



## **CBO Explainer: Better Care Reconciliation Act**

Today, the nonpartisan Congressional Budget Office (CBO) released its score of Senate Republicans' Better Care Reconciliation Act (BCRA). CBO score evaluates BCRA along several dimensions, including estimates of changes in health care coverage and premium expenses, and the impact on the federal budget. Below is an overview of CBO's score.

### **Coverage Impact**

CBO estimates that, by 2026, BCRA will result in 22 million losing insurance, increasing the overall number of uninsured to nearly 50 million or 17.5 percent of the population under 65.

#### ***Medicaid***

BCRA cuts Medicaid by \$772 billion dollars by 2026.<sup>1</sup> CBO estimates that by 2026, for people under 65, enrollment in Medicaid would fall by about 16 percent, with 15 million fewer Medicaid enrollees than under the current law. These estimates do not take into account that BCRA will actually have huge impacts on Medicaid spending outside CBO's 10 year budget window. In fact, CBO writes that "[i]n later years, other changes in the legislation—lower spending on Medicaid and substantially smaller average subsidies for coverage in the nongroup market—would also lead to increases in the number of people without health insurance."

#### ***Individual Market***

CBO expects that roughly 7 million fewer people would enroll in the individual market in 2026, in large part because marketplace coverage under BCRA would be prohibitively expensive for many Americans, driving them away from buying insurance. In addition, individuals who have experienced a gap in insurance of 63 days within the past year would be blocked from buying insurance for six months.

#### ***Older, Low-Income Americans***

CBO expects that losses in insurance coverage would disproportionately affect older people with lower income, particularly individuals between 50 and 64 years with income of less than 200 percent of the federal poverty line.

#### ***Employer-Based Insurance***

CBO estimates that employer-based insurance will fall by 4 million next year. CBO notes that because of BCRA's repeal of essential health benefits, large employers that operate across several states may be able to offer insurance packages that cover fewer services. BCRA also

takes away tax credits for small businesses to provide health insurance to their employees.

## **Impact on Health Care Premiums**

CBO estimates that premiums<sup>2</sup> will go up 20 percent next year, yet the bill fails to provide enough help to make premium payments affordable for many Americans. The bill allows those making up to 350 percent of the federal poverty line (\$42,210 per year for an individual in 2017), rather than 400 percent under the ACA (\$48,240 per year for an individual), to be eligible for tax credits.<sup>3</sup> In addition, BCRA reduces financial assistance to cover 58 percent of enrollee costs, rather than 70 percent under current law. These changes would result in less affordable coverage for millions of Americans. For example, under the current law a 64-year-old who earns \$26,500 will pay \$1,700 in annual net premiums. Under BCRA, that number would jump to \$6,500.

Estimates show that health care premiums would dramatically increase under BCRA for all age groups. For instance, a 60-year-old at 351% of the poverty line in Lincoln County, New Mexico would see her tax credit fall from \$5,320 to zero under BCRA. Similarly, a 40 year old at 351% of the poverty line in Chatham County, North Carolina would see her tax credit fall from \$2,580 to zero.<sup>4</sup> For that same person in Nome County, Alaska, tax credits would plummet from \$7,850 to zero, while in Mingo County, West Virginia, tax credits would fall from \$3,420 to zero.<sup>5</sup>

While CBO does say that on average, premiums<sup>6</sup> will be 20 percent lower in 2026, previous research from the Brookings Institution has shown that this change is because older and sicker Americans will be driven out of the health insurance market. Their apples-to-apples estimate of the House bill suggested that premiums would be 13 percent higher.<sup>7</sup>

## **Budget Impact**

To offset deep cuts to the Medicaid program (\$772 billion) and increasing taxes for low- and middle-income Americans (\$408 billion) over the next ten years, the Republican bill has huge tax cuts for the wealthy. CBO estimates that the repeal of taxes imposed under the ACA – including a tax on net investment income for those earning more than \$200,000 – would result in a revenue loss of \$541 billion. Overall, BCRA is estimated to reduce the deficit by \$321 billion by 2026.

## **Impact on Out-of-Pocket Costs**

CBO estimates that out-of-pocket spending for those with costly or pre-existing conditions could go up. BCRA still allows insurers to skirt preexisting condition protections by undermining protections for coverage of certain health services. Because BCRA allows states to opt out of the ACA's essential health benefits (EHBs), many Americans could be buying more expensive insurance policies that offer fewer benefits. Specifically, CBO found that people living in states that reduce coverage for the ten essential health benefits currently required by all qualified health plans would see higher costs for care, or forgo that care altogether. These EHBs include access to maternity care and mental health services, as well as substance abuse treatment. CBO also says that some people could see huge increases in out-of-pocket spending because annual and lifetime limits would apply again, preventing those who need the care most from accessing it. CBO

estimates that half of the population lives in areas where coverage of certain types of care could become extremely expensive due to changes in EHBs.

## Conclusion

The Senate Republicans claimed to want to lower costs and expand coverage. This bill fails to achieve either objective. Instead, Senate Republicans have proposed to take health care away from 22 million Americans, increasing the number of uninsured to nearly 50 million in 2026. Those left with coverage will be paying for lower quality plans that leave them with fewer benefits and higher deductibles. It's well past time for Republicans to stop negotiating with themselves and work with Democrats to improve our nation's health care system – a system that impacts one-sixth's of the nation's economy.

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<sup>1</sup><https://www.budget.senate.gov/imo/media/doc/SENATEHEALTHCARE.pdf><https://www.budget.senate.gov/imo/media/doc/SENATEHEALTHCARE.pdf>

<sup>2</sup> Reflecting increases for benchmark plans for single individuals

<sup>3</sup>[https://www.multicare.org/file\\_viewer.php?id=11807&title=Financial+Assistance+Eligibility+Grid;](https://www.multicare.org/file_viewer.php?id=11807&title=Financial+Assistance+Eligibility+Grid;)

<https://aspe.hhs.gov/poverty-guidelines>

<sup>4</sup> <http://www.kff.org/interactive/premiums-and-tax-credits-under-the-affordable-care-act-vs-the-senate-better-care-reconciliation-act-interactive-maps/>

<sup>5</sup> <http://www.kff.org/interactive/premiums-and-tax-credits-under-the-affordable-care-act-vs-the-senate-better-care-reconciliation-act-interactive-maps/>

<sup>6</sup> Benchmark

<sup>7</sup> <https://www.brookings.edu/blog/up-front/2017/03/16/how-will-the-house-gop-health-care-bill-affect-individual-market-premiums/>