

Republicans Killed the Obamacare Mandate. New Data Shows It Didn't Really Matter.

Many experts now view the individual mandate as a policy that did little to increase health coverage — but did a lot to invite political backlash.



By Sarah Kliff

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The Affordable Care Act has survived many attempts to stop it, including the stripping of the individual mandate. Tim Gruber for The New York Times

Health economists long had a favorite metaphor for explaining why Obamacare's unpopular individual mandate was good policy: the three-legged stool.

Obamacare would work, they'd explain, only if it did three things: stop denying people insurance coverage (or raising premiums) if they have pre-existing conditions; subsidize coverage; and require everyone to sign up. Take away one of those legs, and it would topple over.

But Congress did ultimately chop off a leg when the mandate penalties were eliminated as part of the 2017 tax bill — and, despite these predictions, the Affordable Care Act still stands. New federal data and economic research show the law hasn't collapsed or entered the "death spiral" that economists and health insurers projected.

Many experts now view the individual mandate as a policy that did little to increase health coverage — but did a lot to invite political backlash and legal challenges.

The newest evidence comes from census data released Tuesday, which shows health coverage in the United States held relatively steady in 2019, even though the elimination of the mandate penalties took effect that year.

“The stool might be a bit rocky, but you can get away with two legs,” said Evan Saltzman, a health economist at Emory University who studies the topic. “It’s like the table at the restaurant that is a little wobbly. You can still sit at it, even if it’s not quite as pleasant.”

Like many economists, he initially thought the health law’s mandate to purchase coverage was essential. He worked at the RAND Corporation, and its economic models estimated that without the mandate, 12 million fewer Americans would gain coverage.

Those projections were in line with those offered by the Congressional Budget Office, which estimated as recently as 2017 that mandate repeal would increase the number of uninsured Americans by four million in 2019.

Economists had little data to rely on when they tried to understand how Obamacare’s mandate would work. Most of the evidence came from Massachusetts, which had introduced a larger penalty that didn’t stir much political controversy.

“We didn’t have that much information to go on in modeling the effects of the mandate,” said Doug Elmendorf, who directed the Congressional Budget Office during the health law’s passage. “We and others put weight on Massachusetts because the Affordable Care Act looked a lot like what Governor Romney did there. But Massachusetts is just one of 50 states, and each state is different.”

Mr. Saltzman went on to earn a doctorate in economics after his job at RAND, and focused his research on the mandate. He has found that the mandate isn’t a very effective tool for increasing enrollment. One recent paper of his estimated that eliminating the mandate penalties would reduce marketplace enrollment by 2 percent and increase premiums by 0.7 percent.

“My viewpoint on the mandate has changed,” he said. “Back in 2012, my sense was it was essential. The evidence indicates that the marketplaces are doing about the same as they were before the mandate was set to zero.”

Separately, in *The New England Journal of Medicine* last year, researchers concluded that “the individual mandate’s exemptions and penalties had little impact on coverage rates.” Instead, they found that generous subsidies for middle-income Americans, coupled with Medicaid expansion in most states, drove health law enrollment.

“The mandate made a difference, but not a huge difference in terms of the numbers of people signing up,” said Jonathan Gruber, a health economist at the Massachusetts Institute of Technology and a co-author of the study. He advised the Obama administration on health reform and recommended the mandate, but now says “it was not as effective as anticipated.”

Participation in Obamacare marketplaces has decreased slightly, to 11.4 million this year from 12.2 million in 2017. But it hasn’t plummeted or shown any signs of a “death spiral,” in which only sick patients purchase coverage and premiums become unaffordable. When Obamacare enrollees are asked about why they buy coverage, the mandate is the least common reason given.

Economists have done plenty of speculating about why the mandate didn’t work as expected. The penalties were relatively small — \$695 or 2.5 percent of income, whichever was higher — in an effort to tamp down political resistance and court Republican legislators. That was largely unsuccessful: No Republican legislators voted for Obamacare and, within days of its passage, false claims went viral that the Internal Revenue Service would send thousands of armed agents to Americans’ homes to collect the fees.

Massachusetts used a higher penalty, and researchers found it increased coverage. European nations that achieve universal coverage with an insurance mandate typically use even harsher tactics. In Switzerland, for example, local governments can pick a health plan for you and force you to pay for it.

Obamacare’s insurance subsidies, via tax credits, brought more stability to the marketplace than originally expected. The credits are structured to keep premiums affordable for low- and middle-income Americans even when the base price of insurance rises. The vast majority of Obamacare enrollees — between 80 percent and 90 percent,

depending on the year — buy their coverage with these credits.

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“The linchpin policies were those that made coverage more affordable, like expanding Medicaid or giving people large premium tax credits,” said Dr. Benjamin Sommers, a professor of health policy at Harvard and a physician. “The carrots were more effective than the stick.”

It’s also possible the mandate did have some effect during its brief life in making the purchase of health insurance more of a norm. When the Kaiser Family Foundation surveyed the public on the issue in 2018, it found that only half of respondents knew the penalties had been eliminated. The mandate penalty may live on in Americans’ minds, even after Congress wiped it off the books.

The mandate lingers in other ways. Joe Biden said last summer that he would bring back the mandate penalties if he won the election. The policy is at the heart of a Supreme Court challenge to the Affordable Care Act that will be heard this fall. In that case, the Republican challengers argue that the entire law must fall because the now-repealed mandate was so essential to Obamacare’s functioning.

The case strikes some economists as especially weak in light of what they’ve learned in recent years: that the mandate is doing much less to prop up the Affordable Care Act than they expected a decade ago.