Insight

How to Read the CBO Health Care Cost Estimate

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This week the Congressional Budget Office (CBO) is expected to release the cost estimate, or "score," for the revised version of the Better Care Reconciliation Act (BCRA). The core purpose of the score will be to provide estimates of the budgetary impact and certify that the legislation satisfies the requirements to be considered under the special "reconciliation" procedures. But a lion's share of the attention will be on the supplementary information on the number of insured and uninsured Americans.

Here's a readers' guide to the coverage numbers.

The CBO coverage table to the original BCRA is reproduced below as Table 1.

Table 1
CBO Coverage Estimates
(millions)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Uninsured Before	26	26	27	27	27	27	27	28	28	28
Medicaid		-4	-5	-8	-10	-11	-12	-14	-14	-15
Nongroup	-1	-7	-8	-9	-8	-7	-7	-7	-7	-7
ESI		-4	-2	-1	-1	-1				
Newly Uninsured	1	15	15	19	19	20	20	21	22	22
Uninsured After	27	41	42	46	46	47	47	49	50	50

The oft-repeated interpretation of Table 1 is that the BCRA eliminates insurance coverage for 22 million Americans – consisting of 15 million fewer in Medicaid and 7 million fewer in the nongroup (individual) market – raising the total uninsured to 50 million by 2026.

Not so. Here's the right way to read the coverage estimates.

Assuming the BCRA is signed into law, nothing changes about the rules for Medicaid or the individual market for 2017 and 2018 except that the individual mandate goes away. There are the same Affordable Care Act (ACA) matching rates to states for Medicaid beneficiaries, the same state and federal exchanges, the same federal premium tax credits, and the same insurance rules. For these years, it is the rules of the past that matter.

What happens? As shown in Table 2, by the end of 2018, 4 million beneficiaries have walked away from their free Medicaid coverage, 7 million have discarded their Obamacare policies, and 4 million are not taking up employer sponsored insurance (ESI). The number of uninsured has (voluntarily) jumped by 15 million to 41 million individuals. The incentives of the ACA are not kind to coverage numbers; the vast majority of the coverage losses under BCRA happen while ACA provisions are still in effect.

The same will likely be true when CBO releases its new score. (Minor caveat: there could be a provision allowing the use of a Health Savings Account to pay premiums in 2018.) Nothing has changed regarding 2017 and 2018. Nothing should change about the estimated coverage impacts.

Table 2
2017 & 2018: Coverage Impacts Under ACA Medicaid and Subsidies
(millions)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Uninsured Before	26	26	27	27	27	27	27	28	28	28
Medicaid		-4								
Nongroup	-1	-7								
ESI		-4								
Newly Uninsured	1	15								
Uninsured After	27	41	42	42	42	42	42	43	43	43

The future is a different story. Table 3 shows the impacts of the rules and reforms in the original BCRA after they begin to be phased in, starting in 2019. As shown, the CBO analysis of the original bill shows a continued loss of Medicaid coverage, falling another 11 million. (One could disagree with this conclusion, but let's leave that battle for another day.)

However, the BCRA provisions for the individual market show a gradual increase, ultimately leaving enrollment unchanged by the end of the period. And coverage in employer insurance rises by 4 million. The idea that the BCRA is good for individual plus employer coverage is not even breathed by the mainstream coverage. Nevertheless, it is baked into the CBO numbers.

Even more important, this is where the action will be when the new score is released. The Medicaid provisions are unchanged. But there is an additional $70 billion of support for the nongroup market, purchasers of catastrophic insurance plans will be eligible for subsidies, and there will be a richer benchmark for subsidies. These simply must raise enrollment in the nongroup market and there may be spillovers for ESI as well.

Table 3
The Future: Coverage Impacts Under BCRA Medicaid and Subsidies
(millions)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Uninsured Before			42	42	42	42	42	43	43	43
Medicaid			-1	-4	-6	-7	-8	-10	-10	-11
Nongroup			-1	-2	-1	0	0	0	0	0
ESI			2	3	3	3	4	4	4	4
Newly Uninsured			0	4	4	5	5	6	7	7
Uninsured After			42	46	46	47	47	49	50	50

That's the readers' guide to the upcoming CBO score: (1) ignore the past (2017 and 2018), (2) skip the Medicaid numbers, and (3) focus on the future in the individual and employer markets. You may not discover the conventional wisdom, but you will unearth the real effects of switching policies toward those markets.