

## **Insurance Coverage Provisions of the Affordable Care Act— CBO's February 2014 Baseline**

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**Table 1.****Effects on the Deficit of the Insurance Coverage Provisions of the Affordable Care Act**

(Billions of dollars, by fiscal year)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total, 2015- 2024
Exchange Subsidies and Related Spending <sup>a</sup>	20	47	85	104	118	123	129	137	143	151	159	1,197
Medicaid and CHIP Outlays <sup>b</sup>	19	41	62	70	76	80	83	87	92	98	103	792
Small-Employer Tax Credits <sup>c</sup>	<u>1</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>15</u>
Gross Cost of Coverage Provisions	40	90	148	175	195	205	214	226	237	250	263	2,004
Penalty Payments by Uninsured People	0	-2	-4	-5	-5	-5	-5	-6	-6	-6	-7	-52
Penalty Payments by Employers <sup>c</sup>	0	0	-11	-14	-15	-16	-17	-18	-19	-20	-21	-151
Excise Tax on High-Premium Insurance Plans <sup>c</sup>	0	0	0	0	-5	-9	-11	-14	-18	-22	-28	-108
Other Effects on Revenues and Outlays <sup>d</sup>	<u>1</u>	<u>1</u>	<u>-6</u>	<u>-14</u>	<u>-20</u>	<u>-23</u>	<u>-24</u>	<u>-26</u>	<u>-28</u>	<u>-31</u>	<u>-34</u>	<u>-206</u>
<b>Net Cost of Coverage Provisions</b>	<b>41</b>	<b>88</b>	<b>127</b>	<b>142</b>	<b>151</b>	<b>151</b>	<b>156</b>	<b>161</b>	<b>166</b>	<b>170</b>	<b>173</b>	<b>1,487</b>
<b>Memorandum:</b>												
Changes in Mandatory Spending	37	103	156	186	196	207	217	229	241	254	267	2,056
Changes in Revenues <sup>e</sup>	-4	15	29	44	45	55	61	68	75	84	94	570

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

Notes: These numbers exclude effects on the deficit of provisions of the Affordable Care Act that are not related to insurance coverage. They also exclude federal administrative costs subject to appropriation. (CBO has previously estimated that the Internal Revenue Service would need to spend between \$5 billion and \$10 billion over the 2010–2019 period to implement the Affordable Care Act and that the Department of Health and Human Services and other federal agencies would also need to spend \$5 billion to \$10 billion over that period.) In addition, the Affordable Care Act included explicit authorizations for spending on a variety of grant and other programs; that funding is also subject to future appropriation action.

Unless otherwise noted, positive numbers indicate an increase in the deficit, and negative numbers indicate a decrease in the deficit.

Numbers may not add up to totals because of rounding.

CHIP = Children's Health Insurance Program.

- Includes spending for exchange grants to states and net collections and payments for risk adjustment, reinsurance, and risk corridors.
- Under current law, states have the flexibility to make programmatic and other budgetary changes to Medicaid and CHIP. CBO estimates that state spending on Medicaid and CHIP over the 2015–2024 period will be about \$70 billion higher because of the coverage provisions of the Affordable Care Act than it would be otherwise.
- These effects on the deficit include the associated effects of changes in taxable compensation on revenues.
- Consists mainly of the effects of changes in taxable compensation on revenues. CBO estimates that outlays for Social Security benefits will increase by about \$8 billion over the 2015–2024 period and that the coverage provisions will have negligible effects on outlays for other federal programs.
- Positive numbers indicate an increase in revenues, and negative numbers indicate a decrease in revenues.

