

THE IMPACT OF ZEROING OUT THE INDIVIDUAL MANDATE PENALTY

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Tax Bill (Conf. Agreement H.R. 1)

- Reduces penalty for going uninsured to \$0 starting in 2019.
 - ▣ Mandate and penalty still in effect for 2017 and 2018
- CBO: Increases deficit by \$1.45 trillion by 2027
 - ▣ May have implications for other health care legislation and spending moving forward



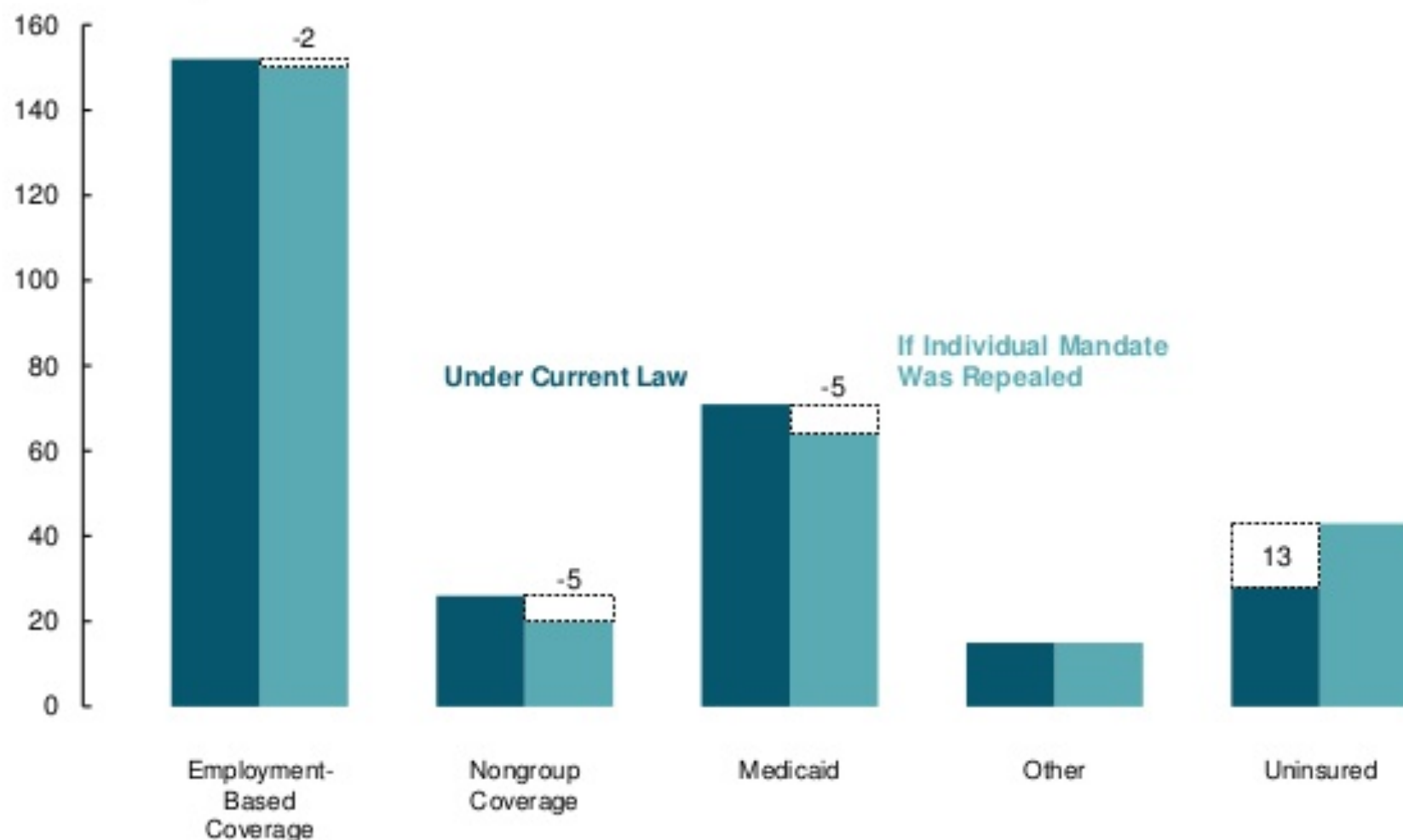
Coverage Impacts

CBO's Analysis

- Repealing that mandate starting in 2019—and making no other changes to current law—would have the following effects:
 - ▣ The number of people with health insurance would decrease by 4 million in 2019 and 13 million in 2027
 - ▣ Average premiums in the nongroup market would increase by about 10 percent in most years of the decade (with no changes in the ages of people purchasing insurance accounted for) relative to baseline.
 - ▣ Nongroup insurance markets would continue to be stable in almost all areas of the country throughout the coming decade.
 - ▣ Federal budget deficits would be reduced by about \$338 billion between 2018 and 2027
- Those effects would occur mainly because **healthier people would be less likely to obtain insurance** and because, especially in the nongroup market, **the resulting increases in premiums would cause more people to not purchase insurance.**

