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SOME MEDIA REPORTS MISCHARACTERIZE CBO ESTIMATE OF SENATE “HELP” HEALTH REFORM BILL

Final “HELP” Bill Likely to Cover Many More People Than Partial Draft CBO Analyzed

by Paul Van de Water and Robert Greenstein

The news media are widely reporting that, according to a partial and preliminary Congressional Budget Office (CBO) analysis, health reform legislation that the Senate Committee on Health, Education, Labor, and Pensions (HELP) is developing would cut the number of uninsured by only 16 million people while costing \$1 trillion over ten years. That conclusion, however, is incorrect. The CBO analysis covers only a part of the HELP plan (the parts for which the Committee gave CBO detailed specifications) and does *not* include major elements of the plan that would further substantially reduce the number of uninsured.

Consequently, the CBO analysis is highly incomplete; it does not show, nor does it purport to show, the effects that the full HELP plan would have on either health insurance coverage or the federal budget. As CBO itself noted, the provisions of the HELP plan that it did *not* cover “could also have substantial effects on our analysis.”

The CBO analysis does not cover key features of the HELP plan, including:

- *Medicaid Expansion.* About 40 percent of all uninsured people are in families with incomes below 150 percent of the poverty line, and the Committee proposes to cover these low-income people by expanding Medicaid. *The CBO analysis does not reflect this element of the Committee’s plan.* The CBO analysis also does not incorporate a planned provision to require states to maintain current Medicaid eligibility levels in cases in which states already exceed the new federal Medicaid coverage requirements that the bill would establish. As a result, CBO assumed many states will reduce Medicaid eligibility and shift some of their new beneficiaries into a proposed new health insurance “exchange,” at increased federal cost. Including these Medicaid provisions in the estimate will both greatly increase the number of people with coverage and reduce the cost per newly insured individual, although it will increase the cost of the bill as a whole since many more of the uninsured will gain coverage.
- *Employer Responsibility.* The Committee will likely include in its bill a requirement that larger employers either offer health insurance coverage to their employees or make a payment to help

pay for coverage. This requirement will increase the number of people with employer-sponsored health insurance and reduce the cost of government subsidies for coverage purchased through the exchange. In addition, the CBO estimate does not include the bill's provision to allow some employers to purchase coverage through the exchange, which also would likely increase the number of people obtaining coverage through their employer.

- *Individual Responsibility.* As CBO acknowledges, the Committee plans to require that individuals obtain health insurance coverage (that is, impose an “individual mandate”), but CBO found the draft language for this provision “ambiguous.” The bill does not specify the size of the penalties for non-compliance, but gives the Treasury Secretary the authority to set them. CBO assumed that the penalties would be minimal, thus making the mandate less effective. A toothless mandate is not, however, what the Committee appears to have in mind. By assuming such a weak mandate, the CBO estimates likely understate both the extent to which the Committee plan will encourage uninsured individuals to purchase health insurance and, in turn, coverage gains under the bill.
- *Public Plan Option.* The CBO estimate does not assume the availability of an option for individuals to choose a new public plan that would compete with private insurance plans within the exchange. The Committee plans to include a public plan. Depending on its structure, a public plan option could help slow the growth of health costs and reduce the cost of the new federal health insurance subsidies.
- *Other Omissions.* The CBO analysis does not reflect several other elements of the Committee proposal that would reduce costs or increase coverage. For example, CBO found the draft provisions regarding income verification to be “unclear,” which CBO said affected its estimate of the cost of the subsidies. The CBO analysis also does not take into account the proposed requirement that insurers offer dependent coverage for children of policyholders who are less than 27 years of age.

In essence, the CBO estimate covers only a part of the emerging HELP bill, and its findings about cost and coverage may differ substantially from what CBO finds when it analyzes the full legislation that the Committee issues. Observers would be well-advised to await such analysis before drawing conclusions about the legislation.