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5 on 45:
On the CBO Estimates

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PITA: You're listening to 5 on 45 from the Brookings Podcast Network: analysis and commentary from Brookings experts on today's news regarding the Trump administration.

FIEDLER: My name is Matt Fiedler and I'm a fellow in the Center for Health Policy here at Brookings. Earlier this week, House Republicans unveiled legislation that would repeal the Affordable Care Act and implement a set of changes to the healthcare system in its place. Two House committees began considering and voted on this legislation this week, but the Congressional Budget Office has not yet provided its formal estimates of how the law will affect insurance coverage and how it will affect the federal budget. Because this is of, obviously, significant interest as the debate about this legislation unfolds, myself and colleague Loren Adler spent some time looking at CBO estimates of prior healthcare legislation to figure out what we could learn about how CBO would likely predict this legislation would affect health insurance coverage.

Now, there's significant uncertainty about exactly how CBO will model the new legislation and how it will expect the various provisions of that legislation to interact with one another. But our bottom line conclusion, based on what we already know from prior CBO estimates, is that it's likely CBO will expect at least 15 million people to lose coverage under the American Healthcare Act, which is the bill being considered in the House, by the end of the 10-year scoring window. Estimates could be higher, but our core conclusion is that they're unlikely to be significantly lower.

So what accounts for that coverage loss of 15 million or more? Basically, the way we got to this number was in three steps. Back in December, CBO provided an estimate of just repealing the individual mandate that was created by the Affordable Care Act, so

the requirement that people have health insurance or pay a fee. CBO's conclusion was that repealing the individual mandate would cause many people, particularly healthy people, to drop their coverage. That in turn would lead to premium increases in the individual health insurance market that would cause further coverage losses. All told, CBO concluded that just that step would cause 15 million people to lose their coverage. So since this legislation also repeals the individual mandate, that 15 million is a starting point for considering the legislation's total effect on coverage.

There are then two additional big pieces in this legislation that would potentially have additional effects on insurance coverage. So the first significant one is that the legislation would substantially curtail federal support for state Medicaid programs. The first significant change in that category is that the legislation would reduce the share of Medicaid costs that the federal government pays for low-income adults who became eligible for Medicaid under the ACA's Medicaid expansion, from 90% under current law to an amount that varies from state to state but averages about 57%. The coverage loss associated with curtailing federal funding for Medicaid expansion in that way will likely be quite significant. So under current law, CBO estimates that there would be about 17 million people covered under the Medicaid expansion in 2027. Even accounting for the fact that some of those people would probably no longer be enrolled after the individual mandate was repealed, more than probably about 10 million people would have been in the expansion population in 2027. Repealing the funding that states use to cover those people would jeopardize coverage for that population and lead to significant additional coverage losses, probably on the order of several million. Now, there's a second change to Medicaid under this legislation, which is that the legislation would impose

what's called a per-capita cap on state Medicaid programs, essentially that states' spending for each category of beneficiaries under their Medicaid program would be capped at its level in fiscal year 2016, trended forward based on trends in medical prices. There's very good reason to believe that the trend rate that the House has chosen for its legislation would not be sufficient to accommodate the growth in states' actual Medicaid cost, so this too would lead to significant funding shortfalls for states, that could have a variety of effects on state Medicaid programs. However, one consequence is that at least to some degree, states would likely make further reductions in coverage.

The second large changes in this legislation is it would change the subsidy structure. The ACA provided premium tax credits that helped people afford premiums, and cost-sharing reductions which help low- and middle-income people who purchased individual market coverage to pay their copayments and deductibles. The legislation would repeal that structure and create a new structure that would generally be much less generous to low-income people, to older people, and to people living in high-cost areas. The net effect of these changes is somewhat unclear, but our best guess is this would lead to additional coverage losses under the bill. The House bill also includes certain other changes affecting people who purchase coverage in the individual market that could slightly mitigate the coverage losses from the rest of the bill, but we expect that those effects would likely be fairly modest.

So, putting it all together, 15 million from repealing the individual mandate plus an additional several million from the Medicaid provisions in the legislation and at best, no net improvement from the other provisions in the legislation that would affect private

coverage, the bottom line conclusion is that CBO will likely expect this legislation to cause a coverage loss of 15 million and potentially more.

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