent symbol and changed it into the most frequent letter of English, then similarly treated the second-most frequent symbol, and so on.

In 1973, former RAND researcher Peter Weiner wrote a seminal computer science paper on how such pattern matching could help create “suffix trees,” which computers have used ever since for text indexing, keyword searching, plagiarism detecting, code testing, and, perhaps most fascinating of all, genome biosequencing. In June 2013, the Combinatorial Pattern Matching symposium in Bad Herrenalb, Germany, celebrated the 40th anniversary of Weiner’s paper with a special seminar at which Weiner spoke.

As for Poe’s code? When Legrand finally deciphered it, the message did not immediately make much more sense than it did before, but at least it was in recognizable English: “A good glass in the bishop’s hostel in the devil’s seat forty-one degrees and thirteen minutes northeast and by north main branch seventh limb east side shoot from the left eye of the death’s-head a bee line from the tree through the shot fifty feet out.” (The code omits spaces and punctuation.)
How Snowden Got It Wrong

“Despite the grumbling from [Edward] Snowden and his admirers, the U.S. government truly does make strenuous efforts not to violate privacy, not just because it respects privacy (which it does), but because it simply doesn’t have the time to read irrelevant emails or listen in on conversations unconnected to possible plots against American civilians. The conspiracy buffs are too busy howling in protest at the thought that their government could uncover how long they spent on the phone with their dear aunt.

“Let me break this to you gently. The government is not interested in your conversations with your aunt, unless, of course, she is a key terrorist leader. More than 100 billion emails were sent every day last year—100 billion, every day. In that vast mass of data lurk a few bits that are of urgent interest and vast terabytes of tedium that are not. Unfortunately, the metadata (the phone numbers, length of contact, and so forth, but not the content of the conversations) that sketch the contours of a call to your family member may fall into the same enormous bucket of information that includes information on the next terrorist threat. As Jeremy Bash, the former chief of staff of the CIA, memorably put it, ‘If you’re looking for a needle in the haystack, you need a haystack.’”

Andrew Liepman, senior RAND analyst, former CIA officer, and former deputy director of the National Counterterrorism Center, in the Los Angeles Times, August 10, 2013

“I argue for a third alternative. Rather than a default with an option to either opt in or opt out, browsers should simply require consumers to choose one or the other without their decision being influenced by the establishment of a default. This type of system is generally called ‘forced choice’ and works in areas like organ donation where neutrality is critical to avoid giving the appearance that one or the other choice is preferable. Online advertisers would then know their advertising, promotions, and free content are only being sent to consumers who want it. And privacy advocates would know that consumers were affirmatively deciding whether or not they want to be tracked by advertisers.”

Steven Isley, doctoral fellow, Pardee RAND Graduate School, in the Orange County Register, October 7, 2013

Alternatives to Drones

“Drones are just one of three principal U.S. counterterrorism tools, and not necessarily the most important. Special Operations forces are now relying on a more balanced mix of tactics: Launching raids and developing partner forces offer more versatility than drone strikes and will probably become the wave of the future as America’s big wars wind down. Raids have several advantages over drones. The targets can be interrogated for further intelligence, laptops and other physical evidence can be scooped up, and perhaps most important, the capture can result in what operators call a ‘judicial finish,’ with the terrorist tried and convicted in a court of law. Quiet partnering gets less attention than drone attacks, but it is the long game that will ensure that U.S. troops can go home and leave behind forces capable of keeping the peace in bad neighborhoods.”

Linda Robinson, policy analyst, in The Washington Post, October 18, 2013

“Launching raids and developing partner forces offer more versatility than drone strikes.”
Springtime for Kurdistan

“KURDISTAN IS EMERGING as ‘the other Iraq,’ a place where progress is marked by the opening of new shopping malls and the pouring of concrete at countless construction sites. While other parts of Iraq remain volatile, Kurdistan is furthering both public and private sector investment. While tensions persist across the region, Kurdistan is pursuing the audacious goal of attracting tourism to its ancient citadel and mountain resorts.

“I believe it is the relative stability and political will to move forward, more than the money, that are the main reasons Kurdistan is advancing faster than other parts of Iraq. One factor is that this majority Kurdish region is not roiled by the Sunni-Shiite conflict found in other parts of Iraq. Another is that Kurdish factional conflict was largely resolved in the 1990s, resulting in a cooperative political will to develop the region.”

Shelly Culbertson, research manager at RAND’s office in Doha, Qatar, in U.S. News & World Report, August 9, 2013

“While other parts of Iraq remain volatile, Kurdistan is furthering both public and private sector investment.”

Libya at the Brink

“HISTORY HAS REPEATEDLY SHOWN that after civil wars, if security does not improve, progress on political and economic challenges is nearly impossible. This is exactly what has happened in Libya since their war ended two years ago. Libyans’ hard-won freedom from Qaddafi is slipping away due to the breakdown of efforts to integrate and disarm the hundreds of armed militias that roam the country.

“If steps are not taken to get control of security, there is little hope for Libya’s future. Qaddafi’s fateful warning that Libya would become a ‘Somalia on the Mediterranean’ without him could come true. The investment NATO and its partners made in toppling Qaddafi would have then been almost entirely wasted.”

Christopher S. Chivvis, political scientist and author of the forthcoming Toppling Qaddafi, in The Christian Science Monitor, October 11, 2013

“If steps are not taken to get control of security, there is little hope for Libya’s future.”
Somali Pirates

“FOR SOMALI YOUTH—some as young as 16—the pirate life offers an enticing escape from the grinding poverty and cyclical unemployment that have long gripped this part of the world. That it comes with ever-increasing risks hardly matters to young men who are coming of age at a time when legitimate opportunities are virtually unknown. Until these internal conditions change, the prospect of armed attacks occurring in the Gulf of Aden will remain real—continuing to undermine security in one of the world’s most important commercial maritime transit corridors.”

Peter Chalk, international policy analyst, in USA Today, October 10, 2013

“The pirate life offers an enticing escape from grinding poverty and cyclical unemployment.”

China’s Quid pro Quo

“In 2001, CHINA SPENT roughly $1.7 billion on foreign aid. By 2011, the annual foreign-aid figure had risen to $189.3 billion. Part of the increase reflects the growth in China’s economy. But this is an increase with a purpose, and China’s foreign-aid programs are as different from aid programs conducted by the U.S. and other Organization for Economic Cooperation and Development countries as East is from West.

“Beijing’s aid is explicitly linked to benefits for China as much as it is to benefits for recipients. The aid is financed by loans, while the U.S. and OECD subscribe to a definition of ‘development aid’ that confines the term solely to grants. Notably, the quid pro quo aspects of China’s aid have a more capitalistic tinge than aid emanating from the capitalist donors. Slightly over 80% of the pledged aid is allocated for development of natural resources and, secondarily, for infrastructure. The tangible benefits for China are through the explicit consignment of production from the resource-development projects for export to China, as specified in the loan agreements that govern the programs.”

