



The Daily Dish

The AHCA Meets CBO

DOUGLAS HOLTZ-EAKIN, PATRICK HEFFLINGER | MARCH 14, 2017

An annual NATO report released yesterday showed that while 23 NATO member countries increased their defense spending in 2016, only 5 met NATO's 2 percent spending goal. The Trump Administration has previously assured NATO member countries of the U.S.'s commitment to NATO but has also said that if other member nations do not step up and meet the 2 percent spending goal the U.S. will have to "moderate" its involvement with NATO. The report went on to show that in 2016 member nations had increased their defense spending by 3.8 percent.

President Trump is expected to call on the Environmental Protection Agency (EPA) on Wednesday to review its car emissions regulations in order to determine whether or not they should be scaled back. The Hill reports that the president's order will require the EPA to reopen a review that was completed in January by the Obama Administration. Under the EPA's current rule, vehicles are expected to average 54.5 miles per gallon by 2025. This is a goal that many in the auto industry have argued is unrealistic based upon current conditions.

Eakinomics: The AHCA Meets CBO

Yesterday, the Congressional Budget Office (CBO) released its score of the American Health Care Act (AHCA), also known as Obamacare repeal and replace. CBO's formal role is to inform Congress of the budgetary implications of its choices; in this case passage of the AHCA would reduce federal deficits by \$337 billion over the next 10 years. This (easily) exceeds the required \$2 billion needed for the bill to be considered under special reconciliation protections. So, CBO has done its job and it is over, right?

Not so fast. CBO also must provide its "basis of estimate", or how it reached its bottom line. And to do so, it details its assumptions regarding insurance premiums, coverage, etc. The headline (literally) in this regard is their projection that there will be 24 more uninsured individuals in 2026 than there would have been under Obamacare. The Democrats pounced, as coverage is everything to the left — to the point they threw trillions of dollars of other people's money at coverage and made it illegal to be uninsured.

If you dig into the numbers, you find that the decline came from a decline of 2 million in the individual insurance market, despite the fact that premiums are 10 percent lower than under Obamacare. This raises a key point in thinking about the projections: if insurance is cheaper and individuals still choose (because they can) to not have insurance, is that a bad thing? They, after all, have decided being uninsured is better. Shouldn't society recognize that decision and respect it?

Turning back to the numbers, fully 14 million is a result of reduced Medicaid enrollments and 7 million a decline in employer-sponsored insurance. The latter is just plain puzzling. If individuals will not buy insurance, why will they leave their employer insurance to not do so? And if employers offer insurance in the presence of rich subsidies and low(er) premiums, why stop when things are reversed? And the former number is a combination of CBO's strong emphasis on the mandate (5 million are out of Medicaid right away — in 2018 — just due to dropping the mandate) and a concession to the reality that Medicaid must be reformed to focus on the genuinely needy. It is inevitable that Medicaid be reformed, as it is the source of too much red ink in state and

federal budgets and performs too poorly.

An important aspect missing from the score is its broader economic implications, specifically the CBO's finding that Obamacare lowered employment by 2 million workers. Better economic growth would go a long way toward healing the ills of the insurance market.