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Republicans Considering Increasing Number of Uninsured by Millions, Raising Premiums to Help Pay for Tax Cuts

By Aviva Aron-Dine

At President Trump's urging and with the support of some Republican senators, House Republicans are considering adding to their tax bill a provision repealing the Affordable Care Act's individual mandate, the requirement that most people enroll in health insurance coverage or pay a penalty.¹ This means that House Republicans are considering increasing the number of uninsured Americans by 13 million, raising individual market health insurance premiums by 10 percent, and potentially destabilizing the individual market in order to pay for more than \$300 billion in *extra* tax cuts, on top of the \$1.5 trillion in unpaid-for tax cuts already allowed under the congressional Republican budget. Assuming that the savings from repealing the individual mandate would finance tax cuts distributed similarly to those in the recently introduced House tax bill, increasing the number of uninsured would pay for tax cuts averaging about \$35,000 per year for households with incomes over \$1 million.

By pursuing individual mandate repeal as part of their tax plan, House Republicans would be rejecting the alternative, bipartisan path forward proposed by Senators Lamar Alexander and Patty Murray, and returning to their earlier efforts to repeal core parts of the ACA. The Alexander-Murray proposal has the support of two dozen senators of both parties, as well as physicians, hospitals, insurers, patient groups, and experts, because it would reduce premiums and help stabilize the individual market *without* reducing coverage. In contrast, repeal of the individual mandate is opposed by governors of both parties, physicians, hospitals, insurers, patient groups, and experts, because it would raise premiums, destabilize the market, and substantially increase uninsured rates.

Mandate Repeal Would Lead to Coverage Losses and Premium Increases

The ACA's individual mandate is critical to keeping individual market health insurance coverage affordable. Without the mandate, fewer healthy people would sign up for coverage. That would raise average health care costs in the individual market, causing premiums to increase by 10 percent,

¹ Marcy Gordon and Andrew Taylor, "House GOP Weighs Repeal of Health Mandate in Tax Bill," Associated Press, November 6, 2017, https://www.washingtonpost.com/business/house-gop-weighs-repeal-of-health-mandate-in-tax-bill/2017/11/06/f6e41b4e-c2cd-11e7-9922-4151f5ca6168_story.html?utm_term=.fc58de0216fd.

according to new Congressional Budget Office (CBO) estimates.² These premium increases could affect about 7 million mostly middle-income people who purchase ACA-compliant individual market coverage but have incomes too high to qualify for subsidies,³ increasing their premiums by hundreds of dollars per year — and by over \$1,000 for many older people. President Trump and congressional Republicans have attacked the ACA in large part based on the premium increases experienced by some unsubsidized individual market consumers. Eliminating the individual mandate would make this problem significantly worse.

Individual mandate repeal would also lead to large enrollment declines that could make it harder for insurers to forecast their risk pools, and therefore to set premiums appropriately, in the near term. Falling enrollment and increased uncertainty and confusion could lead some insurers to exit the individual market altogether, threatening access to coverage.

Eliminating the mandate would also reduce employee enrollment in employer-sponsored coverage and would make it less likely that healthy people sign up for Medicaid before they get sick, something the Trump Administration recently asserted was one of its objectives for Medicaid waivers.⁴ While most people who are eligible for Medicaid are exempt from the mandate, awareness of the mandate leads some eligible individuals to explore their coverage options and learn that they are Medicaid eligible, which they might otherwise discover only if they became seriously ill.⁵ Signing up for Medicaid then allows them to access preventive and primary care.

