

Eliminating the Individual Mandate: Effects on Premiums, Coverage, and Uncompensated Care

Timely Analysis of Immediate Health Policy Issues

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In Summary

1. The Affordable Care Act (ACA) as enacted will reduce the number of uninsured by half, from 50 million non-elderly people to 26 million. Without the mandate, between 40 and 42 million would remain uninsured.
2. Without the mandate there would be aggregate decreases in government, employer, and individual spending due to lower health insurance coverage.
3. Without a mandate, individual premiums in the health benefit exchanges would increase by roughly 10 percent with high exchange participation and by 25 percent with low participation.

Background

The federal requirement for most Americans to have health insurance—the individual mandate—is an important part of how ACA reduces the number of uninsured Americans. Experts agree that reducing the number of uninsured Americans would reduce the tens of billions of dollars in services provided to patients but not compensated to care providers.

The effects of eliminating the mandate depend on the number of people enrolling in subsidized coverage in the health benefit exchanges called for in the ACA. Researchers from the Urban Institute simulate four scenarios to examine the effects of eliminating the mandate. The first two scenarios assume there is robust enrollment in the exchange and assumes the ACA does and does not (respectively) contain an individual mandate to obtain insurance. The third and fourth scenarios assume no mandate, and assume low preference for using the exchange and low take-up of subsidies.

Health Insurance Coverage:

- **ACA with the mandate.** Relative to current levels, full implementation of the ACA with a mandate would decrease America's non-elderly uninsured population by nearly 24 million, to 26.4 million people uninsured. Private insurance would increase by 7.4 million (from 164.9 million non-elderly enrollees to 172.3 million). The non-group exchange would cover 15.3 million people, and Medicaid enrollment would increase by 16.4 million.
- **ACA without the mandate, but with robust exchange participation.** In this scenario, 39.8 million people would remain uninsured. Private insurance would decrease by 3.6 million, due largely to the expansion of Medicaid eligibility without the simultaneous increase in private insurance that the mandate would bring. The non-group exchange would cover 11.1 million people, and Medicaid enrollment would increase by 13.9 million.

- **ACA without the mandate, but with implementation difficulties.** If there were no mandate, low preference for using the exchange would not have a big effect on insurance coverage, with 40.0 million Americans remaining uninsured. If this lower exchange preference were combined with a scenario of low subsidy take-up, the number of uninsured would increase to 42.4 million. With these implementation difficulties, private insurance would decrease by approximately 4 million. The non-group exchange would cover 5 to 7 million people, and Medicaid enrollment would increase by about 13 million.

Health Care Spending:

- **ACA with the mandate.** With the mandate, government spending would increase from \$253 billion to \$340 billion. Approximately \$50 billion of this increase would come from Medicaid/CHIP spending, and \$37.5 billion from premium and cost sharing subsidies in the exchange. Aggregate employer and individual spending would increase by \$11 billion each, and uncompensated care would decrease by 50 percent from \$78 billion to \$39 billion.
- **ACA without the mandate, but with robust exchange participation.** Without the mandate there would be decreases in government, employer, and individual spending due to lower coverage. However, costs do not decrease proportionally with declines in coverage, and the government would only spend about 3 percent less for less than half the increase in coverage. Additionally, removing the mandate would mean \$20 billion more in uncompensated care.
- **ACA without the mandate, but with implementation difficulties.** As exchange participation falls, government, employer, and individual spending would decrease. Government spending would decrease to \$327 billion with a lower exchange preference and \$315 billion when also lowering subsidy take-up.

Health Insurance Premiums:

- **ACA with the mandate.** With the mandate, average premiums would be \$5,100 annually. Premiums would be slightly higher in the exchange on average than outside it.
- **ACA without the mandate, but with robust exchange participation.** Without a mandate, but with robust exchange participation, overall non-group premiums would rise about 10 percent due to adverse selection.
- **ACA without the mandate, but with implementation difficulties.** Adverse selection would continue to increase as exchange participation falls, and premiums would rise. With lower subsidy take-up, average non-group premiums would rise 20 percent, with non-group exchange premiums increasing by 25 percent.