

How the new Trump tax plan will affect Americans' health insurance - AvvoStories

Tuesday, April 3 2018, 10:22 AM



How the new Trump tax plan will affect Americans' health insurance

POLITICS, TAXES

Jan 24, 2018

By [Gemma Alexander](#)

◀ 8

◀ 6

After multiple failed attempts to repeal the Affordable Care Act (ACA), some Republicans are celebrating its impending death at the hands of the new tax law. So, what exactly did the tax bill do to healthcare?

Repeal and replace

Elimination of the ACA, also known as Obamacare, was a major campaign promise that may have helped Donald Trump get elected president. But once in office, Trump discovered that rolling back health care for 20 million Americans was easier said than done. In 2017, the current administration attacked the ACA several times, using multiple strategies, without any success – until the new tax law.

Trump's tax plan

The new tax law was signed into law in December 2017, having passed the Senate with votes falling cleanly along party lines. While promoted as “tax reform,” the bill’s content did not stick tightly to taxes. Nestled among the new tax codes are provisions opening the Arctic National Refuge to oil and gas drilling, and a provision that cuts the heart out of the ACA. The tax bill eliminates the Individual Mandate, the ACA requirement that most people subscribe to health coverage or pay a penalty.

The individual mandate is important to maintaining a viable health insurance market, because it forces younger and healthier Americans to buy coverage, which helps offset the cost of sicker patients. The individual mandate probably ranks as the most disliked provision of the ACA, but its existence enables one of the most popular ACA provisions – the requirement that insurers offer coverage to everyone, regardless of any pre-existing medical conditions, and that they charge sick and healthy people the same rates.

Impact on insurance and the ACA

The new tax law does not immediately or directly take away anyone’s health insurance, and it does not affect ACA requirements for employers. The changes apply only to the individual insurance market and do not take effect until 2019. For this year, the individual mandate remains in place at \$695 per adult or 2.5 percent of household income in excess of tax filing thresholds, whichever is higher.

The new tax law does not close the subsidized healthcare exchanges for individuals, although the open enrollment period for 2018 (shortened and underpublicized) has already expired. Premium prices for 2018 were already set before the tax bill passed (although uncertainty about what would happen to the individual mandate did contribute to higher rates).

Next year, many people who purchased insurance only to avoid the penalty will likely drop their coverage, thus saving the government an estimated \$338 billion in federal insurance subsidy claims. With lower enrollment and fewer subsidy payments, insurance premiums will rise for remaining subscribers – causing more people to give up their insurance. According to a report by the nonpartisan Congressional Budget Office, health insurance premiums will rise 10 percent per year, leading to 13 million more uninsured Americans by 2027.

Eventually, rising premiums could force all but the sickest people out of the ACA individual marketplace, a “death spiral” that would cause insurers to pull out of the ACA exchanges entirely. And that’s how the new tax law might do what the Republicans had failed to accomplish for most of Trump’s first year in office: effectively kill Obamacare.

Tagged ACA, Affordable Care Act, Donald Trump, health insurance, Individual Mandate, obamacare, tax reform

[Leave a comment](#)