Charles Wolf, Jr., distinguished chair in international economics, in The Wall Street Journal, October 9, 2013

“China’s foreign-aid programs are as different from aid programs conducted by the U.S. and other OECD countries as East is from West.”
The Evidence

“The blockbuster report by U.N. weapons experts on the August 21 sarin gas attack in Syria is fascinating for the conclusions it draws—and perhaps even more important for the conclusions it sets up but stops just shy of uttering.

“Here’s one particularly striking fact: Weapons whose aerodynamics resemble those of small garbage cans were sent crashing into an urban terrain made up of mixed hard and soft surfaces, resulting in random impact angles—and there were no duds. The absence of duds might just be dumb luck; but more likely, it indicates that the weapon had an ‘all ways’ acting fuse that worked without regard to impact angle or hardness. Someone had either bought or made a rather sophisticated fuse—not the type of thing someone who was improvising would have been likely to come up with.

“The U.N. report cannot say so, but it is quite clear that the lethality of the munitions used in Syria point directly to an actor with significant capacities and long experience using chemical weaponry and artillery. And that fingers the notoriously abusive Assad regime and its security services, not the outmatched, outgunned, and frantically improvising rebels.”

“Someone had either bought or made a rather sophisticated fuse.”

James T. Quinlivan, operations research analyst, in U.S. News & World Report, September 25, 2013

The Ultimatum

“President Obama could go further and broaden his request to include authority to strike any actor in Syria who uses chemical weapons, including extremist groups and elements associated with the Free Syrian Army. A comprehensive policy that punishes any use of chemical, biological, or radiological weapons would also improve U.S. leverage over the hundreds of disparate Syrian opposition groups. This enhanced scope would demonstrate a broader, global U.S. position against the use of chemical weapons.”

Ben Connable, international policy analyst, and political scientists Jonah Blank and Austin Long, on CNN.com, September 19, 2013

The Morality

“The argument for intervening in Syria now, rather than earlier, is weak. Waiting until chemical weapons were deployed could send the message that intervention is dependent not on the extent of the violence, but on its means. The international community has made a grave error by treating weapons of mass destruction as a different moral instrument, rather than simply a different tactical one. Had the U.S. successfully deterred Assad from using chemical weapons, it would have prevented less than one percent of the deaths in Syria’s civil war thus far.”

“The international community has made a grave error.”

Paul D. Miller, political scientist, on RealClearDefense.com, September 10, 2013
"Peace Is Not in the Cards"

The Russians

“That the United States and Russia came together on Syria’s chemical weaponry is not a sign of a sea change in relations or a victory for one party over the other. It is, however, something of a testament to diplomacy on both sides. Russia and the United States came to the table with very different goals. Russia wanted to avert U.S. and French military action; the United States wanted to send a clear signal to Syrian President Bashar al-Assad that chemical warfare is unacceptable. U.S. and Russian diplomats found an overlap, at least in the near term, by forging an agreement that forestalls U.S. use of force if Syria gives up its chemical weapons capability.

“But the bottom line is clear: On Syria as on other issues, Russia and the United States will work together when both have something to gain from doing so, and they will oppose one another when they disagree. While the deals they strike may be in everyone’s best interests, it is wise to remember that no one is doing anyone any favors.”

“No one is doing anyone any favors.”

Olga Oliker, associate director, International Security and Defense Policy Center, on The RAND Blog, September 23, 2013

The Spillover

“Peace is not in the cards. The conflict has become existential for all of the parties concerned inside Syria. The most likely scenario in Syria is a continuing armed conflict lasting many years. Two major concerns. One is that the conflict, as it already seems to be doing, will engulf Jordan, will engulf Lebanon, will increasingly engulf Iraq and indirectly will touch upon Turkey. The other big concern is we’re seeing an unprecedented flow of foreign fighters going to Syria, many from Europe. Those foreign fighters will gain experience, combat skills. They have no interest in peace, nowhere to go after except possibly back home to create terrorist campaigns back where they came from.”

“The most likely scenario in Syria is a continuing armed conflict lasting many years.”

Brian Michael Jenkins, RAND terrorism expert, discussing the unrest in Syria and Egypt with U.S. congressional staff in a “Call with the Experts,” August 22, 2013

Smoke rises across Aleppo, Syria, in October 2012.

UGURHAN BETXE/ISTOCK
Serving Time or Wasting Time?

Correctional education programs improve job prospects, reduce recidivism, and save taxpayer dollars.

In the largest-ever meta-analysis of U.S. correctional educational programs, RAND researchers found compelling evidence that the prison-based programs not only work but also are cost-effective. Correctional education will likely face near-term budget cuts in many states, but its high return on investment should remain a high priority in future state budgets.

The bad news

Of the more than 700,000 people that U.S. prisons release each year, 40% of those released inmates end up back in prison within three years.

Part of the problem

Prisoners say they need education and job training to reintegrate into society. They’re right:

68% of inmates in state prisons lack a high school diploma.

The encouraging news

Most state correctional institutions offer primary, secondary, vocational, special, or college education programs.

84% of state correctional institutions offer some type of education or training.
What about the money?

The cost of correctional education programs per participant is $1,400–$1,744. Nearly a third of participants still recidivate. But the average savings per participant from reduced reincarceration rates is $8,700–$9,700 over three years. Even assuming the highest average cost ($1,744) and the lowest average savings ($8,700), the three-year return on investment for taxpayers is nearly 400%, or $5 saved for every $1 spent.


EUROPEAN ARMIES APPROACH AUSTERITY IN INSTRUCTIVE WAYS

By Michael Shurkin
At a time when some in the United States have been calling for greater military burden-sharing on the part of NATO allies, three of the most capable forces in NATO—the British, French, and German armies—are making themselves less capable of shouldering security burdens by accepting budget cuts that make them smaller, less ready, and less able to sustain forces abroad. ➤
THE EUROPEANS ARE WELL IN ADVANCE OF THE AMERICANS IN WEIGHING COMPETING PRIORITIES IN LIGHT OF WHAT THEY ASSESS TO BE THE FUTURE FACE OF WAR.

These armies likely will require more assistance from the U.S. military, not less, and there is a growing need—particularly in light of looming cuts to the U.S. Army’s own budget—to track what the Europeans can and cannot do.

Just as important for U.S. and NATO planners is to appreciate how the British, French, and German armies are deciding what to cut and what to invest in as they strive to prepare for their expected roles in future conflicts. The Europeans, in effect, are well in advance of the Americans in weighing competing priorities in light of what they assess to be the future face of war, making their judgments useful points of reference for U.S. and NATO planners grappling with their own cuts. In addition, qualitative differences related to culture, military doctrine, and politics distinguish the allies arguably more than do their objective differences (in force structure, equipment, and manning levels). Such considerations of culture, military doctrine, and politics may also be more relevant with respect to what America can expect from its allies.

