

HOUSE OF REPRESENTATIVES ACA REPEAL AND REPLACE LEGISLATION COULD INCREASE PENALTIES FOR FAILURE TO BUY INSURANCE

Low-Income and Older Individuals Would Incur Higher Penalties for Failing to Purchase Health Insurance, Compared to Current Individual Mandate

New research from Avalere finds that proposed premium penalties under the newly proposed American Health Care Act (AHCA) could exceed the individual mandate penalties already in place under the Affordable Care Act (ACA).

The AHCA is the House Republican bill released on March 6, which is today being considered by the House Ways & Means and Energy & Commerce Committees. The bill makes significant changes to the ACA, including replacing the individual mandate penalty with a new penalty for failing to maintain continuous coverage. Both approaches are designed to insure that sick and healthy—as well as old and young—Americans pay into the insurance pool, which promotes affordability.

Under the ACA, the individual mandate imposes penalties on people who are uninsured for more than three months during the course of the year. Those penalties are adjusted based on income and are prorated based on the length of time an individual was uninsured.

As proposed in the AHCA, the continuous coverage requirement would apply a premium penalty for individuals who have a gap in continuous coverage of 63 days or greater over 12 months. The penalty is equal to 30 percent of the monthly premium and would last for 12 months, starting in calendar year 2018.

Because premiums are age adjusted, the penalty would be higher for older people and lower for younger individuals. Additionally, because the AHCA's penalty is not tied to income, low-income individuals will pay significantly more under the AHCA's penalty, compared to what they pay for not having insurance under the ACA. For example, a 50 year old individual at 100% of the federal poverty level (\$11,880 in income for 2016) could pay over \$1,000 more in penalties under AHCA for not having insurance in the prior year than what she would pay for not having insurance under the current law. Finally, unlike the ACA individual mandate penalty, the AHCA's penalties are not prorated based on how long someone is uninsured, so penalty increases are higher for those who have shorter gaps in coverage.

“The continuous coverage penalty functions much like today's individual mandate, but it increases penalties for lower-income and older individuals, and it reduces penalties for younger and wealthier people,” said Caroline Pearson, senior vice president at Avalere.

The tables below illustrate how the proposed continuous coverage policy compares to the individual mandate penalties for consumers at different ages and income levels. Avalere's penalty calculator is available [here](#).



27 YEAR OLD: ACA Individual Mandate Penalty vs. AHCA Continuous Enrollment Penalty

		12 Months Previously Uninsured			6 Months Previously Uninsured		
Income (2016)		Mandate Penalty Under Current Law	Continuous Enrollment Penalty Under AHCA		Mandate Penalty Under Current Law	Continuous Enrollment Penalty Under AHCA	
% of Poverty	Dollars		Bronze	Silver		Bronze	Silver
100%	\$11,880	\$695	\$1,006	\$1,169	\$348	\$1,006	\$1,169
200%	\$23,760	\$695	\$1,006	\$1,169	\$348	\$1,006	\$1,169
300%	\$35,640	\$695	\$1,006	\$1,169	\$348	\$1,006	\$1,169
400%	\$47,520	\$929	\$1,006	\$1,169	\$465	\$1,006	\$1,169
500%	\$59,400	\$1,226	\$1,006	\$1,169	\$613	\$1,006	\$1,169
600%	\$71,280	\$1,523	\$1,006	\$1,169	\$762	\$1,006	\$1,169
700%	\$83,160	\$1,820	\$1,006	\$1,169	\$910	\$1,006	\$1,169
800%	\$95,040	\$2,117	\$1,006	\$1,169	\$1,059	\$1,006	\$1,169
900%	\$118,800	\$2,414	\$1,006	\$1,169	\$1,207	\$1,006	\$1,169
1000%	\$130,680	\$2,676	\$1,006	\$1,169	\$1,338	\$1,006	\$1,169

50 YEAR OLD: ACA Individual Mandate Penalty vs. AHCA Continuous Enrollment Penalty

		12 Months Previously Uninsured			6 Months Previously Uninsured		
Income (2016)		Mandate Penalty Under Current Law	Continuous Enrollment Penalty Under AHCA		Mandate Penalty Under Current Law	Continuous Enrollment Penalty Under AHCA	
% of Poverty	Dollars		Bronze	Silver		Bronze	Silver
100%	\$11,880	\$695	\$1,713	\$1,991	\$348	\$1,713	\$1,991
200%	\$23,760	\$695	\$1,713	\$1,991	\$348	\$1,713	\$1,991
300%	\$35,640	\$695	\$1,713	\$1,991	\$348	\$1,713	\$1,991
400%	\$47,520	\$929	\$1,713	\$1,991	\$465	\$1,713	\$1,991
500%	\$59,400	\$1,226	\$1,713	\$1,991	\$613	\$1,713	\$1,991
600%	\$71,280	\$1,523	\$1,713	\$1,991	\$762	\$1,713	\$1,991
700%	\$83,160	\$1,820	\$1,713	\$1,991	\$910	\$1,713	\$1,991
800%	\$95,040	\$2,117	\$1,713	\$1,991	\$1,059	\$1,713	\$1,991
900%	\$118,800	\$2,414	\$1,713	\$1,991	\$1,207	\$1,713	\$1,991
1000%	\$130,680	\$2,676	\$1,713	\$1,991	\$1,338	\$1,713	\$1,991



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