

# Issue Brief

FEDERAL ISSUE BRIEF • July 20, 2017

## KEY POINTS

- The CBO projects the proposal would decrease federal deficits by \$473 billion between 2017 and 2026.
- Between 2017 and 2026, \$842 billion would be cut in federal spending on the Medicaid program.

## Another CBO Estimate on Latest Senate Health Care Reform Bill — BCRA of 2017

The Congressional Budget Office and the staff of The Joint Committee on Taxation have issued yet another estimate on the direct spending and revenue effects of the “Obamacare Repeal Reconciliation Act of 2017,” an amendment in the nature of a substitute to H.R. 1628, which would repeal many provisions of the Affordable Care Act. According to the agencies’ analysis, enacting this version would decrease federal deficits by \$473 billion over the 2017-2026 period.

A copy of the July 19 report is at: <https://www.cbo.gov/publication/52859>.

CBO and JCT estimate that enacting the legislation would affect insurance coverage and premiums primarily by:

Increasing the number of people who are uninsured by 17 million in 2018, compared with the number under current law. That number would increase to 27 million in 2020, after the elimination of the ACA’s expansion of eligibility for Medicaid and the elimination of subsidies for insurance purchased through the marketplaces established by the ACA, and then to 32 million in 2026.

Increasing average premiums in the non-group market (for individual policies purchased through the marketplaces

or directly from insurers) by roughly 25 percent — relative to projections under current law — in 2018. The increase would reach about 50 percent in 2020, and premiums would about double by 2026.

In CBO and JCT’s estimation, under this legislation, about half of the nation’s population would live in areas having no insurer participating in the non-group market in 2020 because of downward pressure on enrollment and upward pressure on premiums. That share would continue to increase, extending to about three-quarters of the population by 2026.

## COMMENT

*A sufficient number of Republican senators have voiced concern and opposition to this version of the bill. Senate Majority Leader Mitch McConnell has stopped further action. The president is still urging the Senate to stay in Washington and not take their August recess and pass a bill.*

*Repealing and replacing is easier said than done.*

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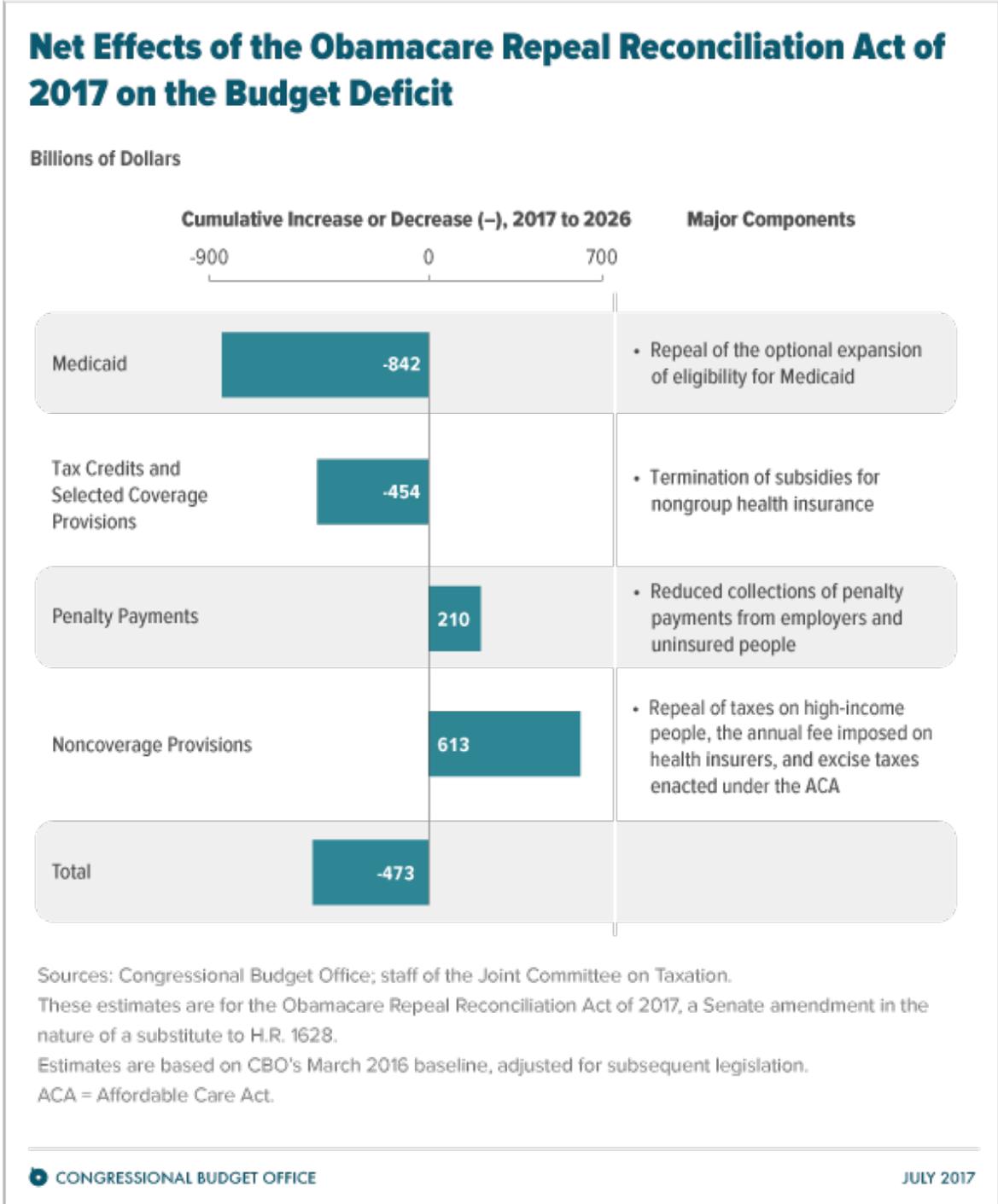
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CHANGES IN MEDICAID SPENDING UNDER THE BETTER CARE RECONCILIATION ACT COMPARED WITH CBO'S EXTENDED BASELINE



## BUDGETARY EFFECTS OF HEALTH INSURANCE COVERAGE PROVISIONS

CBO and JCT estimate that provisions directly affecting health insurance coverage would yield a net decrease in federal deficits of \$1.1 trillion over the 2017-2026 period. That amount includes the following:

- A net reduction of \$842 billion in federal outlays for Medicaid (most of which would have been spent to provide benefits for adults under 65 whose income is equal to or less than 138 percent of the federal poverty level and who became eligible under the ACA),
- A net reduction of \$679 billion in subsidies for non-group health insurance, and
- Additional savings totaling \$6 billion from repealing a tax credit for certain small businesses that provide health insurance to their employees.

Those gross savings would be partly offset by these revenue reductions and added costs:

- A decline in revenues of \$171 billion from eliminating penalty payments by employers,
- A reduction in revenues of \$38 billion from eliminating penalty payments by uninsured people,
- **A net increase in spending of \$21 billion for the Medicare program stemming from changes in payments to hospitals that serve a disproportionate share of low income patients, and**
- Other budgetary effects, mostly involving revenues, associated with shifts from taxable to nontaxable compensation resulting from net increases in employment based health insurance coverage—which would, on net, increase deficits by \$210 billion.

*Analysis provided for MHA  
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