



November 21, 2017

The Honorable Mitch McConnell  
Majority Leader, U.S. Senate  
S-230 Capitol Building  
Washington, DC 20510

The Honorable Chuck Schumer  
Democratic Leader, U.S. Senate  
S-221 Capitol Building  
Washington, DC 20510

Re: Potential Adverse Consequences of Eliminating the Affordable Care Act's Individual Mandate

Dear Leader McConnell and Leader Schumer:

On behalf of the Health Practice Council (HPC) of the American Academy of Actuaries,<sup>1</sup> I would like to offer comments related to including a provision to eliminate the Affordable Care Act's (ACA) individual mandate as part of the *Tax Cuts and Jobs Act*. When considering this legislation, policymakers should consider the potential adverse consequences of eliminating the mandate, including increases in premiums and the number of uninsured, unless adequate alternative mechanisms are implemented. In addition, the Academy's HPC has concerns about the bill's inclusion of an elimination of the individual mandate being motivated as a means to offset revenue reductions in your efforts to provide tax cuts and reform the tax code. We appreciate this opportunity to comment on the unique actuarial concerns involved in this issue. The mission of the American Academy of Actuaries is to inform public policy deliberations in a nonpartisan, objective way.

The individual mandate is an integral component of the ACA, especially given current law provisions that prohibit insurers from denying coverage or charging higher premiums based on pre-existing health conditions. Eliminating the mandate would likely have significant implications for health insurance coverage.

**Eliminating the individual mandate would lead to premium increases.**

A balanced risk pool requires enrollment of healthy individuals to keep premiums affordable and stable. The ACA includes an individual mandate in order to make sure the young and healthy, as well as the old and sick, obtain coverage. Eliminating the mandate without implementing an alternative means to drive enrollment among healthy individuals would likely result in a deterioration of the risk pool due to lower coverage rates among lower-cost individuals. Premiums would increase as a result.

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<sup>1</sup> The American Academy of Actuaries is a 19,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

**Changes made to eliminate the mandate after premiums are finalized could weaken insurer solvency.**

Premiums for a given year reflect insurers' expectations regarding the composition of the risk pool for that year. If the individual mandate were to be eliminated, a deterioration in the risk pool profile would result; premiums would be too low and would no longer match the costs of those covered. This could result in insurer losses and solvency concerns.

**Increasing risks could cause an increase in insurer withdrawals from the market.**

Increased uncertainty and instability regarding future enrollment, premium rates, and risk pool profiles if coverage incentives are eliminated would increase the risk of insurers incurring losses. Insurers would likely reconsider their future participation in the market. This could lead to severe market disruption and loss of coverage among individual market enrollees.

Primary consideration should be given to the consequences of eliminating the individual mandate on premiums, coverage rates, and the stability of the insurance market. These issues are not appropriately considered when such proposals are added to unrelated legislation as a "pay-for" to enable other priorities.

As the Senate proceeds on the *Tax Cuts and Jobs Act*, the American Academy of Actuaries' Health Practice Council strongly encourages you to consider the adverse consequences of eliminating the individual mandate. We would welcome the opportunity to discuss our concerns with you in more detail. If you have questions or would like to meet with us, please contact David Linn, the Academy's senior health policy analyst, at 202-785-6931 or linn@actuary.org.

Sincerely,

Shari Westerfield, MAAA, FSA  
Vice President, Health Practice Council  
American Academy of Actuaries

cc: Members of the U.S. Senate  
Members of the U.S. House  
U.S. Governors