WASHINGTON STRATEGIC CONSULTING

MEMORANDUM

TO: WSC Clients

FROM: Washington Strategic Consulting, Inc.

DATE: June 26, 2017

RE: CBO Score on the Better Care Reconciliation Act

This afternoon, the Congressional Budget Office (CBO) released its cost estimate for the Better Care Reconciliation Act (BCRA), the Senate bill to repeal and replace the Affordable Care Act. The score is based on the discussion draft released by Senate Republicans on June 22, 2017, and does not reflect amendments that senators from both parties are expected to propose in the coming days.

Summary of 6/26 CBO score:

Effects on the Federal Budget

- The BCRA would reduce direct spending by **$1.022 trillion** and reduce revenues by **$701 billion**, for a net reduction of **$321 billion** in the deficit over that period.
  - CBO AHCA net reduction estimate: $119 billion
- The largest savings would come from reductions in outlays for Medicaid (spending on the program would decline by 26 percent over 10 years) and from the replacement of the ACA's marketplace subsidies.
- The largest increases in the deficit would come from repealing or modifying tax provisions in the ACA that are not directly related to health insurance coverage.

Effects on Health Insurance Coverage

- In 2018, **15 million** more people would be uninsured under the BCRA than under current law.
  - CBO AHCA estimate for 2018: 14 million
- The increase in the number of uninsured people relative to the number projected under current law would reach **19 million** in 2020 and **22 million** in 2026.
  - CBOA AHCA estimate for 2026: 23 million
- In 2026, an estimated **49 million** people under age 65 would be uninsured, compared with 28 million who would lack insurance that year under current law.
  - CBO AHCA estimate for 2026: 51 million

Stability of the Health Insurance Market

- Nongroup insurance markets would continue to be stable in many parts of the country in 2020 and beyond.
- A small fraction of the population resides in areas in which – because of this legislation, at least for some of the years after 2019 – no insurers would participate in the nongroup market or insurance would be offered only with very high premiums.

Effects on Premiums and Out-of-Pocket Payments

- Under the Senate bill, average premiums for benchmark plans for single individuals would be about 20 percent higher in 2018 than under current law, mainly because the penalty for not having insurance would be eliminated, inducing fewer comparatively healthy people to sign up. In 2020, those premiums would be about 30 percent *lower* than under current law.
- However, because nongroup insurance would pay for a smaller average share of benefits under this legislation, most people purchasing it would have higher out-of-pocket spending on health care than under current law.