Health Insurance Coverage for People Under Age 65 in 2026, as Estimated in November 2017

Millions of People

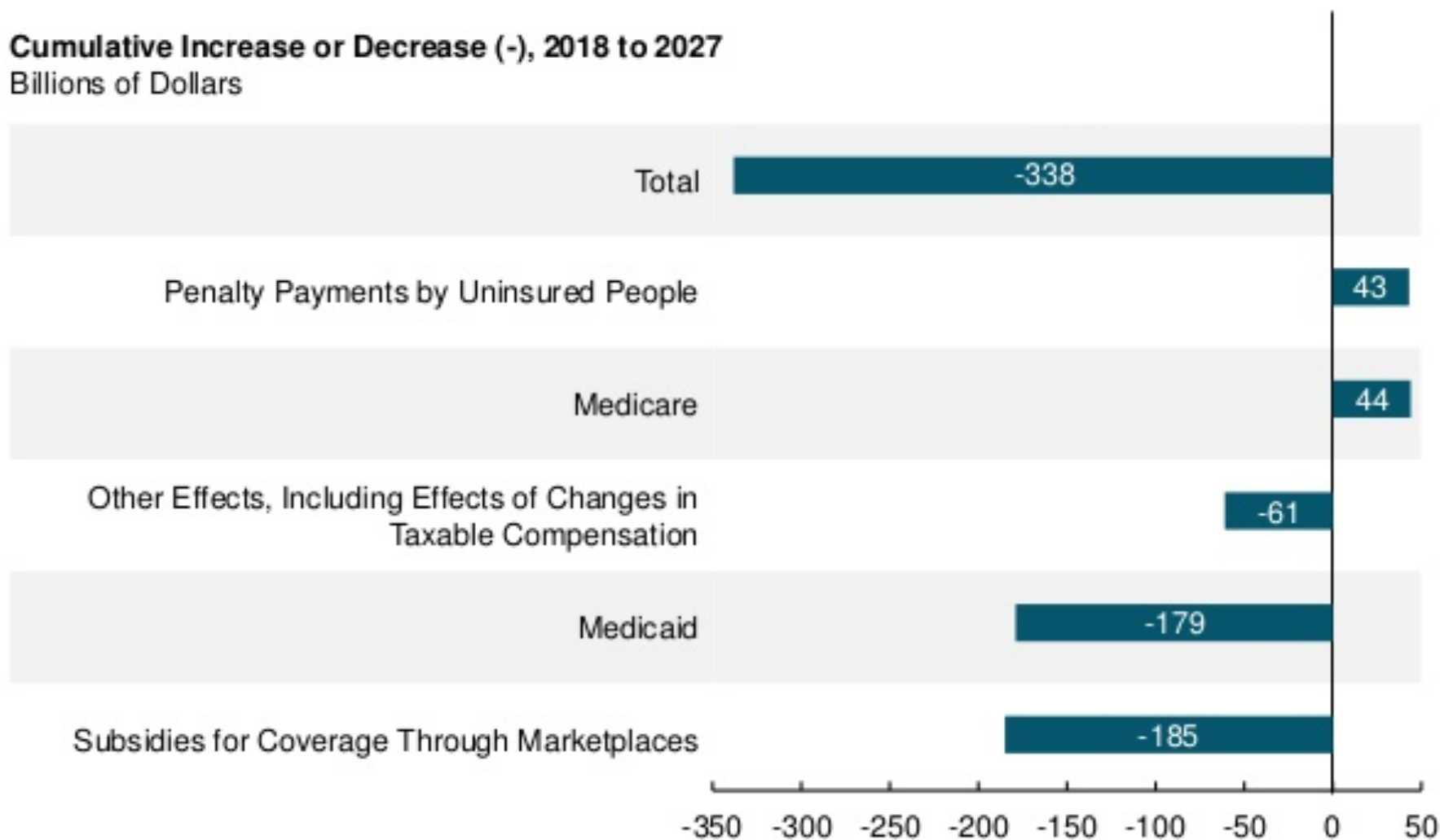


See Congressional Budget Office, *Repealing the Individual Health Insurance Mandate: An Updated Estimate* (November 2017), p. 3, www.cbo.gov/publication/53300. These effects were estimated in relation to CBO's summer 2017 baseline.