**Table 2.****Effects of the Affordable Care Act on Health Insurance Coverage**

(Millions of nonelderly people, by calendar year)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Insurance Coverage Under Prior Law<sup>a</sup></b>											
Medicaid and CHIP	34	34	33	33	33	33	34	34	34	34	35
Employment-based coverage	157	159	161	164	165	166	167	167	168	169	169
Nongroup and other coverage <sup>b</sup>	25	26	26	27	27	27	27	28	28	28	28
Uninsured <sup>c</sup>	57	57	56	56	55	55	56	56	56	56	57
Total	274	276	277	279	281	282	284	285	286	288	289
<b>Change in Insurance Coverage Under the ACA</b>											
Insurance exchanges	6	13	22	24	25	25	24	25	24	24	24
Medicaid and CHIP	8	12	12	12	12	12	13	13	13	13	13
Employment-based coverage <sup>d</sup>	*	-2	-6	-6	-7	-7	-7	-7	-7	-7	-7
Nongroup and other coverage <sup>b</sup>	-2	-3	-4	-5	-5	-5	-5	-5	-5	-5	-5
Uninsured <sup>c</sup>	-13	-20	-25	-25	-25	-25	-25	-25	-25	-25	-25
<b>Uninsured Under the ACA</b>											
Number of uninsured nonelderly people <sup>c</sup>	45	37	31	30	30	30	30	31	31	31	31
Insured as a percentage of the nonelderly population											
Including all U.S. residents	84	86	89	89	89	89	89	89	89	89	89
Excluding unauthorized immigrants	86	89	91	92	92	92	92	92	92	92	92
<b>Memorandum:</b>											
<b>Exchange Enrollees and Subsidies</b>											
Number with unaffordable offer from employer <sup>e</sup>	*	*	*	1	1	1	1	1	1	1	1
Number of unsubsidized exchange enrollees <sup>f</sup>	1	2	4	4	5	5	5	5	5	5	5
Average exchange subsidy per subsidized enrollee (Dollars)	4,700	5,330	5,350	5,590	5,990	6,240	6,720	7,060	7,460	7,900	8,370

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

Notes: Figures for the nonelderly population include residents of the 50 states and the District of Columbia who are younger than 65.

Numbers may not add up to totals because of rounding.

CHIP = Children's Health Insurance Program; ACA = Affordable Care Act; \* = between -500,000 and 500,000.

- Figures reflect average enrollment over the course of a year and include spouses and dependents covered under family policies; people reporting multiple sources of coverage are assigned a primary source. To illustrate the effects of the Affordable Care Act, which is part of current law, changes in coverage are compared with coverage projections in the absence of that legislation, or "prior law."
- The effects are almost entirely for nongroup coverage; "other" includes Medicare.
- The number of uninsured people includes unauthorized immigrants as well as people who are eligible for, but not enrolled in, Medicaid.
- The change in employment-based coverage is the net result of projected increases and decreases in offers of health insurance from employers and changes in enrollment by workers and their families. For example, in 2019, an estimated 11 million people who would have had an offer of employment-based coverage under prior law will lose their offer under current law, and an estimated 3 million people who would have enrolled in employment-based coverage will still have such an offer but will choose to no longer enroll in that coverage. Those decreases in employment-based coverage will be partially offset by an estimated 7 million people who will newly enroll in employment-based coverage under the Affordable Care Act.
- Workers who would have to pay more than a specified share of their income (9.5 percent in 2014) for employment-based coverage could receive subsidies through an exchange.
- Excludes coverage purchased directly from insurers outside of an exchange.

**Table 3.****Enrollment in, and Budgetary Effects of, Health Insurance Exchanges**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total, 2015- 2024
<b>Exchange Enrollment</b>												
(Millions of nonelderly people, by calendar year) <sup>a</sup>												
Individually Purchased Coverage												
Subsidized	5	11	19	20	20	20	20	20	19	19	19	n.a.
Unsubsidized <sup>b</sup>	<u>1</u>	<u>2</u>	<u>4</u>	<u>4</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	n.a.
<b>Total</b>	<b>6</b>	<b>13</b>	<b>22</b>	<b>24</b>	<b>25</b>	<b>25</b>	<b>24</b>	<b>25</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>n.a.</b>
Employment-Based Coverage												
Purchased Through Exchanges <sup>b</sup>	2	2	3	4	4	4	4	4	4	4	4	n.a.
<b>Budgetary Effects</b>												
(Billions of dollars, by fiscal year)												
Changes in Mandatory Spending												
Premium credit outlays	13	33	63	79	88	92	97	103	109	115	121	899
Cost-sharing subsidies	3	8	13	15	16	17	17	18	19	21	22	167
Exchange grants to states	2	1	*	*	0	0	0	0	0	0	0	2
Payments for risk adjustment, reinsurance, and risk corridors	<u>0</u>	<u>20</u>	<u>19</u>	<u>23</u>	<u>17</u>	<u>19</u>	<u>21</u>	<u>21</u>	<u>22</u>	<u>23</u>	<u>23</u>	<u>208</u>
<b>Total</b>	<b>18</b>	<b>62</b>	<b>95</b>	<b>118</b>	<b>121</b>	<b>127</b>	<b>135</b>	<b>143</b>	<b>150</b>	<b>158</b>	<b>166</b>	<b>1,275</b>
Changes in Revenues												
Premium credit revenues	-2	-6	-11	-13	-14	-15	-15	-15	-15	-16	-16	-137
Collections for risk adjustment, reinsurance, and risk corridors	<u>0</u>	<u>21</u>	<u>21</u>	<u>27</u>	<u>17</u>	<u>19</u>	<u>21</u>	<u>21</u>	<u>22</u>	<u>23</u>	<u>23</u>	<u>215</u>
<b>Total</b>	<b>-2</b>	<b>14</b>	<b>10</b>	<b>14</b>	<b>3</b>	<b>4</b>	<b>6</b>	<b>6</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>78</b>
Net Increase in the Deficit From Exchange Subsidies and Related Spending	20	47	85	104	118	123	129	137	143	151	159	1,197
<b>Memorandum:</b>												
Total Exchange Subsidies (Billions of dollars, by calendar year)	25	57	100	112	121	124	132	139	145	153	162	1,244
Average Exchange Subsidy per Subsidized Enrollee (Dollars)	4,700	5,330	5,350	5,590	5,990	6,240	6,720	7,060	7,460	7,900	8,370	n.a.

