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Individual-Mandate Repeal Makes GOP Tax-Reform Plan More Attractive

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Tax reform was always going to be a difficult lift for Republicans, so it came as something of a surprise when the Senate added a new complication to the mix: a repeal of Obamacare's individual mandate. Yet it was the right thing to do.

The justification for repealing the mandate was the search for money. Because some people might choose not to purchase insurance if they are not forced to, the government will have to pay out fewer subsidies. That means some \$340 billion less in government spending over the next decade. Senate Republicans were able to use these savings to reduce tax rates by an additional half percentage point across the board.

It should be pointed out that repealing the individual mandate is itself a tax cut for many Americans. (We know the mandate is a tax because Chief Justice John Roberts told us so.) In 2016, 6.5 million Americans paid more than \$4.5 billion in penalties for failing to enroll in an Obamacare-compliant health-care plan. Those penalties, which averaged \$695 per person in 2016 and over \$2,000 for a family of four, are a particular burden for low and moderate-income families. More than 92 percent of those hit with the penalty earn \$75,000 per year or less; nearly 80 percent earn less than \$50,000. That's not exactly another tax cut for the rich.

But the biggest problem with the individual mandate is not a question of money. The idea that government can force every American to purchase a specific product, even for the common good, is deeply offensive to the American idea of individual liberty. There is a good reason why the individual mandate is the most unpopular part of Obamacare: It runs contrary to the American character, and fundamentally alters the relationship between government and the individual. That alone would justify repeal.

Of course, as noted, without the mandate many Americans would choose not to purchase health insurance. The Congressional Budget Office estimates that within a decade as many as 13 million more people will go without insurance. For many of those people, forgoing insurance is not a wise decision. But it is still their decision. Contrary to progressive talking points, no one's insurance is going to be taken away.

It is possible that, since young and healthy people are most likely to decide against buying insurance, repealing the mandate could speed the ongoing adverse-selection problem that afflicts Obamacare, and raise some premiums over time. Still, if your health-care model depends on a

product so lousy and overpriced that no one will buy it unless you force them to . . . well, perhaps you should rethink it.

Moreover, the CBO has long overstated the impact of the power of the individual mandate to induce insurance coverage. That's one reason why actual ACA enrollment has consistently fallen short of CBO projections. An independent analysis released last week by S&P Global concluded that repealing the individual mandate would result in just 3–5 million fewer people purchasing insurance over the next decade. That would mean a smaller reduction in government spending, but also a smaller impact on premiums.

The Senate is expected to vote on its version of the tax bill as early as Thursday. Right now, its fate is said to hang on the votes of roughly eight senators who are undecided or have expressed concerns about the package (Collins, Corker, Daines, Flake, Johnson, Lankford, McCain, and Moran). There are reasons to be skeptical of the bill, including its impact on the deficit. But there should be no doubt that individual-mandate repeal makes it a more attractive proposition. —

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