STATE-BASED INDIVIDUAL MANDATE
FRAMING QUESITONS 1-2
DISCUSSION DOCUMENT
FEBRUARY 7, 2018

Data Considered:

- US Census Data on the uninsured in DC by age and income level
- IRS District specific data from 2015 on how many returns paid the individual mandate penalty by income level
- Enrollment in Medicaid and the DC Alliance Program
- Enrollment in Individual and Small Group coverage
- Congressional Budget Office nationwide analysis of repeal of the individual mandate
- National Academy of Actuaries Letter related to the repeal of the individual mandate
- Sample Mandate Calculations by Income level and family size for penalties mimicking the last federal penalty
- MA evidence
- Uncompensated care costs before and after the ACA
- Actuarial analysis of the effects in DC of the federal repeal of the individual mandate

Framing Question 1.

What is the Evidence of the Effects of the ACA's Individual Mandate and of Its Repeal?

See attached review by Leighton Ku, Professor and Director of the Center for Health Policy George Washington University and Chair of the HBX ACA Working Group

Is there support for a District individual mandate?

PROS of implementing a local mandate	CONS of implementing a local mandate
Protects the ACA: DC has effectively implemented the ACA where the federal government has abandoned their responsibility and left a void. The ACA relies on a three legged stool: insurance market consumer protections, an individual mandate, and tax credits to support affordable coverage. While the primary effects of the ACA on insurance coverage were caused by changes in Medicaid eligibility and the creation and subsidies for health insurance exchanges, about 30% of insurance expansions were likely attributable to other causes, including social perceptions of the insurance mandate (Harvard and MIT based on 2014 data)	**Penalty is unnecessary:** District uninsured rate was relatively low (92%) before the ACA, a penalty is unnecessary. 6.7% in 2013 to 3.9% in 2015; Medicaid participation rose, while private insurance coverage did not change (American Community Survey).

Maintaining the status quo: A DC mandate can protect insurance coverage and keep insurance premiums down without increasing taxpayers' costs. 96% of DC residents have coverage and if they maintain that coverage, a District individual mandate does not impact them. DC taxpayers that go without coverage will pay about the same amount as they would pay under federal policies for 2018. Public is roughly evenly divided in opinions about keeping or ending the individual mandate: 30% favored keeping it, 40% favored ending it and 30% was not sure. Support for retaining the mandate was higher among African Americans, those with higher income, those with more education and Democrats (Urban Institute, September 2017) Massachusetts implemented a state individual mandate prior to passage of the ACA. It was introduced in 2007 without controversy and they receive minimal public comments when they adjust policy features of the mandate.	**Health insurance may not be affordable**: Cannot require everyone to be covered if health insurance is not affordable and federal premium tax credits are not enough to make coverage affordable.
Retains coverage gains: Helps maintain gains in DC insurance coverage that have improved since 2013.While DC already had high coverage numbers prior to the ACA, the number of uninsured has been almost cut in half since the law has been implemented. DC now has less than 4% uninsured down from approximately 7% pre ACA. Without a mandate, CBO estimates estimated 4 million nationwide would lose coverage in 2019, rising quickly to 12 million by 2021 and to 13 million by 2025. Analysis conducted by HBX outside actuaries estimates that approximately 15% of our individual market would drop coverage without a mandate.	**Politically based opposition:** General opposition to new penalties/taxes or the ACA by some District residents. Republican controlled Congress could intervene on Congressional review.
Keep premiums down: Prevents premium increases by maintaining incentive for the healthy to remain or get covered. Without a mandate, the cost of nongroup insurance premiums, CBO estimates that premiums would rise on average 10% nationwide because those retaining coverage would tend to be less healthy and older, while those dropping coverage would be younger and healthier (CBO)	**Confusion:** Confusion among taxpayers that individual mandate exists in DC, when repealed at the federal level.

Analysis conducted by HBX outside actuaries estimates that repeal of the federal mandate will result in an increase in average claims costs in DC's individual ACA market of a 7.2% increase.	
Mitigates an increase in uncompensated care costs: Uncompensated care costs effect providers and cause healthcare costs to rise for everyone. Some providers will continue to provide care to those that are uninsured and unable to pay, cost shifting that uncompensated care to the privately insured. The amount of total uncompensated care provided by District of Columbia hospitals decreased by 60% between 2010 and 2015.	**Regressive Tax:** Penalizing low income individuals and families is regressive. 5,370 DC returns for individuals and households making under $50,000 included the payment of a penalty in 2015. This was 75% of the total number of DC returns that included a penalty. (IRS 2015 data)
Keeps any reinsurance money focused: Reinsurance to stabilize premiums in DC will be more expensive if premiums are higher due to the federal repeal of the individual mandate. Retaining an individual mandate would mitigate increased reinsurance costs due to premium effects from a repeal.	

Framing Question 2. If so, should DC's mandate conform to the federal mandate or should DC create its own unique mandate?

YES - Local mandate should conform to federal mandate	NO - DC should develop its own local mandate
Ease of implementation with federal law, regulations, and guidance already in place.	A complete locally devised mandate gives DC full control over all aspects of the mandate.
Taxpayers and tax preparers already understand it.	DC can work with state neighbors such as MD to pass something comparable for regional consistency.
Some flexibility to customize rules in accord with local needs and preferences.	Feds could retract all federal regulations and guidance.