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American Health Care Act – Congressional Budget Office Cost & Coverage Estimates

The Congressional Budget Office and Joint Committee on Taxation CBO report analyzed the American Health Care Act with 10-year projections of the Act's coverage (increasing the uninsured), costs (reducing the deficit), and federal cost shifting to states and individuals.

1. *Effects on Health Insurance Coverage*: **24 million fewer Americans covered by 2026**. The current uninsured rate of 8.6% doubles to 17% or 52 million uninsured Americans in 2026.
2. *Changes to Social Security Act Title XIX Medicaid:* **14 million fewer Americans covered**, $880 billion less paid to state Medicaid programs by the federal government from 2017-2026.

The Act dramatically changes federal cost sharing for state Medicaid programs. Under the Social Security Act, the federal statutory minimum covers 50% of the costs of a state's Medicaid program (it averages 57% federal across the 50 states). This Federal Medical Assistance Percentage or FMAP, is based on a state's per capita income compared to the national average.

The legislation uncouples statutory minimum federal requirements that help fund a state's Medicaid program. It caps federal Medicaid payment on 2016 state expenditures, divided by the number of enrollees in five categories: 1) children, 2) elderly, 3) blind and disabled, 4) pregnant women and parents, and 5) childless adults (the Medicaid expansion population).

The federal per capita rate starts in 2020, linked to the consumer price index for medical services; CPI-M is lower than Medicaid cost growth. The Act continues current Medicaid expansion federal payment at 90% of costs. New Medicaid expansion enrollees would be at the state's FMAP (state average is 57%). It discontinues coverage for eligibility breaks of one month and incentivizes state eligibility redeterminations 'no less than every 6 months.'

3. *Individual (Nongroup) Health Insurance:* **9 million fewer Americans covered by 2026**. The Act increases premiums by 15-20% the first two years, eliminating the individual mandate, thus decreasing current enrollment levels. Providing tax credits to purchase health insurance and allowing insurers to charge more may stabilize the individual (nongroup) market.

   Premiums would decrease by 20% compared to current rates by year 2026 largely due to reduced benefits and the Act's Patient and State Stability Fund for high cost enrollees; these benefit younger enrollees. Proposed age-rating rules allow insurers to charge five times more for older enrollees than for younger ones (current law allows a 3:1 differential). By 2020 the Act decreases by 40% the average subsidy for individual (nongroup) health insurance than under current law, and by 2026 it will be half the current law's subsidy.
4. *Employer Sponsored Health Insurance:* **2 million fewer Americans covered by 2026** by eliminating employer mandates and thus their incentives to offer employee health insurance.
5. **Eliminates $9 Billion (from 2017-2026) from the** Prevention & Public Health Fund.
6. *Colossal Federal Government Cost Shifts*: The Act reduces (2017-2026) federal deficits $337 billion: $1.2 trillion less in direct spending, offset by $883 billion in revenue reductions. Costs shift to states who receive $880 billion less federal Medicaid cost sharing over 10 years, to the 24 million more Americans who become uninsured, and to individuals paying higher insurance premiums, co-pays, and deductibles. These massive federal cost transfers to state Medicaid programs will force them to make very hard choices - curtailing benefits, capping enrollment, paying less to hospitals and providers, or increasing enrollee cost sharing.