

Issue Brief

FEDERAL ISSUE BRIEF • September 18, 2017

Federal Subsidies for Health Insurance Coverage for People Under Age 65

The Congressional Budget Office and the staff of the Joint Committee on Taxation have released a report regarding the Federal Subsidies for Health Insurance Coverage for People Under Age 65, from 2017 to 2027. 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 23-Page report.

For 2026, the agencies' projection of the number of people obtaining subsidized coverage through the marketplaces will be 4 million smaller, and the projected number of uninsured people will be 3 million larger, than they were projected in CBO's March 2016 baseline projections. The projection of net federal subsidies for health insurance from 2017 to 2026 is \$88 billion lower. The largest contributor to the decrease involves subsidies for non-group coverage (that is, insurance purchased individually) and the Basic Health Program, which are now projected to cost \$137 billion less than the agencies projected in March 2016.

The report states that the federal government subsidizes health insurance for most Americans through a variety of

programs and tax provisions. In 2017, net subsidies for people under age 65 are expected to total \$705 billion, which would be equal to 3.7 percent of gross domestic product. That amount is projected to rise at an average annual rate of 5.0 percent between 2017 and 2027, reaching \$1.2 trillion (or 4.1 percent of GDP) in 2027. For the entire 2018-2027 period, the projected net subsidy is \$9.2 trillion.

CBO and JCT expect the non-group health insurance market to be stable in most areas of the country. Preliminary data for 2018 show that insurers will offer coverage in all or almost all areas. Although premiums have been increasing, most subsidized enrollees buying health insurance through the marketplaces are insulated from those increases because their out-of-pocket payments for premiums are based on a percentage of their income; the federal government pays the difference between that percentage and the premium for a benchmark plan.

According to CBO and JCT's estimates, a monthly average of about 244 million non-institutionalized civilians under age 65 will have health insurance in 2017. Almost two-thirds of them will

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have coverage through an employer, and about a quarter will be enrolled in Medicaid or the Children's Health Insurance Program. A smaller number will have non-group coverage, coverage that is provided by Medicare, or coverage obtained from various other sources. On average, about 28 million people — 10 percent of all non-institutionalized civilians younger than 65 — will be uninsured in 2017. Between 2017 and 2018, the number of uninsured people rises by 2 million in the agencies' projections, mainly because premiums in the non-group market are expected to be higher. (note CBO and JCT say the number of uninsured will be 3 million greater above.)

CBO estimates that 6 million people, mostly children, but also a few pregnant women, will be enrolled in CHIP in 2017. That number falls to about 2 million in 2027, as CHIP funding projected in CBO's baseline declines sharply. (Most of the decline in coverage through CHIP is projected to be offset by increased enrollment in Medicaid or in insurance purchased through the marketplaces or offered by an employer.) Together, Medicaid and CHIP are projected to provide insurance coverage for about one-quarter of the population under age 65 in 2027.

CBO's estimates of Medicaid enrollment over the next decade reflect the agency's expectations that additional states will expand Medicaid eligibility and that more people will enroll in the program in states that have already done so.

In the near term, CBO expects, states' uncertainty about the availability of funds to support Medicaid expansions will make further expansions unlikely. But over time, in the agency's assessment, states will be much likelier to expand eligibility than to contract it, in large part because the federal

government would pay at least 90 percent of the cost and because states have historically expanded Medicaid much more often than they have contracted it.

Non-group insurance covers a much smaller share of the population under age 65 than employment-based coverage or Medicaid does. In 2017, a monthly average of about 17 million people under age 65 are expected to have such coverage, most of whom will have purchased it through the marketplaces established under the ACA.

Outlays for all non-institutionalized Medicaid and CHIP enrollees under age 65 who receive full benefits are estimated to amount to \$296 billion in 2017. Over the 2018-2027 period, estimated outlays total \$4 trillion — \$1 trillion (or 26 percent of the total) for people whom the ACA would make eligible for Medicaid and roughly \$3 trillion (or 74 percent) for people who would be eligible for Medicaid or CHIP otherwise.

Medicaid spending for the non-institutionalized population under age 65 accounts for roughly 80 percent of total projected Medicaid spending for medical services over the 2018-2027 period.

COMMENT

This report includes many assumptions about growth and costs. The report has made many changes to the assumptions the agencies projected in 2016. No doubt many more changes are likely as changes to laws and the marketplace occur.

Perhaps the most useful takeaways from the document are the reductions in federal subsidies, an increase in the number of uninsured and marketplace stability.

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