What They Can and Cannot Do

Among the three European forces, the British Army is in the worst state due to the strain of its deployments to Afghanistan and Iraq, which contributed to the derailment of its modernization efforts, in particular its plans to replace much of its aging armored fleet with a new generation of “medium-weight” vehicles. Those vehicles were intended to incorporate networked warfare technologies associated with the U.S. Army’s Future Combat Systems program and the so-called transformation in military technology.

The British Army has three competing priorities. First, it wants to rebuild a force that had become overly tailored for the specific requirements of Afghanistan and make it once again a general-purpose force capable of the full spectrum of operations, from disaster relief to high-intensity conventional warfare. Second, it wants to put modernization back on track. But third, it must also absorb deep cuts. The British strategy, announced in 2012 in a document entitled Army 2020, is to shrink the force by 20 percent and to embrace specialization (with some troops trained for combat while others are trained for stability operations) as well as tiered readiness (graduated levels of readiness among the troops).

As a result, the British Army will have no more than three armored brigades (compared with six that currently constitute the “ready” force) plus one air assault brigade, constituting a rump conventional army. Beyond that, the British will maintain seven light brigades designated for garrison duty (as in the Falklands) and for stability operations. The light brigades, however, are intended to draw 30 percent of their strength from the reserve component, which does not in fact exist in a manner capable of meeting that requirement. Sustaining as much as a single brigade abroad will soon be a real challenge for Britain, which is effectively renouncing its capacity for autonomous, unilateral campaigns.

One bright spot: The British Army has adopted a rotational equipping strategy known as Whole Fleet Management (WFM) as a means of significantly cutting the costs of maintaining its vehicle fleet while lowering the overall size of the fleet required, meaning the army can get away with buying fewer new vehicles than might otherwise be the case. In a nutshell, WFM means that vehicles are pooled and centrally maintained and managed rather than held and maintained by individual army units, resulting in numerous efficiencies. Vehicles are assigned to units on an as-needed basis, whether for training or deployments. Anecdotal evidence suggests that WFM works: It saves money without degrading readiness or capabilities; if anything, it may enhance both.

France, too, has adopted a rotational equipping strategy, which is known by its French acronym, PEGP. Like WFM, PEGP appears to deliver substantial savings while possibly enhancing capabilities and readiness. Germany, too, is adopting its own version, known in German as DvM, but has not yet begun to implement it.

The French Army, heretofore relatively unaffected by cuts or the cost of the Afghanistan mission, has retained the fullest capabilities and currently should be regarded as Western Europe’s largest and most capable force. It also aspires to remain at least as active and capable as it has been in recent years. This might not last: France’s new five-year defense strategy, the Livre Blanc, which was published in April, calls for cuts in force size and a move toward specialization that may push the French Army along the same path as the British. The precise details of what will be done, however, have yet to be worked out.

In the French Army’s favor is the fact that it has charged ahead with modernization and is already fielding in combat a new generation of medium-weight, high-tech vehicles as well as suites of Future Combat Systems—like
personnel gear worn by dismounted infantry. The burden of financing modernization is therefore much lighter than it is for the British.

Moreover, the French Army’s deployment to Mali has underscored the value of its current capabilities and looms large over the Livre Blanc, which was first written in 2012 but had to be rewritten in light of the intervention, which began in early January 2013. Although the original 2012 text has not been released, most agree that it called for much larger cuts than the version published in April. Indeed, the April Livre Blanc strikes a surprisingly strident tone in its call to preserve current military capabilities, including the capacity for autonomous action, and it even suggests that France might have to play a greater role in some parts of the world in light of America’s “pivot” to the Pacific and its anticipated greater selectivity with regard to when and where it intervenes. French analysts nonetheless regard the April Livre Blanc as a fundamentally unworkable bid to have it both ways. Eventually, something will have to give.

The German Army faces deep cuts at the same time that it is in the midst of transitioning to an all-volunteer force geared toward expeditionary warfare, all of which may result in a hollow force, at least in the short term. On paper, the German Army is on track to become a force that resembles the French Army in terms of composition and equipment. Like France, Germany is already fielding new, state-of-the-art, medium-weight armored vehicles and a suite of wearable communications, networking, and sensor gear. It is retaining some heavy elements—roughly as many battle tanks as the French, for example—and is similarly committed to retaining con-
led the Europeans to gamble that medium-weight forces, using their new vehicles and enhanced technology, will strike the “sweet spot” of being heavy enough to handle Hezbollah-like threats but light enough to be versatile and deployable. Technology, the Europeans are hoping, will help compensate for their reduced numbers of troops.

French military theorists, chief among them retired General Vincent Desportes and retired Colonel Michel Goya, draw an additional lesson from the Lebanon War. They criticize what they see as Israel’s (and America’s) over-reliance on technology and precision standoff weapons. Future conflicts, these theorists argue, will still require seizing and controlling territory. Therefore, boots on the ground, especially infantry, remain all-important. In this view, technology can enhance ground units but not substitute for them.

In Afghanistan, the allies found a “hotter” fight than they expected. They rose to the occasion, albeit with different views of the experience. For the British, the problem was not the violence so much as the expense of bringing to bear the necessary capabilities and sustaining them. The British are leaving Afghanistan convinced that they cannot afford such an intervention again, neither at the same scale nor for the same duration.

In contrast, the French Army regards the experience in Afghanistan as salubrious for the force and is leaving more ready and willing than when it arrived, notwithstanding deep misgivings about the Afghan mission itself. Part of the reason for the French standpoint is the Sarobi Massacre of 2008, when the Taliban ambushed French paratroopers, killing 10 and wounding 21. The French Army concluded that its force had gone soft and needed to be better prepared for high-intensity fighting, resulting in a revamped “back-to-basics” training program and other reforms that have, the French believe, honed their edge.

The French view the performance of their troops in Mali—a large portion of whom were general-purpose forces as opposed to specialized, relatively elite airborne troops or Foreign Legionnaires—as validation of the merits of their enhanced training. Mali is also evidence of France’s willingness to step once more into the breach, and to do so without knowing whether any of its allies will help. The French military freely acknowledges the valuable assistance it received from its allies, including the United States; however, the evidence strongly suggests that France would have carried on without it.
also demonstrates the French military’s belief in the primacy of ground operations and of infantry in particular.

For the Germans, the Afghanistan experience was particularly challenging, but not for the same reasons as the British (economic) or the French (preparedness). For the Germans, the reasons were distinctively cultural. Every upgrade in the German Army’s fighting ability in Afghanistan, every slackening of the diplomatic caveats or the rules of engagement and other policy restrictions that bound the German contingent’s hands, was an occasion for public and parliamentary controversy. The German Army’s role in Afghanistan is therefore unlikely to be repeated any time, or anywhere, soon.

