



**Congressional Budget Office**

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**Presentation to the 3<sup>rd</sup> Meeting of OECD  
Parliamentary Budget Officials**

**CBO's Role in the Consideration  
of Health Reform Legislation**

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## At What Points in the Legislative Process Does CBO Provide Analysis?

- Responsible for providing federal budget and mandate cost estimates for bills (other than appropriation bills) when they are reported by a full committee of either House.
- Sometimes prepares cost estimates for proposals at other stages of the legislative process at the request of a committee of jurisdiction, a budget committee, or the Congressional leadership.
- May prepare cost estimates for floor amendments and for bills that pass one or both Houses.



## Access to CBO's Work

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- CBO seeks to ensure that key parties in the Congress have equal access to its analytic work. Insofar as possible, CBO delivers its cost estimates and analyses to all interested parties simultaneously.
- Requests for confidentiality are honored only for cost estimates for legislative proposals that have not been made public.



## What Types of Analysis Did CBO Do For the Health Care Reform Legislation?

- Effects on the federal budget for the first 10 years
- Effects on the federal budget beyond the first 10 years
- Number of people with health insurance
- Effects on private health insurance premiums
- Effects on the share of costs paid by enrollees at different income levels
- Effects on prices of prescription drugs
- Effects on labor markets
- Effects on different types of providers



## The CBO Health Insurance Simulation Model

- Projects the effects of proposals on health insurance coverage and the federal budget.
- Uses various sources of data on the U.S. population, including:
  - Demographic data,
  - Income tax information, and
  - A survey of individual health care spending.
- Projects how individuals and firms will react to changing incentives to purchase health insurance.
  - Behavioral assumptions derived from the economics literature.



# Estimated Effects on the Federal Budget

By Fiscal Year, in Billions of Dollars

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2010-2014	2010-2019
<b>NET CHANGES IN THE DEFICIT FROM INSURANCE COVERAGE PROVISIONS <sup>a,b</sup></b>												
Effects on the Deficit	3	7	9	10	49	87	132	154	164	172	78	788
<b>NET CHANGES IN THE DEFICIT FROM OTHER PROVISIONS AFFECTING DIRECT SPENDING <sup>c</sup></b>												
Effects on the Deficit of												
Changes in Outlays	3	3	-7	-28	-50	-60	-70	-86	-101	-116	-79	-511
<b>NET CHANGES IN THE DEFICIT FROM OTHER PROVISIONS AFFECTING REVENUES <sup>d</sup></b>												
Effects on the Deficit of												
Changes in Revenues	*	-9	-12	-38	-50	-48	-59	-65	-69	-71	-109	-420
<b>NET CHANGES IN THE DEFICIT <sup>a</sup></b>												
Net Increase or Decrease (-) in the Budget Deficit	6	1	-10	-56	-51	-20	3	4	-5	-15	-109	-143

Source: CBO's final cost estimate of the Patient Protection and Affordable Care Act (PPACA, P.L. 111-148), and the Health Care and Education Reconciliation Act of 2010 (P.L. 111-152), March 20, 2010.



# Estimated Effects on Insurance Coverage

## EFFECTS ON INSURANCE COVERAGE

(Millions of nonelderly people, by calendar year)

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Current Law Coverage</b>	Medicaid & CHIP	40	39	39	38	35	34	35	35	35	35
	Employer	150	153	156	158	161	162	162	162	162	162
	Nongroup & Other	27	26	25	26	28	29	29	29	30	30
	Uninsured	<u>50</u>	<u>51</u>	<u>51</u>	<u>51</u>	<u>51</u>	<u>51</u>	<u>52</u>	<u>53</u>	<u>53</u>	<u>54</u>
	<b>TOTAL</b>	267	269	271	273	274	276	277	279	281	282
<b>Change (+/-)</b>	Medicaid & CHIP	*	-1	-2	-3	10	15	17	16	16	16
	Employer	*	3	3	3	4	1	-3	-3	-3	-3
	Nongroup & Other	*	*	*	*	-2	-3	-5	-5	-5	-5
	Exchanges	0	0	0	0	8	13	21	23	24	24
	Uninsured	*	*	-1	-1	-19	-25	-30	-31	-31	-32
<b><u>Post-Policy Uninsured Population</u></b>											
Number of Nonelderly People		50	50	50	50	31	26	21	21	22	23
Insured Share of the Nonelderly Population											
Including All Residents		81%	82%	82%	82%	89%	91%	92%	92%	92%	92%
Excluding Unauthorized Immigrants		83%	83%	83%	83%	91%	93%	95%	95%	95%	94%

Source: CBO's final cost estimate of the Patient Protection and Affordable Care Act (PPACA, P.L. 111-148), and the Health Care and Education Reconciliation Act of 2010 (P.L. 111-152), March 20, 2010.



## Estimated Effects on Exchange Subsidies and Enrollee Payments in 2016

Middle of Income Range	Enrollee Premium for Low-Cost “Silver Plan”	Average Net Cost Sharing	Enrollee Premium plus Average Cost Sharing	
			<i>Dollars</i>	<i>Percent of Income</i>
\$30,000	\$600	\$1,700	\$2,300	8
\$42,000	\$2,400	\$3,200	\$5,600	13
\$54,000	\$4,000	\$5,000	\$9,000	17
\$66,000	\$6,100	\$5,000	\$11,100	17
\$78,000	\$7,900	\$5,000	\$12,900	17
\$90,100	\$9,200	\$5,000	\$14,200	16
\$102,100	\$14,100	\$5,000	\$19,100	19



# Estimated Effects on Average Premiums for Health Insurance in 2016

	Percentage by Market		
	Nongroup	Small Group	Large Group
<b>Distribution of nonelderly population insured in these markets under proposal</b>	17	13	70
<b>Differences in average premiums relative to current law due to:</b>			
Difference in the amount of insurance coverage	+27 to +30	0 to +3	Negligible
Difference in price of given amount of insurance coverage for a given group of enrollees	-7 to -10	-1 to -4	Negligible
Difference in types of people with insurance coverage	-7 to -10	-1 to +2	0 to -3
<b>Total difference before accounting for subsidies</b>	<b>+10 to +13</b>	<b>+1 to -2</b>	<b>0 to -3</b>

Source: Analysis of Health Insurance Premiums Under PPACA, Letter to the Honorable Evan Bayh, November 30, 2009.



## Longer-Term Costs

- CBO does not generally provide cost estimates beyond the 10-year budget projection period. However, many Members requested CBO's analysis of the long-term budgetary impact of broad changes in the nation's health care and health insurance systems.
- CBO estimates that the act will reduce federal budget deficits over the ensuing decade relative to those projected under current law—with a total effect during that decade in a broad range around one-half percent of GDP.