Issue Brief

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CBO and JCT Provide Preliminary Analysis of Legislation That Would Replace Subsidies for Health Care With Block Grants

The Congressional Budget Office and the staff of the Joint Committee on Taxation have released yet another report that has analyzed the direct spending and revenue effects of legislation sponsored by Sens. Graham, Cassidy, Heller and Johnson that would replace certain federal subsidies for health care with block grants to states. Specifically, the agencies analyzed H.R. 1628, an amendment in the nature of a substitute [LYN17744], posted on Sept. 25, 2017, on Sen. Cassidy's website.

The report is available on the CBO website at www.cbo.gov. The material that follows are excerpts from the CBO's and JCT's 14-page report.

MAJOR PROVISIONS OF THE LEGISLATION

"Upon enactment, the legislation would eliminate penalties associated with the requirements that most people obtain health insurance coverage (also called the individual mandate) and that large employers offer their employees coverage that meets specified standards (also called the employer mandate).

"Starting in 2018, the legislation would reduce the federal share of Medicaid funding for adults made eligible for that program by the Affordable Care Act to 90 percent for two years (compared with 94 percent in 2018 and 93 percent in 2019 under current law). It would also allow payments of premiums for certain types of insurance to qualify as medical expenses for health savings accounts and repeal a few of the tax provisions enacted as part of the ACA.

"In 2019 and 2020, the legislation would make funding ($10 billion and $15 billion, respectively) available to health insurers to stabilize premiums and promote participation in the non-group market.

"In 2020, the legislation would set a limit, on a per-enrollee basis, on the amount of reimbursement the federal government provides to states for Medicaid, and the growth in per-enrollee payments would be limited to no more than the growth rates of certain price indexes. The following provisions would also take effect:

- "Medicaid funding would be eliminated for adults made eligible for that program by the ACA.
- "Tax credits for health insurance coverage purchased through the marketplaces established by the ACA

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and subsidies to reduce cost-sharing payments for certain low-income people would be repealed.

- "Funds would be appropriated for block grants to states, with amounts based on historical federal Medicaid funding for adults made eligible for that program by the ACA and historical funding for subsidies provided through the marketplaces and the Basic Health Program.

"States would be allowed to modify certain requirements in the non-group insurance market if the new block grants directly provided some assistance to participants in that market. States could modify requirements that policies include what are known as essential health benefits; restrictions on insurers' ability to vary premiums on the basis of health status, age, and other factors; and the requirement that insurance sold in the non-group market generally rely on a single risk pool."

EFFECTS ON THE FEDERAL BUDGET DEFICIT

"According to CBO and JCT's analysis, the legislation would reduce the on-budget deficit over the 2017–2026 period by at least $133 billion.

"The amount that would be appropriated for the new block grants — $1.2 trillion from 2020 to 2026 — is about $230 billion less than the amount in CBO's March 2016 baseline for the major subsidies over that period that would be eliminated under the legislation."

DISTRIBUTION AND USE OF GRANTS TO STATES FOR MARKET-BASED HEALTH CARE

"In general, the allocation of the grants under the legislation would shift funding away from states that have already expanded eligibility for Medicaid under the ACA and toward states that have not. In 2020, both groups of states would receive about 10 percent less funding from the new block grants than the amount in CBO's March 2016 baseline arising from two sources: Medicaid funding for people made eligible for that program by the ACA, and subsidies for insurance purchased through marketplaces or the Basic Health Program. By 2026, under the legislation, states that have already expanded Medicaid under the ACA would receive about 30 percent less funding than the amount projected in the baseline, and other states would receive about 30 percent more, CBO and JCT estimate. (Those estimates are averages in which each state receives equal weight; effects would differ among states.)"

EFFECTS ON HEALTH INSURANCE COVERAGE

"CBO and JCT expect that, if this legislation was enacted, millions of additional people would be uninsured compared with CBO's baseline projections each year over the 2018–2026 period. (Adopting a well-established definition, the agencies categorize people as uninsured if they are not covered by a policy or enrolled in a government program that provides financial protection from major medical risks.) That increase would stem mainly from lower enrollment in Medicaid and the non-group market."

EFFECTS ON MEDICAID

"All told, federal spending on Medicaid would be reduced by about $1 trillion over the 2017–2026 period under this legislation, and the program would cover millions fewer enrollees. The largest effect would stem from eliminating funding for adults made eligible by the ACA. Depending on how states used their new grant funds, many of those people could receive assistance in other ways. Other changes to Medicaid,

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such as capping Medicaid spending on a per-enrollee basis and allowing work requirements, would also occur under the legislation."

COMMENT

The CBO and the JCT analysis is basic. The agencies say they did not have the time to do a more comprehensive review. As of Monday evening, the entire push by the Senate to repeal the ACA now seems moot inasmuch as at least three Republican senators are on record of voting against the bill, all but dooming any enactment chances. The question now is when, and what, Congress will do, if anything.

Analysis provided for MHA by Larry Goldberg, Goldberg Consulting

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