



HEALTH REFORM ADVISORY PRACTICE

Weekly Legislative Update



May 26, 2017

CBO Gives Good News and Bad on AHCA; Cost Projections Chill California Single Payer Initiative

The Senate this week continued work on its version of an Affordable Care Act (ACA) partial repeal and replace bill, and reports surfaced that the Senate might unveil its bill the week of June 5. Meanwhile, the Congressional Budget Office (CBO) and Congress's Joint Committee on Taxation (JCT) unveiled their best guess about the coverage and cost implications of the American Health Care Act (AHCA), passed by the House of Representatives earlier this month.

In California, a cost projection for the state's single payer healthcare initiative brought into sharp focus the fiscal perils of single payer.

The CBO/JCT Score

Although earlier versions of the AHCA had been evaluated, or "scored," by the CBO and JCT, the version of the bill that actually cleared the House in early May had not been scored at the time of that vote. The rules under which the AHCA is moving through Congress require the bill to meet or exceed certain deficit reduction targets before it can be officially considered by the Senate, hence the need for a new score.

The [new score](#) estimates the AHCA will reduce the federal deficit by \$119 billion over 10 years, down from \$150 billion in the earlier version of the bill. That's because late amendments to the AHCA in the House called for additional federal spending to provide, among other things, more funding to protect individuals with preexisting conditions. The projected savings are more than adequate to allow the bill to proceed in the Senate.

The new score includes mixed news on premium costs in the individual health insurance market. While the CBO believes premiums will rise in the short term (20 percent next year), the increases decline quickly (5 percent increase in 2019) and then fall to substantially lower levels than under the ACA. The CBO estimates premium costs would actually decline 4-20 percent in 2020, depending on the state.

Like the earlier score, the new score reflects CBO's best guess regarding the number of people who would become uninsured over the next decade, compared to the number expected to be uninsured under the ACA. The earlier score estimated 24 million more people would be uninsured; the revised score estimates a million fewer, or 23 million. Included in the 23 million are people who might lose coverage under Medicaid or employment-based plans, but also people who simply choose not to buy health insurance, because of the elimination of the individual mandate.

Lockton comment: The 23 million number has become political kryptonite, with some Democrats proclaiming that 23 million people will lose their health insurance under the AHCA (many will simply choose not to buy), and some Republicans arguing that the CBO grossly overshot the mark on its estimate. Even though the number is merely an educated guess, its radioactivity overwhelms the score's otherwise positive news on deficit reduction and premium costs, and will complicate Republican efforts to move a repeal and replace bill along.

Senate to CBO/JCT: Yawn

Senate Republicans downplayed the CBO/JCT score, noting that they are writing their own bill, and the score has little relevance to the legislation they're putting together. Privately, however, there appears to be growing doubt, even from Republican leadership in the Senate, that the GOP can forge a consensus on repeal and replace. "I don't know how we get to 50 [votes] at the moment," Senate Majority Leader Mitch McConnell (R-KY) said in an [interview](#) on Wednesday.

Senate Finance Committee Chairman Orrin Hatch (R-UT), a member of the Senate's GOP working group on health reform, recently asked various stakeholders for their views on what the Senate should include, or not include, in an ACA repeal and replace bill.

The American Benefits Council, with assistance from its members including Lockton, responded with a detailed [letter](#) calling for, among other things, repeal of the ACA's Cadillac tax, continuation of the tax-free treatment of group health insurance, and protection of employer-based plans from state-based intrusion in the form of taxes and coverage mandates, a growing concern particularly for multistate employers.

Lockton comment: Sen. Hatch was quoted late in the week imploring his colleagues to "resist any temptation to alter the tax treatment of employer-provided health insurance as part of this particular exercise." While we welcome that bit of news, we fear the reference to "this particular exercise" means changing the tax treatment of employer-provided health insurance is under consideration as part of the GOP's comprehensive tax reform effort, slated for later in the year.

Both the Senate and House are in recess next week.

California Dreamin'?

The cost estimates for California's ambitious single payer healthcare initiative came in this

week, and they are mind-boggling: a whopping \$400 billion per year (and probably more), requiring at least \$200 billion annually in additional revenue, over and above healthcare revenue the state currently receives.

The cost projections mean the additional revenue needed to fund single payer healthcare in California will exceed the state's current annual budget of nearly \$180 billion. Reports indicate that under one option for funding the effort, the state would need to levy additional taxes on employers and employees of up to 15 percent.

The staggering cost projections left even some Democrats in the state legislature questioning the wisdom of the effort. Concerns focused on the potential loss of jobs in the state, as well as on the state's ability to efficiently and effectively administer a healthcare program for tens of millions of California residents.

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