In total, CBO estimates that the number of Americans without health insurance would increase by 13 million if the individual mandate were repealed, increasing the non-elderly uninsured rate from about 11 percent to about 16 percent. (This estimate is broadly consistent with prior analyses from

² Congressional Budget Office, “Repealing the Individual Health Insurance Mandate: An Updated Estimate,” November 2017, <https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53300-individualmandate.pdf/>. CBO’s estimates are lower than estimates from some insurers, several of which explained that they increased premiums by about 15 percent this year to account for the possibility that the mandate would not be fully enforced. See, for example, Sarah Kliff, “The Trump administration is making Obamacare more expensive,” Vox, May 8, 2017, <https://www.vox.com/2017/5/8/15563448/trump-insurance-premiums-2018>; “Insurance Commissioner Announces Single-Digit Aggregate 2018 Individual and Small Group Market Rate Requests, Confirming Move Toward Stability Unless Congress or the Trump Administration Act to Disrupt Individual Market,” June 1, 2017, <http://www.media.pa.gov/Pages/Insurance-Details.aspx?newsid=248>; and Ted Griggs, “Health insurance rates set to soar for some in Louisiana, and congressional uncertainty isn’t helping,” *The Advocate*, July 27, 2017, http://www.theadvocate.com/baton_rouge/news/business/article_a659edda-68cc-11e7-ad44-2fc52e48e3f7.html.

³ Kaiser Family Foundation, “Marketplace Open Enrollment in the Trump Era,” October 18, 2017, <https://kaiserfamilyfoundation.files.wordpress.com/2017/10/slide-deck-open-enrollment-web-briefing-10-18-17.pdf>.

⁴ See the Centers for Medicare & Medicaid Services October 17, 2017 letter approving Iowa’s Medicaid waiver, available at <https://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/ia/ia-wellness-plan-ca.pdf>. The letter describes as one of the objectives of the Medicaid program “encouraging beneficiaries to obtain and maintain health coverage, even when healthy.”

⁵ As CBO explained, “The agencies do not expect that, with the penalty eliminated under this legislation, people enrolled in Medicaid would disenroll. However, among people who would become eligible for Medicaid under the legislation or who would need to recertify their eligibility, the proportion of people who enroll in the program would, by CBO and [the Joint Committee on Taxation’s] expectations, be lower — closer to the proportions observed for those groups prior to the institution of the penalty.” Congressional Budget Office, “Better Care Reconciliation Act of 2017,” June 26, 2017, <https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/52849-hr1628senate.pdf>.

RAND and the Urban Institute.⁶) While CBO's most recent estimates assume that the individual mandate would not be repealed until 2019, earlier Republican proposals repealed the individual mandate retroactively.⁷ That would likely lead to large increases in uninsured rates beginning in 2018 or 2019.

Claims That Coverage Losses From Mandate Repeal Aren't Harmful Don't Withstand Scrutiny

Some Republicans have argued that because the coverage losses that would result from repeal of the mandate would be “voluntary,” they aren't troubling. But this view is deeply mistaken, for a number of reasons.

- Some of the coverage losses from repealing the mandate would not be “voluntary” in any sense. They would occur not as a direct result of mandate repeal, but rather because repeal would hurt the individual market risk pool and substantially raise premiums, which would then put coverage out of reach for some people.
- As noted, the mandate also serves a critical outreach function, leading uninsured people who are unaware of their eligibility for marketplace subsidies or Medicaid to explore their available options and then enroll. Enrollment losses that result because individuals never learn about programs or financial assistance they are eligible for are also not “voluntary” in any meaningful sense.
- Regardless of why they lose coverage, those who become uninsured suffer harm. People without health insurance lack access to preventive care, are less likely to receive needed care, have worse health outcomes, and are exposed to medical bankruptcy if they become seriously ill and seek treatment.⁸ But people tend to undervalue protection from uncertain but severe adverse events, compared to the immediate costs of purchasing health insurance.⁹ The individual mandate helps counteract this myopia.
- Many of those who would become uninsured if the mandate were repealed would ultimately get seriously ill or injured and seek care, but would be unable to pay for it. That would leave that care to be paid for (involuntarily) by other participants in the health system. The increase in uncompensated care costs could force some providers to close their doors, or cut back

⁶ See Evan Saltzman and Christine Eibner, “The Ramifications of Repealing the Individual Mandate,” RAND, August 13, 2015, <http://www.commonwealthfund.org/publications/blog/2015/aug/the-ramifications-of-repealing-the-individual-mandate>, and Matthew Buettgens and Caitlin Carroll, “Eliminating the Individual Mandate: Effects on Premiums, Coverage, and Uncompensated Care,” Urban Institute, January 2012, <https://www.urban.org/sites/default/files/publication/24991/412480-Eliminating-the-Individual-Mandate-Effects-on-Premiums-Coverage-and-Uncompensated-Care.PDF>.

