The Daily Dish

OACT Weighs in on the AHCA

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A new report released yesterday by the Government Accounting Office (GAO) shows that in 2015 the U.S. government made $136.7 billion worth of improper payments. The GAO found that 15 government agencies were responsible for 96 percent of the improper payments. According to the Improper Payments Elimination and Recovery Act, passed in 2010, the GAO is required to compile the annual report.

Last week the Department of Veterans Affairs (VA) was able to reduce its costs by $1.9 million. AAF analysis finds the VA's latest reductions put it on track to meet President Trump's regulatory one-in, two-out directive. The savings come from reducing regulatory burdens by amending VA regulations for the temporary housing of veterans receiving care at medical facilities.

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The Congressional Budget Office score turned the American Health Care Act (AHCA) into a political football, with its "supplementary information" that insurance coverage would be 23 million individuals lower (after ten years), premiums would spike by 20 percent in 2018, and that one-sixth of the population would be at risk of residing in an area where the individual market would become unstable. There are lots of reasons to take the estimates with a grain of salt, especially after the release of the Centers for Medicare & Medicaid Services (CMS) Office of the Actuary (OACT) scoring of the same legislation.

Perhaps the most important aspect of the OACT report is the disclaimer up front, which I reproduce in full: *The Office of the Actuary has prepared this memorandum in our longstanding capacity as an independent technical advisor to both the Administration and the Congress. The costs, savings, and coverage impacts shown herein represent our best estimates for the American Health Care Act. The statements, estimates, and other information provided in this memorandum are those of the Office of the Actuary and do not represent an official position of the Department of Health & Human Services or the Administration.*

That's right, this is another independent, non-partisan take on the AHCA. Historically, threats to OACT's independence have been taken seriously; a controversy (summarized here by the then-Actuary Richard Foster) erupted over this issue during the passage of the Medicare Part D prescription drug program in 2003.

What did OACT conclude? The top-line finding is that there will only by 13 million more uninsured (compared to CBO's 23 million in 10 years), with the majority of those (8 million) resulting from the Medicaid reforms. Of those, 6 million are due to rolling back the Medicaid expansion that returns the program to its safety-net mission for those who are elderly, disabled or in poverty. At the same time, premiums will drop sharply (18 percent) in 2018 and end up 13 percent lower in 2026. Because subsidies are lower, net premiums will be 5 percent higher. OACT does not project the potential market instability that caused CBO to not estimate a bottom line in its report. Finally, spending is reduced by $328 billion over 10 years. This is considerably less than CBO estimated.

Taken as a whole, this overall picture is very close to the one produced by the (also non-partisan) Center for Health and the Economy.

Stepping back from the individual estimates, there seem to be two lessons. First, the excessive focus on the individual market appears misplaced. On balance, it appears that it will be fine — perhaps not thriving, but not displaying an Iowa-like meltdown in the future. Second, it is time to take a close look under the hood of the potential reforms to Medicaid. There is no way to escape slowing the growth of Medicaid, so the issue is how effectively can states lower the overall price tag without raising the number of uninsured? To the extent that managed care and other tools permit genuine delivery system efficiencies to emerge, the tradeoff between coverage and the much-needed budgetary restraint in Medicaid disappears.