Together, the experiences in Lebanon and Afghanistan mean that although the three European armies resemble each other in important ways—they are betting on a medium-weight “sweet spot,” on high technology, and on not having to sustain more than a single deployed brigade of roughly 5,000 troops—there are striking differences as well. The British and, above all, the French are striving to maintain capabilities that truly span the full spectrum of operations, including high-intensity conventional warfare. The French even insist on being able to take on a peer competitor and are retaining their two heavy brigades in part to be able to handle that task. The Germans, in contrast, appear to be sliding toward the lower end of the conflict spectrum, notwithstanding the heavy elements remaining in their force, just as they appear to have little stomach for conflict, notwithstanding a defense policy that emphasizes greater participation in multinational security operations.

It remains to be seen how Britain and France will manage what is likely to be a growing disconnect between their foreign policy ambitions and their military means. It also remains to be revealed on precisely what terms Germany will be willing to fight. And it remains for the United States and the rest of NATO to determine whether they will adjust their own budgets and plans based on the assessments, choices, and examples of the British, French, and Germans.

Related Reading


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Heavy Lift

Truly Comprehensive Immigration Reform Would Span the Migrant Labor Lifecycle

By Emma Aguila and John Godges
Work is the engine that propels migration from Mexico to the United States. For both countries, therefore, the rightful focus of immigration policy related to their common border is managing the flows of workers who cross it. While competing priorities have prevented the U.S. Congress from enacting comprehensive immigration reform legislation over the past several years, the core challenge at the U.S.-Mexican border has remained the same as ever: to balance the supply of workers with the demand for workers, neither of which stops at the border, regardless of border enforcement.

What the United States and Mexico ultimately need goes beyond immigration reform. What they need is a binational effort at labor reform. The scope of this effort should span the entire lifecycle of migrant labor, from the root causes that drive Mexican workers northward to the retirements of those workers either in Mexico or in the United States.
To manage the front end of the migrant labor lifecycle, the United States and Mexico should initiate a joint effort to establish a binational organization, commission, or agency that would collect and share information about the work histories, employment and unemployment periods, and social security contributions of migrants in both countries. Making this information transparent to people in both countries would increase mutual understanding of migrant labor trends and of worker incentives that could alleviate the pressures to emigrate. Such an organization would also produce homogeneous and compatible monitoring and data systems that officials in both countries could use to support current and future immigration policies.

To manage the back end of the migrant labor lifecycle, the United States and Mexico should institute a bilateral social security agreement, which would make the social security contributions of legal workers portable between the two countries. Currently, the social security systems of both countries disregard the worker contributions paid into the system of the other country. As a result, Mexicans who work outside Mexico have a higher risk than nonmigrants of not meeting the minimum eligibility requirements for Mexican social security benefits upon retirement in Mexico.

The United States and Mexico already have bilateral social security agreements with several countries, but not with each other. Such an agreement, which would exclude undocumented migrants, would give legal migrants the potential of receiving retirement benefits that are comparable to those of nonmigrants in Mexico, thus giving legal migrants more flexibility to return to Mexico for job opportunities there or for family reasons. The flexible labor environment resulting from such an agreement could provide incentives for legal migrants to return home instead of staying longer in the United States in order to become eligible for U.S. social security benefits.

**Immigration Drivers**

Economic factors drive Mexican migration to the United States. The immigrant flows usually increase during periods of U.S. economic expansion and decrease during periods of U.S. economic contraction. There is a high correlation between swings in U.S. gross domestic product and fluctuations in Mexican immigrant flows, particularly since 2000 (see Figure 1).

The immigrant flows are also fueled by large wage differentials between the countries. A Mexican between ages 23 and 27 with ten years of education is likely to earn almost four times as much in the United States as in Mexico. A Mexican of that age with only four years of education can expect to earn nearly six times as much in the United States.

Economic problems in Mexico—such as crop failure, high unemployment, the country’s debt crisis in 1982, and its exchange-rate collapse in 1994—also contribute to migration. Finally, U.S. employers often seek additional low-wage Mexican workers through the family and other social connections of current immigrant employees.

Over the past century, the United States has held changing attitudes toward Mexican immigration and enacted shifting policies as a result. At different times, U.S. immigration policies have been prompted by the demand among industrialists and farmers for cheap labor.
labor, by the concerns among some U.S. citizens about immigration posing a threat to the American way of life, or by both of these contradictory pressures.

Twice in its modern history, the United States has formally welcomed Mexican workers through migration programs. The first time came in response to World War I: Between 1917 and 1921, there was a program allowing contract workers to enter from Mexico and exempting them from the literacy tests that applied to most immigrants from other countries. The second time came in response to World War II, with the so-called Bracero Program, which was the result of a bilateral treaty for the temporary employment of Mexican farmworkers. Originally envisioned as a wartime measure, this program was continuously extended to meet the growing demand for agricultural workers and ended up running from 1942 to 1964, allowing for the temporary migration of nearly 5 million Mexicans.

In 1965, the U.S. government made its first effort to limit the number of Latin American immigrants by amending the Immigration and Nationality Act. The Mexican government tried through the early 1970s to extend the Bracero Program, but Mexican policymakers eventually grew comfortable with the large flow of undocumented migration that resulted from the 1965 changes in U.S. law.

In the early 2000s, Mexican President Vicente Fox pursued an ambitious bilateral migration agreement with the United States, including a new guest-worker program. However, this goal became unattainable after the terrorist attacks of 2001, which shifted the focus of U.S. foreign policy toward national security. All negotiations stalled, and opportunities to pursue bilateral policies were effectively closed.

**Binational Immigration Agency**

It is time to reopen the doors of cooperation. A binational immigration organization might seem to arise from a futuristic view of U.S.-Mexican relations, but it could fulfill the needs of both nations. Since the terrorist attacks of 2001, the United States has deepened its commitment to border security and to preventing the illegal entry of people and goods. Mexico, for its part, needs to ensure the continued functioning of the legal binational labor market for purposes of domestic economic growth and stability from remittances (money transfers from Mexicans living abroad). Developing a binational organization committed to border security and the legal labor force would serve the interests of both countries.

**Developing a binational organization committed to border security and the legal labor force would serve the interests of both countries.**
Such an organization would not just monitor the flow of migrant workers overall but would compile detailed data on each individual migrant’s work history, employers, qualifications, occupations, employment and unemployment periods, family characteristics, and contributions to the social security systems of both countries. These data would be useful for strengthening border security, adding transparency to the legal labor market, and implementing a bilateral social security agreement. With respect to transparency, the data could be used to inform the migration reform debate in both countries, building awareness of the conditions in the United States that “pull” recurrent influxes of immigrants while highlighting the conditions in Mexico—particularly its regional disparities and socioeconomic circumstances—that “push” people to migrate.

Greater understanding will produce better policies and programs. For example, a program that promotes employment in underdeveloped areas of Mexico would further a goal of keeping citizens in their places of origin. A proportion of the population will still migrate to the United States because of social networks or cultural traditions engendering the desire to move north. However, a thorough analysis of which types of migrants are likely to stay in their places of origin, if opportunities allow, would help policymakers design incentives.

