



May 26, 2017

The Good News and Faulty Assumptions in CBO's New Analysis of the American Health Care Act (AHCA)

GOOD NEWS:

- AHCA provides relief from skyrocketing premiums.** This year average premiums in the individual insurance market spiked 25%¹ and Obamacare premiums have *more than doubled* since the exchanges were implemented.² AHCA provides states with more control over their insurance markets, and the Congressional Budget Office (CBO) projects that in a decade average premiums will be *30% lower* in certain states that make moderate changes, 20% lower on average across all states that make changes, and 4% lower in states that make no changes.³
Lower Premiums
- AHCA reduces mandatory spending by \$1.1 trillion.**⁴ Left unchecked, mandatory spending programs and interest on the national debt are projected to consume 99 percent of all federal revenues within a decade, crowding out funding for other important national priorities like national defense and medical research.⁵ AHCA provides meaningful entitlement reform to help reverse the explosion in mandatory spending.
Lower Spending
- AHCA provides nearly \$1 trillion in tax relief.** AHCA reverses \$992 billion in Obamacare tax hikes,⁶ including many that hit low- and middle-income Americans,⁷ drive up small business tax rates,⁸ or make health care more expensive by taxing health insurance, medicines, and medical devices.
Lower Taxes
- AHCA will reduce the deficit by \$119 billion.** With a \$1.111 trillion reduction in federal spending and \$992 billion in tax relief, CBO estimates AHCA will reduce deficits by \$119 billion over the decade.⁹
Lower Deficits

¹ See https://www.jec.senate.gov/public/_cache/files/394282ca-8521-44d0-98de-9aa140d221de/statebystate.png.

² See <https://aspe.hhs.gov/system/files/pdf/256751/IndividualMarketPremiumChanges.pdf>.

³ See page 6 of CBO report at <https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/hr1628aspassed.pdf>.

⁴ CBO, Table 1.

⁵ See <https://www.jec.senate.gov/public/index.cfm/republicans/2017/1/did-the-obama-administration-leave-america-better-off>.

⁶ CBO, Table 1.

⁷ See <https://waysandmeans.house.gov/cbojct-confirm-that-obamacare-is-a-1-trillion-tax-hike/>.

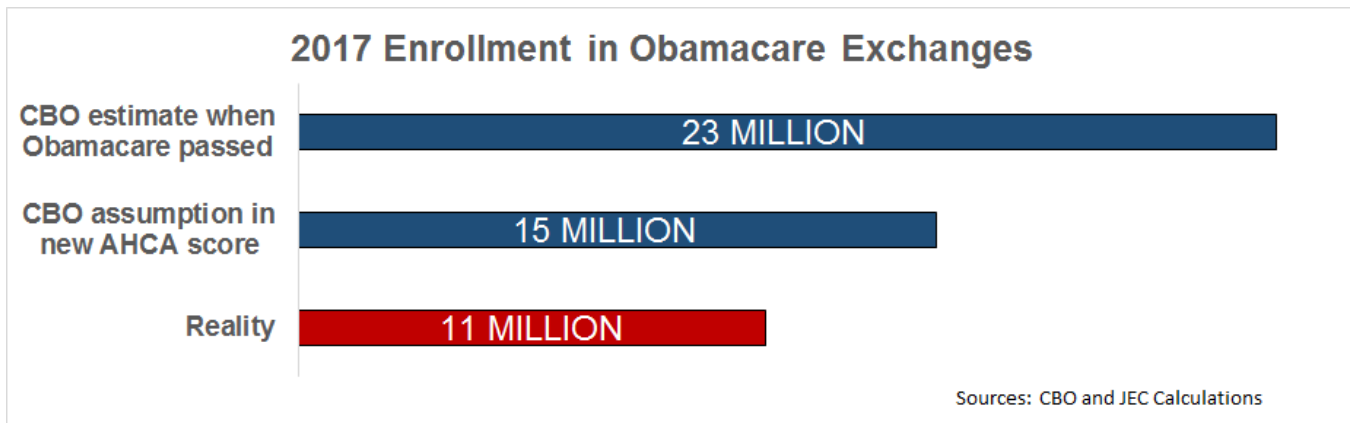
⁸ See <https://waysandmeans.house.gov/tax-revenues-to-more-than-double-by-2023-while-top-tax-rates-hit-highest-level-since-1986/>.

⁹ CBO, Table 1.

FAULTY ASSUMPTIONS:

How reliable is CBO's estimate that 14 million fewer people will have health insurance next year and 23 million fewer will have it in 2026?

- 1. Fact check: CBO did not say that 23 million people would “lose” their insurance.** AHCA repeals the individual mandate, the tax penalty Obamacare imposes on uninsured Americans. According to CBO, most of its projected decline in coverage would occur not because of a loss of insurance but because people will *choose not to buy it* when the government no longer forces them to do so.¹⁰
Fact Check
- 2. CBO has historically missed the mark on its coverage estimates.** CBO is using its 2016 baseline for estimating insurance coverage, which has already been proven wrong by 2017 enrollments in the Obamacare exchanges.¹¹ As shown in the chart below, CBO has a history of overestimating the number of people covered by Obamacare. Even CBO admits that its estimates are highly uncertain.¹²
Wrong Already



- 3. CBO seems to think the individual mandate has magical qualities.** Under AHCA individuals would have a financial incentive to maintain insurance coverage,¹³ yet CBO seems to believe that only a government command to buy insurance will prevent a large drop in coverage. As the chart above illustrates, government coercion isn't always effective.
Magical Mandate
- 4. CBO excludes Americans who make alternative insurance choices.** CBO considers people who choose to buy less comprehensive health insurance policies to be uninsured.¹⁴
Undercounting Insurance
- 5. Reminder: AHCA is only one step.** Although AHCA repeals and replaces some of the most burdensome aspects of Obamacare, budget rules limit the types of reforms that AHCA can include. Like previous estimates of AHCA, CBO's new analysis does not include effects of other actions the Administration and congressional Republicans are taking to lower costs, improve quality, and increase insurance choices.
Incomplete Picture

¹⁰ CBO, page 17.

¹¹ See https://www.jec.senate.gov/public/_cache/files/66d9b1bd-0d82-430d-8630-a625258be184/declining-obamacare-participation.pdf.

¹² CBO, page 8.

¹³ See https://www.jec.senate.gov/public/_cache/files/ff577e65-a463-404a-b11a-40c8988e8e18/ahca-q-and-a.pdf.

¹⁴ CBO, page 2.