

Elimination of the Individual Mandate: What it Means for California

California has made great strides toward achieving universal health coverage through implementing the Affordable Care Act. With **93% of California's population currently covered by health insurance**, health plans are committed to working with state and local leaders to protect Californians from coverage disruptions resulting from the individual mandate repeal at the federal level.

What's the rationale behind the individual mandate?

- Under the Affordable Care Act, Americans were required to buy health insurance coverage or face a tax penalty.
- By requiring everyone to have health insurance — the combined costs for both healthy and sicker populations work to lower premiums for all, even for those with expensive medical conditions.
- If healthy people leave the marketplace, the cost of medical care rises for everyone who still has insurance.
- **Mandatory participation in insurance markets is not a new concept.** Auto and home owners are required to carry insurance coverage to protect themselves and the public at large against unforeseen circumstances.

What does repealing the federal individual mandate mean for California in 2019?

- In November 2017, Congress passed the **Tax Cuts and Jobs Act, which eliminated the individual mandate penalty to purchase health insurance coverage effective in January 2019.**
- Elimination of the individual mandate will **increase premiums and create serious coverage disruptions** for individuals and families in California, if bold actions are not taken now to stabilize the marketplace.
- California's individual market could be facing premium increases for 2019 of 12 to 16 percent — with the biggest driver being the removal of the individual mandate. ([Source: Covered California](#))
- The removal of the individual mandate penalty could result in 378,000 fewer Californians with health insurance in the individual market, including approximately 250,000 who are currently insured through Covered California. ([Source: Harvard Study on Impact of Eliminating Individual Mandate on Enrollment and Premiums.](#))
- Eliminating the individual mandate would increase the likelihood for **adverse selection**, which means people who are most at risk of high health care costs would be the most likely to enroll, while many healthier individuals would decide not to purchase coverage. Premiums for the remaining pool would increase as a result, further exacerbating adverse selection problems. A premium spiral could result, with fewer and fewer insureds and higher premiums. ([Source: The American Academy of Actuaries](#))
- Eliminating the individual mandate would decrease nationally the number of people with insurance by 4 million in 2019 and 13 million in 2027. ([Source: Congressional Budget Office](#))

What's the solution for California?

- A state-based individual mandate will stabilize California's health care marketplace.
- **An effective state-based individual requirement to buy health coverage is the best way to protect the gains of the Affordable Care Act** and encourage robust participation in a healthy marketplace.