The motives for Mexican migration vary depending on the personal circumstances of potential migrants, the extent of insufficient development and infrastructure, and the regional disparities in everything from business competitiveness and tax collections to the quality of schools and health care services. These variations make it important to craft different policies that can target a heterogeneous population.

The stereotypical perception of Mexican immigrants is that they come from the lowest rungs of Mexican society. In fact, Mexican immigrants in the United States are more likely to have completed eight to nine years of education than those remaining in Mexico, and less likely to have completed either fewer years of education or college. In other words, the least educated and the most educated are less likely to migrate to the United States.

Geographically, most migrants come not from the most-disadvantaged areas of Mexico but from those with low or medium poverty levels (see Figure 2). The traditional migrant-sending regions of central and western

Figure 2—Most Mexican Migrants Have Come from Areas of Relatively Low Poverty

![Map of Mexico showing migration distribution](http://example.com/mexico_migration_map)

**Poverty index**
- N/A
- Very low
- Low
- Medium
- High
- Very high

**Migrants, year 2000**
- 1–500
- 500–1,000
- 1,000–5,000
- 5,000–10,000
- 10,000+

Mexico, which have relatively low poverty levels, continue to account for a large, albeit shrinking, proportion of total migration to the United States. International migration is costly, after all, and those in poverty might be unable to afford the trip.

Recently, the migrant-sending regions have begun to spread throughout Mexico, and so the flow of migrants might increasingly come from lower-income areas and those with lower education and skill levels than in previous decades. It would be helpful for policymakers on both sides of the border to track these kinds of demographic, geographic, educational, and socioeconomic trends among migrants—and use the data to craft innovative policies not only for immigration and labor but also for education, infrastructure, and economic growth.

**Bilateral Social Security**

Long-term Mexican migrant workers who were born before 1951 have accumulated, on average, 10 percent more net household wealth than their nonmigrant peers. Working in the United States, however, may also nullify a worker’s eligibility for public retirement benefits or restrict their amount. In both the United States and Mexico, access to public retirement benefits requires that workers pay into the country’s social security system for a minimum number of years. In the United States, the minimum is 10 years. Within the Mexican Social Security Institute, which is designed for private-sector workers, the minimum is currently 25 years. Each country’s system also bases the calculation of an individual’s benefit amount on the contributions made by that person in only that country.

To make social security contributions portable between countries, many countries have instituted bilateral social security agreements, also called “totalization” agreements. Since 1978, the United States has entered into such agreements with 19 European countries, Canada, South Korea, Chile, Australia, and Japan. Mexico has made similar agreements with Italy, Argentina, Spain, and Canada. In June 2004, an agreement between the United States and Mexico to coordinate social security benefits was drafted, but it has yet to be reviewed by the U.S. Congress and subsequently approved by the Mexican Senate.

Of particular interest to U.S. multinational companies, a totalization agreement would eliminate the dual

*Former bracero farmworkers, who labored in the United States between 1942 and 1964, gather for a news conference in Mexico City in 2005. They criticized a Mexican government plan to partially compensate them for payroll deductions taken for pension plans they never received, saying they feared the plan would offer them a pittance.*
Ineligibility for pension benefits could prevent some migrants from leaving their work in the United States and returning to Mexico in their later years.

taxation of employees, who may be required to pay social security contributions to their country of origin as well as to the other country in which they are working, both from the same earnings. A totalization agreement would thus enhance the profitability of multinational companies by reducing their costs of doing business abroad.

Of key interest to migrant laborers, a totalization agreement would allow legal workers who have employment histories in two countries, but who have not worked long enough in either country to qualify for pension benefits, to combine work credits from both countries in order to be eligible for benefits. Under a standard agreement, a legal worker who gains eligibility in this way would qualify for partial U.S. or Mexican benefits or both, based on the proportion of the worker’s total career in the paying country or countries.

Without such an agreement between the United States and Mexico, return migrants are less likely to qualify for social security benefits upon return to Mexico and could be more vulnerable to poverty in old age. Only about 35 percent of long-term return migrants who are 70 or older qualify for Mexican social security benefits, compared with about half of nonmigrants of the same age. Such ineligibility for pension benefits could prevent some migrants from leaving their work in the United States and returning to Mexico in their later years.

Those who do return are more likely to keep working. Although work among men older than 70 is common in Mexico, it is more likely for return migrants than for nonmigrants: 44 percent of return migrants who are 70 or older work full-time or part-time, compared with 37 percent of nonmigrants of that age. This could indicate that individuals with truncated labor histories in the United States and Mexico have to work up to older ages because they do not qualify for U.S. or Mexican social security benefits. Return migrants are also less likely than

Return Migrants: Don’t Call Them Salmon

One theory for explaining the “Hispanic health paradox”—in which Hispanics in the United States are healthier than might be expected from their socioeconomic status—posits that some Mexicans in the United States return to Mexico due to poor health, leaving a fitter pool of brethren behind. This theory is known as the “salmon-bias” hypothesis.

It doesn’t hold water. By some measures, in fact, older Mexican migrants in poorer health stay in the United States, whereas those in better health return to Mexico.

The salmon-bias hypothesis holds only for select health outcomes. Among return migrants who are at least 50 years old, men and women are about four and six times more likely, respectively, to have lung disease compared with their remaining counterparts. The returning men are also more than twice as likely as the remaining men to be smokers.

On the other hand, strong statistical evidence indicates that remaining men are more than three times as likely as returning men to have difficulty with activities of daily living (such as dressing, eating, bathing, walking across a room, getting out of bed, or using the toilet). Remaining women are more than seven times as likely as returning women to experience such difficulties—and are twice as likely to be obese. Remaining men also have lower levels of self-reported health. These findings are derived from the 2003 Mexican Health and Aging Study and the 2004 U.S. Health and Retirement Study.

There are no statistically significant results for diabetes, hypertension, stroke, or arthritis. Overall, the results refute the salmon-bias hypothesis. Other explanations for the Hispanic health paradox should be explored. Perhaps, instead, a social protection process is at work among Hispanic communities.

Related Reading

nonmigrants to have access to public health insurance, which accompanies social security benefits in Mexico.

Many legal migrants may extend their working lives in the United States to be able to claim U.S. retirement benefits. The increased labor flexibility provided by a bilateral social security agreement would make it easier for such workers to return to Mexico during their working lives and to reduce their lengths of stay in the United States.

A binational organization that promotes a better understanding of migration flows coupled with a bilateral social security agreement for legal migrant workers would serve as cornerstones for building solid immigration and labor policies that could benefit both the U.S. and Mexican populations. These two initiatives could also inaugurate a longer-term collaboration between the two countries that, as geographic neighbors, must jointly find solutions to promote the well-being of their people.

