



July 14, 2009

Honorable Charles B. Rangel
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The Congressional Budget Office (CBO) and the staff of the Joint Committee on Taxation (JCT) have completed a preliminary analysis of the specifications related to health insurance coverage that are reflected in draft legislation called America's Affordable Health Choices Act, which was released by the House tri-committee majority group on July 14, 2009.¹ Among other things, those specifications would establish a mandate for most legal residents to obtain insurance, significantly expand eligibility for Medicaid, and set up insurance "exchanges" through which certain individuals and families could receive federal subsidies to substantially reduce the cost of purchasing that coverage. The analysis presented here does not take into account other parts of the proposal that would raise taxes or reduce other spending (particularly in the Medicare program) in an effort to offset the federal costs of implementing those coverage specifications.

The attached tables summarize our preliminary assessment of the coverage specifications' budgetary effects and their likely impact on rates and sources of insurance coverage for the nonelderly population. According to that assessment, enacting legislation that embodied those specifications would result in a net increase in federal budget deficits of \$1,042 billion over the 2010–2019 period. By 2019, CBO and the JCT staff estimate, the number of nonelderly people without health insurance would be reduced by about 37 million, leaving about 17 million nonelderly residents uninsured (nearly half of whom would be unauthorized immigrants). It is important to note, however, that those estimates are based on specifications provided by the tri-committee group rather than an analysis of the language released today. For that reason and others outlined below, those figures do *not* represent a formal or complete cost estimate for the coverage provisions of the draft legislation.

¹ The House tri-committee group consists of the Committee on Ways and Means, the Committee on Energy and Commerce, and the Committee on Education and Labor.

Preliminary Analysis of the Insurance Coverage Specifications Provided by the House Tri-Committee Group

EFFECTS ON THE FEDERAL DEFICIT / a,b,c (Billions of dollars) by fiscal year

2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2010-2019

Medicaid/CHIP Outlays /d,e

Exchange Subsidies

Payments by Employers to Exchanges /f,g

Associated Effects on Tax Revenues /f

438
773
-45
15

Subtotal

1,182

Small Employer Credits /h

53

Payments by Uninsured Individuals

-29

"Play-or-Pay" Payments by Employers /f,h

-163

NET IMPACT OF COVERAGE SPECIFICATIONS

1,042

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

Note: CHIP = Children's Health Insurance Program; * = less than \$0.5 billion.

a. Does not include federal administrative costs or account for all effects on other federal programs.

b. Components may not sum to totals because of rounding.

c. Positive numbers indicate increases in the deficit, and negative numbers indicate reductions in the deficit.

d. Includes effects of coverage provisions and the proposed increase in Medicaid payment rates for primary care physicians (see text).

e. 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 in the 2010-2019 period would be reduced by about \$10 billion under the proposal (see text).

f. Increases in tax revenues reduce the deficit.

g. Employers would generally have to pay 8 percent of their average payroll per worker for each employee who received subsidies via an exchange (see text).

h. The effects on the deficit shown for this provision include the associated effects of changes in taxable compensation on tax revenues.