



AMERICAN ACADEMY of ACTUARIES

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July 25, 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: Adverse Consequences of Eliminating the Affordable Care Act's Individual Mandate

Dear Leader McConnell and Leader Schumer:

The Health Practice Council of the American Academy of Actuaries¹ urges you to consider the potential adverse consequences of legislation to eliminate the Affordable Care Act's (ACA) individual mandate should the U.S. Senate move to consider such legislation. The individual mandate is an integral component of the law, especially given current law provisions that prohibit insurers from denying coverage or charging higher premiums based on pre-existing health conditions. Eliminating the mandate, by lowering financial penalties or exempting particular categories of individuals from its requirements, would likely have significant implications for health insurance coverage and costs both to consumers and the federal government.

We appreciate this opportunity to comment on these unique actuarial issues. Our mission is to inform public policy deliberations in a non-partisan, objective way.

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 encourage the young and healthy, as well as the old and sick, to obtain coverage. Eliminating the mandate would likely result in lower coverage rates in the individual market and a deterioration of the risk pool. Premiums would increase as a result.

Higher premiums could lead to increased federal government costs for premium subsidies.

For individuals receiving premium subsidies, premium increases would result in larger premium subsidies. This could result in higher costs to the federal government for premium subsidies.

¹ 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 2017 are already in force and reflect insurers' expectations regarding the composition of the risk pool in 2017. If the individual mandate were to be eliminated immediately, a deterioration in the risk pool profile will result; premiums will be too low and will no longer match the costs of those covered. This could result in insurer losses and solvency concerns.

Continuous coverage requirements would not offset the loss of the mandate.

Continuous coverage requirements have been offered as a way to mitigate the adverse consequences of eliminating the mandate. However, a continuous coverage requirement with financial penalties for late enrollees would likely not be strong enough to avoid lower enrollment and a deterioration of the risk pool. Higher premiums would result. A continuous coverage requirement that imposes a waiting period for late enrollees could offset some of the higher premiums due to eliminating the mandate, but primarily by reducing costs to insurers for late enrollees rather than by encouraging enrollment among healthy individuals.

If the Senate proceeds to consideration of proposals that would eliminate the individual mandate, the American Academy of Actuaries' Health Practice Council strongly encourages you to consider the implications of such proposals. 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 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