Related Reading


Emma Aguila, an economist at the RAND Corporation, is director of the RAND Center for Latin American Social Policy.

John Godges, a RAND communications analyst, is editor-in-chief of RAND Review.
Ramifications of Health Reform

Seven Areas Where the Affordable Care Act Will Alter the Health Insurance Landscape

2014 will be an important year for the Patient Protection and Affordable Care Act (ACA)—the sweeping health care reform also known as Obamacare—in the United States. Health insurance exchanges will offer people new ways to buy insurance. Medicaid will expand in many states. And people without “minimum essential coverage” may have to pay a fee, which could grow from 1 percent of income in 2014 to 2.5 percent in 2016.

RAND experts have assessed the outcomes of the ACA in seven areas:

- early benefits for young adults
- projected benefits of Medicaid expansion (and costs of blocking it)
- predicted effects on health insurance premiums
- estimated percentage of people who will remain uninsured
- variable effects of new insurance sources on consumer health spending
- probable consequences of postponing the large-employer mandate
- potential reforms of physician payments under Medicare.
The ACA includes a provision allowing young adults to remain on their parents’ private health insurance plans through age 25. To evaluate the impact of this provision, a recent RAND study compared changes in insurance coverage rates for adults young enough to benefit from the provision with changes in coverage rates for slightly older adults. The study analyzed data on injuries and diseases that nearly always result in emergency room visits, thus addressing the concern that individuals with insurance are more likely to access the health care system. The study found that the ACA provision raised the rate of commercial insurance coverage among the younger adults by 3 percentage points.

That translates to more than 22,000 emergency department visits being covered for the newly insured young adults, shifting $147 million in health care costs to private insurance plans. Without the new ACA regulation, these costs would have been paid by the young people and their families or been written off by hospitals as uncompensated care.

“The change allowing young people to remain on their parents’ medical insurance is protecting young adults and their families from the significant financial risk posed by emergency medical care,” said Andrew Mulcahy, a health policy researcher at RAND. “Hospitals are benefiting, too, because they are treating fewer uninsured young people.”

Mulcahy’s team focused on diagnoses associated with serious or painful injuries and illnesses—such as long-bone fractures, dislocations, and appendicitis—that are highly likely to prompt people to seek emergency care, regardless of insurance status. Adults aged 26 to 31 served as the control group to account for underlying trends in health insurance coverage.

### Related Reading

### The Proportion of Young Adults with Private Insurance Increased Once Dependent Coverage Expanded in 2010

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<table>
<thead>
<tr>
<th>Age Group</th>
<th>Difference in Rates after Expansion of Dependent Coverage (Percentage)</th>
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<tr>
<td>19–25 years of age</td>
<td>4.0</td>
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<tr>
<td>26–31 years of age</td>
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</tbody>
</table>
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The percentage of young adults with commercial insurance increased by 3.1 percentage points after controlling for a smaller increase among slightly older adults.


“Hospitals are benefiting, too, because they are treating fewer uninsured young people.”

—Andrew Mulcahy, health policy researcher
If all states expand Medicaid coverage, as provided by the ACA, they would save $18.1 billion on uncompensated care for uninsured state residents in 2016 alone. Full expansion would mean that 27.4 million people would be newly insured, with 16.2 million newly enrolled in Medicaid. Medicaid expansion would also likely contribute to the creation or retention of thousands of jobs in each state because of increased federal spending.

However, as of October 2013, 22 states had opted out of Medicaid expansion. RAND researchers looked at the implications of opting out for 14 of these states, whose governors were the first to oppose Medicaid expansion. The results: These states would lose $8.4 billion annually in federal Medicaid payments. They would also collectively spend $1 billion more on uncompensated care in 2016 than they would if they expanded Medicaid. An additional 3.6 million residents of those states would be left uninsured, and an additional 19,000 deaths could occur annually across those states.

The 14 states are Alabama, Georgia, Idaho, Iowa, Louisiana, Maine, Mississippi, North Carolina, Oklahoma, Pennsylvania, South Carolina, South Dakota, Texas, and Wisconsin. Iowa and Pennsylvania have since explored an approach to Medicaid expansion that is likely to require a federal waiver for approval.

The federal government will cover 100 percent of the costs of expanding Medicaid from 2014 through 2016, then gradually decrease support to 90 percent by 2020. Even in 2020, the estimated total combined state costs of full Medicaid expansion are $7.8 billion, less than half that year’s total projected state savings of $18.1 billion. “It’s in the best economic interests of states to expand Medicaid under the terms of the federal Affordable Care Act,” said Carter Price, a mathematician at RAND.

Related Reading

The Budgetary Effects of Medicaid Expansion in Pennsylvania: An Expansion on Previous Work, Carter C. Price, Christine Eibner, RR-256/1-RC, 2013, 22 pp., web only: www.rand.org/t/RR256z1


Expanding Medicaid Is the Best Financial Option for States, Carter C. Price, in testimony presented before the House Energy and Commerce Committee, Subcommittee on Health, on June 12, 2013, 5 pp., web only: www.rand.org/t/CT393

Although some reports have suggested that the cost of individual health insurance policies and small group premiums may skyrocket under health reform, a RAND analysis of ten states and of the United States overall predicts that there will be no widespread premium increase in either the individual or small group market.

The cost of individual policies will likely vary from state to state, depending on the age of individuals, whether they smoke, and whether they qualify for federal tax credits to defray the cost of insurance. “But our analysis found no widespread trend toward sharply higher prices in the individual market,” said Christine Eibner, an economist at RAND. Premiums for small groups, defined by the law as businesses with 100 or fewer full-time employees, are expected to remain largely unchanged as well.

Individual premiums in 2016 are likely to remain the same in the United States overall and in five of the ten states studied (Florida, Kansas, Pennsylvania, South Carolina, and Texas). Three states (Minnesota, North Dakota, and Ohio) could face premium increases of up to 43 percent, but those costs may be covered by federal tax credits. Louisiana and New Mexico may face premium declines. The differences stem largely from the proportion of a state’s residents who already have insurance. Minnesota, North Dakota, and Ohio all have low numbers of uninsured residents, meaning that fewer young, healthy people will be brought into the individual insurance markets in those states.

Blocking Medicaid expansion in Florida, Louisiana, and Texas will push health insurance premiums higher in those states. Decisions by these and other states not to expand Medicaid will force an influx of slightly lower-income and less-healthy residents into the individual insurance markets, causing rates in the markets in these states to rise by 8 to 10 percent.

Related Reading
The Affordable Care Act and Health Insurance Markets: Simulating the Effects of Regulation, Christine Eibner, Amado Cordova, Sarah A. Nowak, Carter C. Price, Evan Saltzman, Dulani Woods, RR-189-DHHS, 2013, 75 pp., web only: www.rand.org/t/RR189

“Our analysis found no widespread trend toward sharply higher prices in the individual market.”
—Christine Eibner, economist
Across the United States and in ten states studied, the ACA will likely bring a substantial decline in the number of uninsured nonelderly people. Without the law, an estimated 19.6 percent of the U.S. population would be uninsured in 2016, compared with 8.2 percent with the law, assuming all states expand Medicaid.