Net Effects of Repealing the Individual Mandate on the Budget Deficit, as Estimated in November 2017

Cumulative Increase or Decrease (-), 2018 to 2027

Billions of Dollars

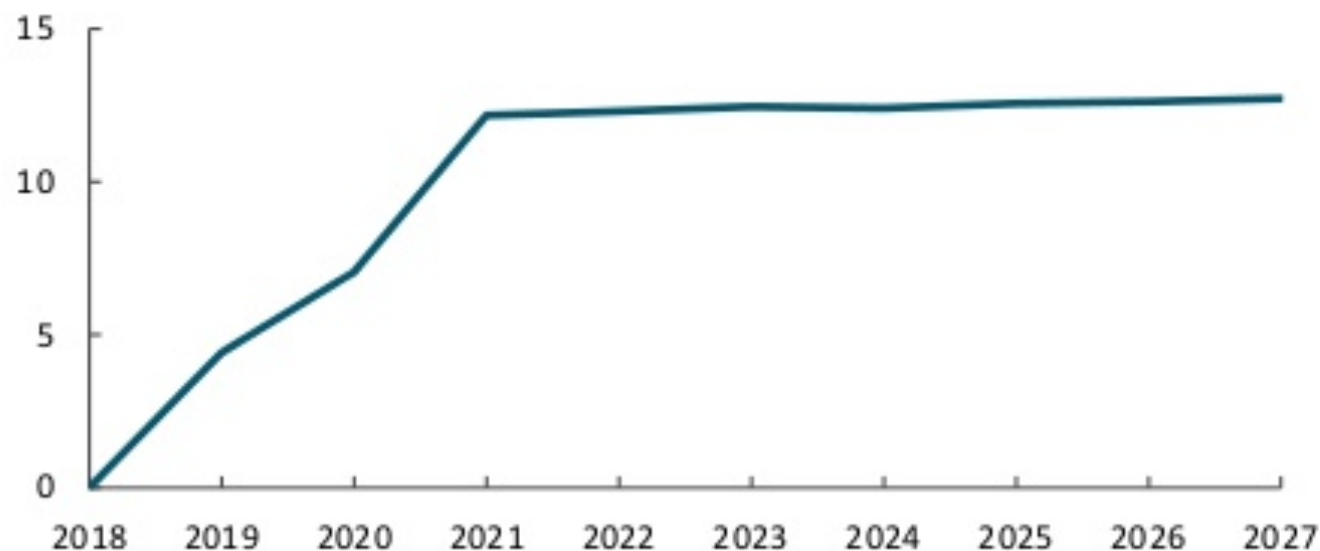


With no individual mandate, Medicaid enrollment—and therefore spending—would be lower for several reasons:

- Some people who are subject to the mandate have enrolled in Medicaid to avoid paying the penalty.
- Some people who are exempt from the penalty have thought that they were not exempt and have enrolled in Medicaid.
- Some people have applied for coverage in the marketplaces because of the mandate and turned out to be eligible for Medicaid.
- Some people have enrolled in Medicaid because of the influence of peers who enrolled in health insurance because of the mandate.

In addition, CBO and JCT incorporated an expectation that individuals' and employers' full reaction to the elimination of the individual mandate would phase in gradually.

Change in Number of Uninsured People Under Repeal of the Individual Mandate
Millions of People, by Calendar Year



See Congressional Budget Office, *Repealing the Individual Health Insurance Mandate: An Updated Estimate* (November 2017), p. 3, www.cbo.gov/publication/53300. These effects were estimated in relation to CBO's summer 2017 baseline.

Sidenote: CHIP Extension got cheaper

- CBO estimate, Jan. 5, 2018: Funding CHIP for five years costs \$800 million, down by \$7.8 million from previous estimate
 - Why?
 - With \$0 mandate penalty, we'll see adverse selection in Marketplaces, causing higher premiums. If CHIP enrollees migrate to Marketplace, expenditures on tax credits therefore more expensive.
- CBO estimate, Jan. 11, 2018: Funding CHIP for ten years saves \$6 billion.

https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/s1827_1.pdf

<https://www.cbo.gov/system/files/115th-congress-2017->

[2018/costestimate/extendingfundingforthechildrenshealthinsuranceprogramfor10years.pdf](https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/extendingfundingforthechildrenshealthinsuranceprogramfor10years.pdf)

Killing Obamacare mandate won't cut number of insured — or budget deficit — as much as predicted, analysis says

- A new S&P report estimates up to 5 million people would become uninsured and the deficit would drop by up to \$80 billion if Obamacare's individual mandate is repealed.
- The Congressional Budget Office estimated 13 million people would become uninsured and the deficit would drop by \$338 billion.
- A Senate bill passed by the finance committee this week would repeal the mandate, which requires most Americans to have health coverage or pay a tax penalty.

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Much Still TBD...

- Surprise: OE5 enrollment high despite reduced efforts by federal administration to market and do outreach, despite half enrollment period, and despite premium increases due to CSR nonpayment by admin.
- Does that suggest demand for health insurance higher than originally thought?

Context Matters

- Proposed rules coming out of Trump administration may open floodgates to different insurance products. (association health plans and short-term limited-duration plans that operate longer than 3 months)
- Will there be two parallel insurance markets for the sick and the healthy?
 - ▣ Community-rated with stronger benefits and protections vs. less comprehensive coverage and health status underwriting.