



Joint Economic Committee

Representative Pat Tiberi, Chairman

September 26, 2017

Four Takeaways from CBO's Health Insurance Subsidy Report

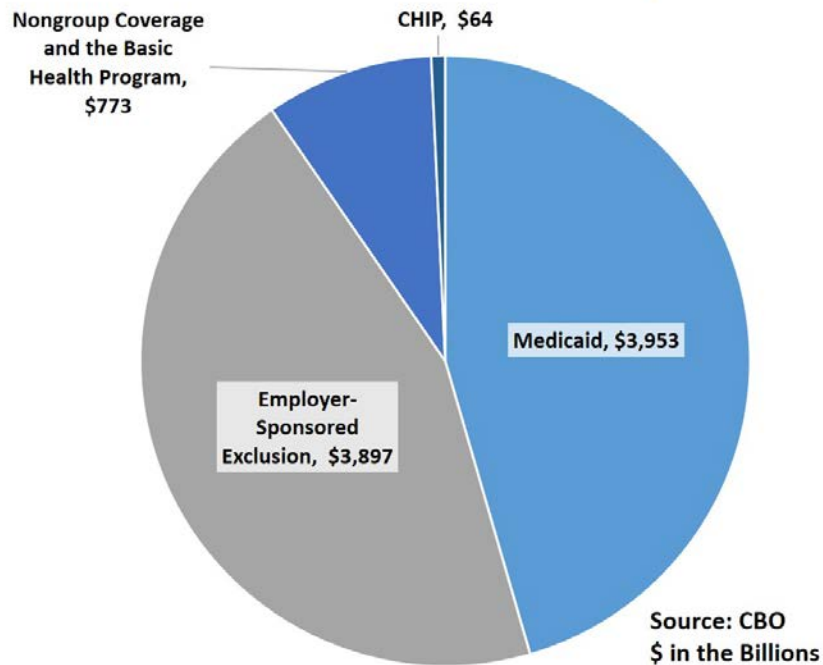
- CBO used an old ACA enrollment estimate it acknowledges should be a third lower to evaluate recent reform proposals.
- Medicaid is expected to be a main driver of total federal health insurance subsidy costs over the next decade.
- The federal cost per person of Medicaid is high relative to the tax exclusion for employer-sponsored health insurance.
- Most expected uninsured people forgo coverage by choice or are unauthorized immigrants.

On September 14, 2017, the Congressional Budget Office (CBO) released a report on federal subsidies for health insurance coverage for people under 65 years of age. CBO's findings are insightful regarding the current state of health insurance in the United States; the federal government's spending on health insurance; and where the country is expected to be in the future.

- **CBO acknowledges missing the mark on coverage estimates.** CBO has continually overestimated enrollment in the Affordable Care Act's (ACA) individual marketplace.¹ In 2016, CBO predicted that the ACA marketplace would have roughly 15 million people enrolled in 2017, but since January of this year, it expected much lower enrollment of only about 10 million. CBO explains that persistent factors such as low consumer interest in enrolling in the individual market and the inclination of employers to continue offering coverage instead of shifting their employees into the individual market contributed to its overestimates.² Congress should be aware of this difference since CBO used the 2016 estimate when making predictions about future enrollment effects of recent health insurance policy reforms.

- Medicaid is driving federal spending on health insurance.** Federal subsidies for health insurance (excluding Medicare) are expected to cost \$8.7 trillion over ten years. Medicaid is projected to be the biggest contributor to this sum with more than \$3.9 trillion spent on the program over the decade. The ACA's newly eligible population is expected to consume \$1 trillion of Medicaid spending.³

Cumulative Federal Health Insurance Subsidies in the Next Decade: \$8.7 Trillion*



- Public health insurance is expensive.** If one takes the view that the exclusion of employer-sponsored health benefits from federal income and payroll taxes is a loss in federal revenue and therefore a “cost,” as CBO does, then the tax exclusion represents a much lower cost per person to the federal government than Medicaid. The exclusion represents lost revenues of \$287 billion in 2017, but helps to insure 156 million people.⁴ In contrast, Medicaid will spend \$281 billion and cover less than half as many people.⁵

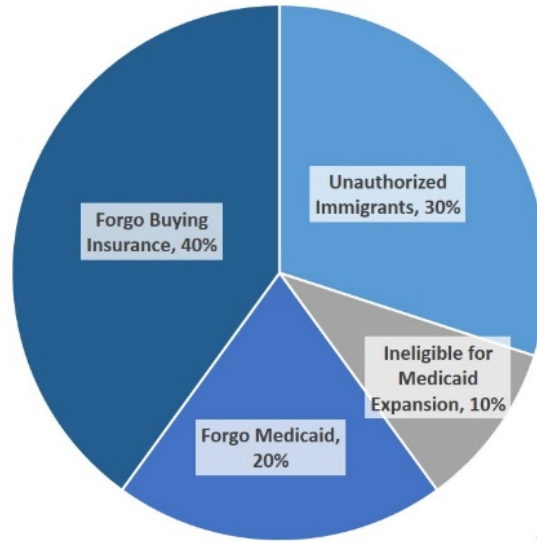
Federal Subsidy Cost Per Person

	Medicaid	Employer-Sponsored
Federal Cost	\$281 Billion	\$287 Billion
People Covered	63 Million	156 Million
Federal Cost Per Person	\$4,460/person	\$1,840/person

Source: CBO, JEC Calculations

- Reasons for being uninsured.** CBO expects that by 2027, 31 million people will be uninsured. In that year, 60 percent of those people would have access to health insurance (20 percent of the total through Medicaid, 40 percent of the total through work or the individual market), but would choose to forgo insurance. Thirty percent of the total are expected to be “unauthorized immigrants” ineligible for insurance subsidies or Medicaid.⁶

CBO: Makeup of Predicted Uninsured Population, 2027



Source: CBO

¹ JEC Republicans, “Four Takeaways on Obamacare’s Collapsing Enrollment,” June 15, 2017. <https://www.jec.senate.gov/public/index.cfm/republicans/2017/6/four-takeaways-on-obamacare-s-collapsing-enrollment>.

² CBO, Federal “Subsidies for Health Insurance Coverage for People Under 65: 2017-2027,” p. 13, September 14, 2017, <https://www.cbo.gov/publication/53091>.

³ CBO, p.2.

* CBO, Table 2. This figure excludes Medicare population under 65 and tax penalties related to coverage.

⁴ CBO, p. 8. The employer-sponsored exclusion is not the full cost of insuring these Americans. This example merely shows the cost to the federal government of this exclusion.

⁵ CBO, p. 9.

⁶ CBO, p. 8.