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

Notes: Numbers may not add up to totals because of rounding.

n.a. = not applicable; \* = between zero and \$500 million.

- a. Figures reflect average enrollment over the course of a year and include spouses and dependents covered under family policies. Figures for the nonelderly population include residents of the 50 states and the District of Columbia who are younger than 65.
- b. Excludes coverage purchased directly from insurers outside of an exchange.

**Table 4.****Comparison of CBO's Current and Previous Estimates of the Effects of the Insurance Coverage Provisions of the Affordable Care Act**

	May 2013 Baseline	February 2014 Baseline	Difference
<b>Change in Insurance Coverage Under the ACA in 2014 (Millions of nonelderly people, by calendar year)<sup>a</sup></b>			
Insurance Exchanges	7	6	-1
Medicaid and CHIP	9	8	-1
Employment-Based Coverage <sup>b</sup>	*	*	*
Nongroup and Other Coverage <sup>c</sup>	-2	-2	*
Uninsured <sup>d</sup>	-14	-13	1
<b>Effects on the Cumulative Federal Deficit, 2014 to 2023<sup>e</sup> (Billions of dollars)</b>			
Exchange Subsidies and Related Spending <sup>f</sup>	1,075	1,058	-16
Medicaid and CHIP Outlays	710	708	-2
Small-Employer Tax Credits <sup>g</sup>	14	14	**
Gross Cost of Coverage Provisions	1,798	1,780	-18
Penalty Payments by Uninsured People	-45	-45	**
Penalty Payments by Employers <sup>g</sup>	-140	-130	10
Excise Tax on High-Premium Insurance Plans <sup>g</sup>	-80	-80	0
Other Effects on Revenues and Outlays <sup>h</sup>	-171	-171	-1
<b>Net Cost of Coverage Provisions</b>	<b>1,363</b>	<b>1,354</b>	<b>-9</b>
<b>Memorandum:</b>			
Net Collections and Payments for Risk Adjustment, Reinsurance, and Risk Corridors <sup>i</sup>	0	-8	-8

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

Notes: Numbers may not add up to totals because of rounding.

ACA = Affordable Care Act; CHIP = Children's Health Insurance Program; \* = between -500,000 and 500,000; \*\* = between -\$500 million and \$500 million.

- a. Figures for the nonelderly population include residents of the 50 states and the District of Columbia who are younger than 65.
- b. The change in employment-based coverage is the net result of projected increases and decreases in offers of health insurance from employers and changes in enrollment by workers and their families.
- c. The effects are almost entirely for nongroup coverage; "other" includes Medicare.
- d. The number of uninsured people includes unauthorized immigrants as well as people who are eligible for, but not enrolled in, Medicaid.
- e. Positive numbers indicate an increase in the deficit; negative numbers indicate a decrease in the deficit. They also exclude effects on the deficit of other provisions of the Affordable Care Act that are not related to insurance coverage. They also exclude federal administrative costs subject to appropriation.
- f. Includes spending for exchange grants to states and net collections and payments for risk adjustment, reinsurance, and risk corridors (see Memorandum). CBO's May 2013 baseline also included an estimated \$1 billion in spending for high-risk pools, premium review activities, and loans to consumer-operated and -oriented plans over the 2014–2023 period. A similar total is included elsewhere in CBO's February 2014 baseline.
- g. These effects on the deficit include the associated effects of changes in taxable compensation on revenues.
- h. Consists mainly of the effects of changes in taxable compensation on revenues.
- i. These effects are included in "Exchange Subsidies and Related Spending."