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# Fact Sheet: CBO Score Analysis

In a report released on Monday, the Congressional Budget Office and the staff of the Joint Committee on Taxation estimated that the American Health Care Act would result in the number of uninsured more than doubling by 2026, in big reductions in assistance for people with less income who purchase insurance on the state exchange, and in a drastic 25 percent drop in federal funding for Medicaid over 10 years.

**Approximately 24 million Americans would lose health coverage, bringing the total uninsured to 52 million by 2026.**

- If Colorado's uninsured rates increased as projected, we could expect to have an uninsurance rate of between 14% and 19% in 2026, instead of the 6.7% rate reported in 2015.
- In just one year from today, according to CBO estimates, 14 million more people would be uninsured, more than the population of Colorado, Utah, New Mexico, Wyoming, and Kansas combined.
- If Coloradans were uninsured at the projected national rate, approximately 238,000 more people would be uninsured a year from now.

**Outlays for Medicaid would be slashed by $880 billion between 2017 and 2026, with budgets down 25% by 2026.**

- In 2015, Colorado received $4.4 billion in federal funding for Medicaid. To prevent massive program cuts for children's services, pregnant women, services for the elderly and those with disabilities, and low-income adults, the state would have to contribute more than $1 billion a year by 2026.
- The first to lose coverage are likely to be low-income adults, but other enrollees would soon be affected because of the per capita cap structure and slow growth in the federal contribution. (see below).
- Because of the Taxpayers Bill of Rights (TABOR), Colorado would be unable to make up the $1 billion shortfall needed to keep expansion adults covered and prevent cuts to programs for children, people with disabilities, parents, and elderly Coloradans.
- The Medicaid program does not have fat to trim:
    - Administrative costs are about 5% of total spending nationally, versus 17% in the commercial market.
    - Medicaid reimbursement to hospitals is half the rate of commercial reimbursement.[1]
    - Provider reimbursement is low, and further cuts would result providers leaving the network.

[1] Presentation on Hospital Administrative Costs. Colorado Department of Health Care Policy and Financing, January 2017. Available at: https://www.colorado.gov/pacific/sites/default/files/2017%201%20Jan%209%20Cost%20Commission%20presentation.pdf

**The actual picture for the Medicaid program in Colorado could be even worse.**

- The report assumes that fewer than a third of expansion adults would remain continuously enrolled in Medicaid after two years. Currently, 30-50% of those enrolled in Medicaid lose coverage each year, but there is reason to believe the rate of loss would be still higher because redeterminations will occur every 6 months rather than annually, as is proposed in the Plan.
- People who rely on home-based services to keep them alive, independent, and in the community would also be disproportionately affected by the termination in enhanced funding for home and community-based attendants in the Community First Choice program.
- Other provisions would chip away at Medicaid services: elimination of the three-month retroactive coverage option and the new obstacles to enrollment for applicants who need additional time to provide documentation of legal status.

**Under the Act's per capita cap methodology, Colorado would receive a set amount per enrollee in each category, but that amount would not grow sufficiently over time.**

- The Act would allow funding to grow year to year based on a growth index. The selected index, the Consumer Price Index Medical Cost (CPI-M) index, is lower than the growth of actual medical costs. Medical costs currently grow at 4.4% annually, and with the CPI-M index just 3.7%, the gap between actual costs and the federal funding provided would widen every year.
- Because the index would not allow funding to grow adequately, programs would get squeezed more each year.

**Government expenditure on tax credits to those who purchase coverage would be cut nearly in half - from $673 billion to $361 billion.**

- As discussed in our blog and fact sheet, those with lower incomes would get much less help with premiums than they do today. Higher-income Coloradans would get significantly more.
- Assistance to older Coloradans would fall far short of premium costs. Under the Act, premiums will be five times higher for 60-year-olds than for 30-year-olds, but tax credits will be only twice as high. More older consumers would be expected to drop coverage, with 9 million fewer enrolled by 2026 in the non-group market.
- Premium assistance would grow from year to year much more slowly than medical costs, based on the planned index of Consumer Price Index + 1 (CPI+1). Currently, CPI + 1 would be 3.5%[2] - but medical costs grow at a rate of 4.4%, according to the CBO. Premium increases prior to the ACA were still higher, with 75% of filings in 2010 requesting increases of 10% or more.[3]

**Premiums would rise in the short term because healthy people will drop out of the market**.

- The report anticipates 15 to 20 percent premium increases in 2018 and 2019. With no mandate, the healthy will be less likely to enroll, and a sicker risk pool will result in higher premium costs.
- Enrollment would drop over time because of the requirement that plans charge an additional 30% per month to consumers who had been uninsured for 63 or more days prior to enrollment.

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[2] 12-month percentage change, CPI, selected categories. Bureau of labor Statistics, January 2017. Available at: https://www.bls.gov/charts/consumer-price-index/consumer-price-index-by-category.htm

[3] Rose Chu, Richard Kronick. Health Insurance Premium Increases in the Individual Market Since the Passage of the Affordable Care Act. ASPE, February 22, 2013. Available at: https://aspe.hhs.gov/report/health-insurance-premium-increases-individual-market-passage-affordable-care-act

Less healthy consumers may take the financial hit and remain covered while healthy people stay away, and that would increase premium costs for all insured people.

**Though premiums might begin to fall after 2019, that will depend on some questionable factors, and out-of-pocket costs will almost certainly rise.**

- If premiums are lower after 2020, that will be in part because plans will be allowed to cover less of your care. Instead of a plan that covers 70 percent of costs, a plan could cover as little as 50 percent of costs, leaving consumers to pick up the rest in the form of higher deductibles and cost-sharing. [4] Coloradans already struggle with those costs, and this will make things worse.
- Whether premiums drop would also depend on how states use grants from the Patient and State Stability Fund, a new fund created by the Act that could be used for a variety of programs. One option is for states to create a program that would lower carriers' costs for insuring less healthy enrollees, helping balance out the effects of a sicker risk pool.

**The Patient and State Stability Fund, however, is unlikely to make the difference in Colorado because what's available will not be sufficient, and because a state match is required for full use**.

- The Plan proposes that the funds be used for multiple purposes, and not simply for a reinsurance program or high-risk pool that would help balance the risk pool. [5]
- Colorado's share would be based on claims incurred in 2015 – when enrollment was substantially lower than in 2017 – and an additional 15% reduction would be applied under the terms of the Plan because Colorado is a Medicaid expansion state.
- Beginning in 2020, states would be required to contribute their own funds, and it's unclear whether Colorado would be willing or able to make that General Fund contribution. The full 50% contribution that is required by 2026 would appear to be a non-starter in Colorado because of TABOR limits.
- Without a sufficient reinsurance program in place, premium costs would continue to rise.

**Downstream effects need further analysis and could have significant economic effects.**

- The list of likely effects is long, ranging from higher deductibles and cost-sharing, to a less healthy working population, to rural hospital closures.

[4] David Cutler, John Bertko, Topher Spiro, Emily Gee. Analysis: GOP plan to cost Obamacare enrollees $1,542 more a year. Vox. Available at: http://www.vox.com/the-big-idea/2017/3/7/14843632/aca-republican-health-care-plan-premiums-cost-price

[5] Sandy Ahn, JoAnn Volk. What's the Difference Between Reinsurance and a High-Risk Pool? Center on Health Insurance Reforms. Available at: http://chirblog.org/whats-difference-reinsurance-high-risk-pool-two-approaches-insuring-pre-existing-conditions/