AMERICAN ACADEMY *of* ACTUARIES

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September 22, 2016

The Honorable Paul Ryan
Speaker, U.S. House
H-232 Capitol Building
Washington, DC 20515

The Honorable Nancy Pelosi
Democratic Leader, U.S. House
H-204 Capitol Building
Washington, DC 20515

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

Dear Speaker Ryan and Leader Pelosi:

The American Academy of Actuaries'[1] Health Practice Council urges you to consider the potential adverse consequences of legislation to weaken the Affordable Care Act's (ACA) individual mandate should the U.S. House of Representatives move to consider such legislation. The individual mandate is an integral component of the law, especially given its provisions that prohibit insurers from denying coverage or charging higher premiums based on pre-existing health conditions. Weakening 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.

Weakening 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. Weakening 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. Depending on how it is structured, a weakened individual mandate could also lead to lower take-up rates of employer-sponsored coverage.

Higher premiums could lead to increased federal costs for premium subsidies.
For individuals receiving premium subsidies, premium increases would result in larger premium subsidies. This could result in higher federal costs for premium subsidies.

Changes made to relax 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 is weakened after those rates are finalized and the

[1] The American Academy of Actuaries is an 18,500+ 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.

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risk pool profile deteriorates as a result, premiums will be too low. The finalized premiums will no longer match the costs of those covered. This could result in insurer losses and solvency concerns.

Before deciding whether to consider proposals that would weaken 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,

Catherine Murphy-Barron, MAAA, FSA
Vice President, Health Practice Council
American Academy of Actuaries

cc: Members of the U.S. House