Among the ten states studied, the percentage of people likely to remain uninsured in 2016 ranges from a low of 5 percent in Minnesota to a high of 12 percent in Texas. States with larger immigrant populations, such as Florida and Texas, will tend to have more uninsured people. If Florida, Louisiana, and Texas do not expand Medicaid, an estimated 2.3 million additional residents of these three states will remain uninsured. Without Medicaid expansion, the ranks of the uninsured in these three states will rise by 5 to 6 percentage points.

Nationwide, the percentage of people who buy individual insurance policies will more than double, rising from 4.3 percent to 9.5 percent of the nonelderly population by 2016. The ACA will also spur increases in coverage by small businesses of up to 5 percentage points in the country overall and in seven of the ten states studied (Florida, Louisiana, Minnesota, New Mexico, Ohio, South Carolina, and Texas). The three remaining states (Kansas, North Dakota, and Pennsylvania) will experience modest declines in the small group market.

The ACA requires businesses with more than 50 employees to offer health insurance or pay fines. If such businesses convert some workers to part-time status to avoid offering health insurance coverage, enrollment in employer-sponsored coverage could be lower than estimated.

Related Reading
The Affordable Care Act and Health Insurance Markets: Simulating the Effects of Regulation, Christine Eibner, Amado Cordova, Sarah A. Nowak, Carter C. Price, Evan Saltzman, Dulani Woods, RR-189-DHHS, 2013, 75 pp., web only: www.rand.org/t/RR189

There Will Be a Dramatic Decline in the Share of the Nonelderly U.S. Population Without Health Insurance

![Chart showing the percentage of nonelderly uninsured in 2016 with and without ACA across various states.](chart-url)
For Americans who move to new sources of insurance as a result of the ACA, the law will reduce out-of-pocket spending as well as the risk of catastrophic health expenses. But the law’s effects on total health spending, which includes out-of-pocket costs plus insurance premiums, will vary, with some people paying less and others paying more.

The largest reduction in out-of-pocket spending (on copayments, coinsurance, and deductibles) will be for the newly insured who join Medicaid. Their out-of-pocket costs will plummet, on average, from $1,463 to $34 per year. Total health spending will also fall for these individuals, as it will for previously insured people with incomes up to 400 percent of the federal poverty level, because their premiums will be federally subsidized.

Those who are uninsured today and who become newly insured on the individual market will see their total spending rise. Among this group, those with incomes over 400 percent of the federal poverty level will see the biggest average increase in total annual costs, from $5,368 to $7,202. This increase stems largely from the fact that these newly insured people will pay premiums for the first time, and the premiums will not be subsidized. Likewise, total spending will rise, though modestly, for those in this income group who move from pre-ACA individual insurance policies to post-ACA insurance exchanges; this is because the ACA sets minimum benefit levels and maximum caps on financial risk.

Consumers at all income levels and undergoing all insurance transitions will be less likely to incur catastrophic medical costs (in excess of 10 percent of income). Consumers with the lowest incomes will see the greatest reductions in risk. However, individuals with incomes below the federal poverty level who will remain uninsured if states fail to expand Medicaid will incur roughly $2,000 in out-of-pocket spending each year. This amount would fall to less than $100 annually if these states expanded Medicaid.

Related Reading

Effects of the Affordable Care Act on Consumer Health Care Spending and Risk of Catastrophic Health Costs, Sarah A. Nowak, Christine Eibner, David M.adamson, Evan Saltzman, RR-383-CMF, 2013, 60 pp., web only: www.rand.org/t/RR383

Some Who Switch from Individual Insurance Policies to Insurance Exchanges Will Pay Less; Others, More

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Without ACA</th>
<th>With ACA</th>
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<tr>
<td>Income below 138 percent of federal poverty level (300,000 people)</td>
<td>$2,117</td>
<td>$4,682</td>
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<tr>
<td>Income between 138 and 400 percent of federal poverty level (3.6 million people)</td>
<td>$3,523</td>
<td>$4,417</td>
</tr>
<tr>
<td>Income above 400 percent of federal poverty level (4.6 million people)</td>
<td>$4,849</td>
<td>$5,295</td>
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</tbody>
</table>

Total annual health spending for people who move from pre-ACA individual insurance policies to post-ACA insurance exchanges

In July, the Obama administration announced a one-year delay in enforcement—until January 1, 2015—of the ACA’s penalty on large employers that do not offer affordable health insurance coverage. This delay will not significantly hurt the goals of the law, but a full repeal of the penalty would undermine the law’s financial underpinnings.

Under the large-employer mandate, companies with more than 50 workers must offer them affordable health care coverage or pay penalties. This provision affects a relatively small group of firms, because more than 95 percent of large employers already offer health coverage. Because of the one-year delay, about 1,000 fewer companies—a minuscule 0.02 percent of large employers—will offer coverage in 2014. An estimated 300,000 fewer people, or 0.2 percent of the population, will have employer-sponsored insurance in 2014, and nearly all of them will obtain insurance from elsewhere.

The federal government will collect $11 billion less in 2014 in penalties as a result. This amount is small relative to the overall revenue generated under the ACA. But a full repeal of the employer mandate, not merely a one-year delay, would result in the loss of $149 billion in revenue over the next ten years—about 10 percent of the revenue needed to pay for other components of the law. “A one-year delay won’t break the bank, but a permanent repeal would be quite expensive,” said RAND mathematician Carter Price.

Once the mandate is fully enforced, an estimated 0.4 percent of large companies will pay a penalty for not offering health insurance at all, while another 1.1 percent of them will pay a penalty for offering coverage that is unaffordable. Combined, these companies employ about 2.6 percent of the nation’s workforce.

### Related Reading

*Delaying the Employer Mandate: Small Change in the Short Term, Big Cost in the Long Run*, Carter C. Price, Evan Saltzman, RR-411, 2013, 4 pp., web only: [www.rand.org/t/RR411](http://www.rand.org/t/RR411)

### A One-Year Delay in the Employer Mandate Will Have Relatively Few Consequences for Firms and Workers

<table>
<thead>
<tr>
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<th>Outcomes in 2014, with and without Employer Mandate</th>
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<tr>
<td></td>
<td>Employer Mandate Enforced</td>
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<tr>
<td>Large firms not offering insurance</td>
<td>23,000</td>
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<tr>
<td>Percentage of large firms not offering insurance</td>
<td>0.38%</td>
</tr>
<tr>
<td>Workers at large firms not offering insurance</td>
<td>2,300,000</td>
</tr>
<tr>
<td>Percentage of workers at large firms not offering insurance</td>
<td>1.6%</td>
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</tbody>
</table>


“A one-year delay won’t break the bank, but a permanent repeal would be quite expensive.”