⁷ The ACA repeal bills considered earlier this year repealed the mandate effective January 1, 2016.

⁸ For a review of the literature on the benefits of health insurance, see Benjamin D. Sommers, Atul A. Gawande, and Katherine Baicker, “Health Insurance Coverage and Health – What the Recent Evidence Tells Us,” *New England Journal of Medicine*, August 10, 2017, <http://www.nejm.org/doi/pdf/10.1056/nejmsb1706645>, and Council of Economic Advisers, “The Economic Record of the Obama Administration: Reforming the Health Care System,” December 2016, https://obamawhitehouse.archives.gov/sites/default/files/page/files/20161213_cea_record_health_care_reform.pdf.

⁹ See, for example, Katherine Baicker, William J. Congdon, and Sendhil Mullainathan, “Health Insurance Coverage and Take-Up: Lessons from Behavioral Economics,” *The Milbank Quarterly*, March 2012, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3385021/>.

spending in ways that undermine the quality of care. Providers might also raise prices, shifting costs onto people with private insurance coverage. Or, state governments or the federal government might be forced to step in to cover some of these uncompensated care costs, shifting costs onto taxpayers.

As Massachusetts' Republican Governor Charlie Baker explained: "When Massachusetts passed its universal health care law in 2006, it included an individual mandate, which I support. I support it for two reasons. First of all, no one really knows when they might get sick or have a tragic accident, and if they do get sick or have an accident, they will seek care, it will be provided, and in many circumstances, they will be unable to pay for it... Second, if people have unlimited access to purchase coverage, many will purchase health insurance only when they need it, and then drop it once their care is provided, defeating the whole point behind insurance coverage. Insurance coverage is about shared risk. We all have coverage so that together, we can pay for the care provided to the small number of people who need very expensive care... If people do not have to carry coverage when they are healthy, and can access it only when they get sick, break a leg, need to have a procedure, or something else, then the rest of us are unfairly tagged with paying for the cost of their care."¹⁰

Savings From Coverage Losses Would Go Toward High-Income Tax Cuts

Repealing the individual mandate would save the federal government \$338 billion over ten years, according to CBO's new estimates.¹¹ These savings would come entirely from the associated coverage losses. For example, the federal government would spend less on premium tax credits because fewer people would sign up for marketplace coverage; less on Medicaid because fewer people would be enrolled; and less for the tax exclusion for employer-sponsored health insurance because fewer employees would enroll in coverage.¹²

Each dollar not spent on coverage would be available to help pay for tax cuts. The Republican budget resolution calls for a tax bill increasing the deficit by \$1.5 trillion over ten years, allowing for \$1.5 trillion in aggregate tax cuts, net of offsetting tax increases. Adding individual mandate repeal to the bill would increase that aggregate tax cut to about \$1.8 trillion, allowing for larger gross tax cuts, fewer offsetting revenue raisers, or a combination of the two.

Suppose the savings from repealing the mandate were used to pay for tax cuts distributed similarly to the tax cuts in the recently introduced House Republican tax bill, under which almost half of net tax cuts would flow to households with incomes over \$500,000 (roughly the top 1 percent of

¹⁰ Charles D. Baker, "Testimony Before the Senate Committee on Health, Education, Labor, and Pensions," September 7, 2017, <https://www.help.senate.gov/imo/media/doc/Baker1.pdf>,

¹¹ Congressional Budget Office, "Repealing the Individual Health Insurance Mandate: An Updated Estimate," November 2017, <https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53300-individualmandate.pdf/>.

