



AMERICAN ACADEMY
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NEWS RELEASE

Immediate Release

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Actuaries: Removing Individual Coverage Mandate Would Require Alternatives

WASHINGTON – 28 March 2011 – The individual health insurance coverage mandate is such a vital component of the year-old health reform law that, if removed, alternatives would be needed. The **American Academy of Actuaries** said that the mandate serves to help attract low-risk individuals, which is necessary to prevent adverse selection to keep the health insurance markets viable.

“To make the provisions that restrict rating and eliminate exclusions for pre-existing conditions work, health insurance markets must attract a balanced cross-section of risks,” said **Cori Uccello**, senior health fellow for the American Academy of Actuaries. “This means finding a way to encourage the enrollment of low-risk individuals. The individual coverage mandate may be the best tool available to achieve that.”

Uccello said that a newly released U.S. Government Accountability Office (GAO) report provides a significant examination of possible alternatives to the mandate, should it be declared unconstitutional or repealed through legislative efforts. She said some of these alternatives should be explored as possible methods to strengthen and improve the mandate even if it is not eliminated.

“Any mechanism that encourages broader participation will help limit adverse selection,” she said. “These tools should be considered with or without the coverage mandate.”

Possible alternatives

The actuaries discussed several possible policy options with the GAO during the development of the report. These alternatives include:

- Late-enrollment penalties
- Increasing the time between open-enrollment periods
- Auto-enrollment features
- Limiting the ability to upgrade to more generous benefit plans during open enrollment

(more)

2-2-2 – INDIVIDUAL COVERAGE MANDATE

The GAO report is available at: <http://www.gao.gov/new.items/d11392r.pdf>.

Ensuring a balanced cross-section of risks

The individual health insurance coverage mandate helps make prohibition on coverage exclusions in the Affordable Care Act possible. Without the mandate, individuals will forgo obtaining coverage until they need it. This will cause premiums to increase, causing more lower-risk individuals to drop coverage and premiums to escalate more. By attracting healthy individuals, the mandate ultimately will keep premiums more affordable and stable. For more information, read the actuaries' paper on the individual mandate available at:

http://actuary.org/pdf/health/individual_mandate_may09.pdf

For more information or to arrange an interview with Cori Uccello, contact Andrew Simonelli, assistant director of communications for the American Academy of Actuaries, at 202.785.7872. For more information on the Academy, please visit: www.actuary.org.

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The American Academy of Actuaries is a 17,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists 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.