—Carter Price, mathematician
The ACA includes a number of “value-based purchasing” provisions that will reform how the Centers for Medicare and Medicaid Services pays physicians under the Medicare program. Starting in 2015, these payments will no longer be based on volume but rather on value, as measured by quality and by resource use (or overuse). Underpinning these reforms will be performance measurements, an infrastructure of reporting, and the calculation of differential payments to physicians based on quality and cost.

Value-based purchasing is a key strategy that the federal government is using to drive improvements in health care by holding providers accountable for their performance. Quality measures are already widely deployed among many primary care physicians. Medicare can leverage these existing measurement activities to quickly move all primary care physicians toward data collection, reporting, feedback, and improvement. Measures of performance are lacking for many clinical specialties, though, and generating these measures will take several years and require a focused development process.

“A central piece of the work over the next five years is the development of measures for each specialty that address important performance gap areas and that target areas that benefit patients in terms of their health and functioning,” said Cheryl Damberg, a health policy researcher at RAND, in testimony presented before the U.S. Congress. “Additionally, addressing areas where care is delivered with little or no value will help seniors—who are exposed to therapies that may actually harm them—and will help ensure the viability of the Medicare program, which must focus on controlling health spending.”

The ACA also calls for testing other value-based purchasing models: accountable care organizations, bundled payments, and patient-centered medical homes. Each model holds providers, who often work in multiple settings, accountable for their performance on cost and quality and pays them differentially based on their results. “This is a sea change from what historically been occurring in the delivery of health care,” said Damberg, “where each physician and hospital has been working independently, without regard to the actions of others, often resulting in duplication of services with little or no value to patients and patients falling through the cracks. These consequences have cost and quality implications for patients, and for the government as the payer.”

Related Reading

Efforts to Reform Physician Payment: Tying Payment to Performance, Cheryl L. Damberg, in testimony presented before the House Energy and Commerce Committee, Subcommittee on Health, on February 14, 2013, 16 pp., web only: www.rand.org/t/CT381

Physician Payment Reform: Designing a Performance-Based Incentive Program, Cheryl L. Damberg, in testimony presented before the House Energy and Commerce Committee, Subcommittee on Health, on June 5, 2013, 18 pp., web only: www.rand.org/t/CT389

Physician Payment Reform: Designing a Performance-Based Incentive Program: Addendum, Cheryl L. Damberg, an addendum to testimony presented before the House Energy and Commerce Committee, Subcommittee on Health, on June 5, 2013, 14 pp., web only: www.rand.org/t/CT389z1

To Eliminate the “Readiness Gap,” Preschool Is Just the Beginning

By Michael D. Rich

Michael D. Rich is president and chief executive officer of the RAND Corporation.

As schoolhouse doors swung open this fall, some kindergarten students were already at a disadvantage, victims of the so-called readiness gap that separates children who have access to early education resources from those who do not. These resources include preschool, written materials in the home, and technology.

Research conducted by RAND and others shows that when children are given educational opportunities during the formative preschool years, they fare better in kindergarten and beyond. Research also shows that because kids from low-income families may lack these early educational opportunities, they are more likely to be impeded by the readiness gap.

Eliminating the gap is a worthy goal, one that has been embraced by successive U.S. presidents, the most recent example being President Barack Obama’s call for high-quality pre-kindergarten education for all American four-year-olds. Though this priority has yet to gain traction on Capitol Hill, it has transcended partisanship at the state level, where policymakers of all political parties have pursued the goal of universal preschool.

The importance of early childhood education is recognized globally, and some countries are close to attaining the goal of universal preschool enrollment for four-year-olds. Unfortunately, the United States is not one of them.

According to a 2012 report from the Paris-based Organisation for Economic Co-operation and Development, 69 percent of American four-year-olds were enrolled in early childhood education programs, either public or private. That put the United States 28th among the 38 countries studied and below the 79-percent average enrollment for four-year-olds across the study. France, the Netherlands, Spain, and Mexico had enrollment rates of 95 percent or higher.

A 1998 RAND report found that early educational interventions can yield benefits in the areas of emotional and cognitive development, educational achievement, economic well-being, and health. Our 2009 study of early childhood education in California confirmed that children from economically disadvantaged households are less ready than their better-off peers to start school and that the gap persists into elementary school. By second and third grade, the readiness gap becomes an achievement gap, as measured by statewide, standardized tests.

But lack of preschool education opportunities is not the only factor contributing to the readiness gap and its disproportionate impact on children from low-income families. Research by Susan B. Neuman at the University of Michigan found, for example, that children from low-income neighborhoods had less access to written materials at home than did their peers in middle-income neighborhoods. New research by Anne Fernald at Stanford University has found a language gap as early as 18 months, owing to the fact that higher-income parents typically speak much more to their children, equipping them with larger vocabularies.

Also at play is a gap in access to technology. According to the U.S. Census, just 47 percent of children ages three through five in families with annual incomes of less than $25,000 have access to computers at home, compared with 90 percent in families with annual incomes of $100,000 or more. This technology gap could contribute to the overall readiness gap.

The significance of this gap in technological literacy sparked interest at Pittsburgh-based PNC Financial Services Group, which has asked RAND to explore the issue and to examine strategies that will improve access to technology for children from low-income families. Among other things, RAND researchers will be looking at how early childhood education can be used to raise technological literacy. Meanwhile, RAND Europe’s work on the online European Platform for Investing in Children will collect and share best practices for helping disadvantaged kids through early childhood education and other efforts.

Research by RAND and others is drawing attention to these issues and driving change. The number of youngsters enrolled in early learning programs in the United States is increasing each year, but kids from low-income households continue to lag.

Study after study shows that early childhood education pays off, yet adequate public commitment to preschool remains elusive. Preschool for four-year-olds should be as common as kindergarten is for five-year-olds.

Preschool for four-year-olds should be as common as kindergarten is for five-year-olds.
RAND experts are working closely with federal and state decisionmakers to solve many of the most difficult problems in implementing the Affordable Care Act, including the preparation of insurance exchanges and the expansion of Medicaid. Underlying our significant impact in this area is the COMPARE microsimulation model, initially developed with generous support from donors to evaluate competing reform proposals. Transformed over time into a powerful implementation aid, COMPARE now allows RAND to produce timely, policy-relevant assessments of a wide range of reform components.

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Art Kraus is a member of the RAND Policy Circle, a community of philanthropic individuals committed to supporting objective research and analysis that lead to smarter decisions and better outcomes. A longtime member of the financial services business community, he has served as president of Pacific Consulting Corporation (a subsidiary of Pacific Mutual) and was cofounder of the AFP Group, which grew to become one of the largest financial planning companies in the U.S. He was later CEO of the National Association of Insurance and Financial Advisors. With his son Mitchell, he founded Capital Intelligence Association, where he serves as chair. Kraus is the recipient of numerous industry awards and honors.

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