¹² The savings from coverage losses significantly exceed the costs of lost mandate penalty revenue and higher per-person premium tax credits resulting from premium increases.

filers).¹³ Then House Republicans would be proposing to increase the number of Americans without health insurance by 13 million and to increase premiums for 7 million mostly middle-income individual market consumers in order to finance:

- Tax cuts averaging about \$14,000 per year when fully in effect for the 1.8 million filers with annual incomes over \$500,000 (roughly the top 1 percent).
- Tax cuts averaging about \$35,000 per year when fully in effect for the 300,000 filers with annual incomes over \$1 million.¹⁴

If House Republicans add repeal of the individual mandate to their bill, they may try to claim that repeal is paying for the bill's modest middle-class tax cuts. But one could just as easily argue that repeal is paying for the bill's most regressive provisions. For example, by 2023, the annual savings from repealing the individual mandate are similar to the annual cost of the bill's rate cut for pass-through income, which would almost exclusively benefit households with incomes over \$500,000, according to Tax Policy Center estimates.¹⁵

In its new analysis, CBO notes that it is revising its methodology for estimating the effects of individual mandate repeal and that this revision will likely result in “estimated effects on the budget and health insurance coverage [that] would probably be smaller than the numbers reported in this document.” But under any plausible assumptions, the basic story would remain the same: tax cuts worth tens of thousands of dollars to the highest-income households would be paid for by large increases in uninsured rates. As CBO concludes, “despite the uncertainty, some effects of [repealing the mandate] are clear: for instance, ... the number of uninsured people would be millions higher.”

Change Would Be a Rejection of Bipartisan Compromise and a Return to Partisan Efforts to Weaken Health Coverage

Previously, congressional Republican leaders said they would separate their tax plan from their ACA repeal efforts. But now they are considering incorporating into their tax bill what was the principal provision of the Senate's failed “skinny repeal” proposal of last summer. While the “skinny repeal” bill also included other changes to the ACA, its impacts on coverage, premiums, and individual market stability were mostly the result of its repeal of the individual mandate.

¹³ Chye-Ching Huang and Guillermo Herrera, “Joint Committee on Taxation Distribution Tables Confirm Skewed Priorities of House Tax Bill,” Center on Budget and Policy Priorities, November 5, 2017, <https://www.cbpp.org/research/federal-tax/joint-committee-on-taxation-distribution-tables-confirm-skewed-priorities-of>.

¹⁴ These estimates are based on CBO's estimate of the savings from individual mandate repeal in 2027 and the Joint Committee on Taxation's estimates of the distribution of the House tax cuts in 2027, adjusted to take into account estate tax repeal. Specifically, they assume that 45 percent of the \$54 billion in savings CBO estimates from individual mandate repeal finance tax cuts for households with income over \$500,000 and 38 percent would go to households with incomes over \$1 million. See Huang and Herrera, “Joint Committee on Taxation Distribution Tables Confirm Skewed Priorities of House Tax Bill.”

¹⁵ Tax Policy Center Table T17-0165.

The Senate’s “skinny repeal” bill was opposed by governors of both parties, health insurers, physicians, patient advocates, and experts, because it would make health insurance less affordable, threaten individual market stability, and reduce coverage (see text box). That House GOP leaders are now considering attaching individual mandate repeal to their tax plan suggests that Republicans may be planning to repeat their approach from their earlier ACA repeal efforts: trying to jam through far-reaching changes in health care with no hearings or other opportunity for these and other stakeholders to provide input.

In doing so, House Republicans would be rejecting the alternative, bipartisan path forward proposed by Senators Alexander and Murray and their 22 Senate co-sponsors of both parties. The Alexander-Murray proposal would reduce individual market premiums and improve market stability while maintaining coverage and without increasing federal costs (in fact, modestly reducing them).¹⁶ But House Republicans instead are considering pursuing partisan changes with many of the same flaws as their earlier repeal plans that would cause millions to become uninsured, increase costs for individual market consumers, and make the individual market less stable.

¹⁶ Congressional Budget Office, “Bipartisan Health Care Stabilization Act of 2017,” October 25, 2017, <https://www.cbo.gov/publication/53232>.

“Skinny Repeal” Plan Repealing the Individual Mandate Met Widespread Opposition

Governors Baker (R-MA), Hogan (R-MD), Kasich (R-OH), Sandoval (R-NV), Scott (R-VT), Walker (I-AK), Bullock (D-MT), Edwards (D-LA), Hickenlooper (D-CO), McAuliffe (D-VA), and Wolf (D-PA)

The Senate should... reject efforts to amend the bill into a “skinny repeal,” which is expected to accelerate health plans leaving the individual market, increase premiums, and result in fewer Americans having access to coverage.^a

America's Health Insurance Plans

This continued uncertainty — combined with targeted proposals that would eliminate key elements of current law without new stabilizing solutions — will not solve the problems in the individual market, and in fact will result in higher premiums, fewer choices for consumers, and fewer people covered next year. We would oppose an approach that eliminates the individual coverage requirement, does not offer alternative continuous coverage solutions, and does not include measures to immediately stabilize the individual market.^b

Blue Cross Blue Shield Association

A system that allows people to purchase coverage only when they need it drives up costs for everyone.^c

American Medical Association

Eliminating the mandate to obtain coverage only exacerbates the affordability problem that critics [of the ACA] say they want to address. Instead, it leads to adverse selection that would increase premiums and destabilize the individual market.^d

America's Essential Hospitals

Estimates are the skinny option would cause 16 million people to lose coverage, including 7 million current Medicaid beneficiaries. It also would drive up uncompensated care at hospitals, as people leave the insurance market and, instead, rely on costly emergency departments for their health care needs.^e

AARP

The bill will leave millions uninsured, destabilize the health insurance market and lead to spikes in the cost of premiums. The CBO confirms that the provisions of the reported “skinny” repeal bill will lead to 16 million Americans losing their health coverage, including 4 million Americans who will lose employer-sponsored coverage. The result will be higher health care costs and fewer choices for millions of older Americans.^f

American Cancer Society Action Network

The legislation could cause the individual insurance market to collapse putting millions of American families at financial risk. Having access to adequate, affordable health insurance is essential to our nation's ability to continue reducing death and suffering from cancer.^g

^a “Letter to Majority Leader McConnell and Minority Leader Schumer,” July 26, 2017,

https://www.colorado.gov/governor/sites/default/files/7.26.17_bipartisan_governors_letter_to_senate_leadership.pdf.

^b America's Health Insurance Plans, “Letter to Majority Leader McConnell and Minority Leader Schumer,” July 27, 2017, <https://www.ahip.org/wp-content/uploads/2017/07/AHIP-Letter-to-Leaders-McConnell-Schumer-7-27-2017.pdf>.

^c “Blue Cross Blue Shield Association Statement on Senate Healthcare Reform Legislation,” July 26, 2017,

<https://www.bcbs.com/news/press-releases/blue-cross-blue-shield-association-statement-senate-healthcare-reform>.

^d “AMA Statement on Senate Debate on Health Care System Reform,” July 26, 2017, <https://www.ama-assn.org/ama-statement-senate-debate-health-system-reform>.

^e America's Essential Hospitals, “Statement on Senate ‘Skinny’ ACA Repeal Legislation,” July 27, 2017,

<https://essentialhospitals.org/general/statement-senate-skinny-aca-repeal-legislation/>.

^f AARP, Letter to Senators, July 27, 2017, <https://www.aarp.org/content/dam/aarp/politics/advocacy/2017/07/letter-on-senate-repeal-bill-final-july-2017-aarp.pdf>.

^g American Cancer Society Action Network, “So-Called ‘Skinny’ Repeal Could Have Significant Consequences for Cancer Patients and Survivors,” July 27, 2017, <https://www.acscan.org/releases/so-called-%E2%80%9Cskinny%E2%80%9D-repeal-could-have-significant-consequence-cancer-patients-and-survivors>.