

## CBO Revises Estimate of ACA's Insurance Coverage Provisions After Supreme Court Decision

Welcome to *legislate*, the recess edition. During the five-week summer recess, *legislate* will focus on policy issues that have not made it to the legislative process, reports that could influence legislation, and possible legislative trends in Congress. When Congress returns in September, the weekly roundup of events on Capitol Hill that affect employee benefits and human resources will resume.

### Summing It Up

The Congressional Budget Office (CBO) is a nonpartisan agency that provides analysis of economic and budgetary issues to support the Congressional budget process. Both before and after the Affordable Care Act (ACA) was passed, the CBO provided Congress with estimates of the budgetary effects of the health insurance coverage provisions. In light of the recent Supreme Court ruling on the question of whether the ACA mandates that states expand Medicaid eligibility, the CBO [revised](#) its cost estimate for the ACA's insurance coverage provisions. The revised estimate is significantly lower because the CBO projects that some states might not expand Medicaid eligibility, which will result in a reduction of the government's expenditure on the program.

### CBO's New Estimate

#### ACA's Medicaid Eligibility Requirement and the Supreme Court

Medicaid funds health care coverage for certain low-income individuals. The cost of Medicaid is shared by the states and the federal government. Federal law requires states to cover certain groups (children, pregnant women, elderly and disabled individuals, and parents) and gives states some flexibility to cover other groups. Currently, the federal government will not fund Medicaid coverage for childless adults, regardless of their income. States seeking to cover such individuals must obtain waivers or fully fund their own programs. The ACA significantly expands Medicaid eligibility in 2014 to most individuals (including childless adults) under age 65 with incomes below 138% of the federal poverty level (FPL). Although the law refers to 133%, a 5% "income disregard" makes the effective rate 138%. The federal government will fund 100% of the cost of expanded Medicaid eligibility for 2014 through 2016, and at least 90% of the cost in future years. Before the Supreme Court's ruling, it appeared that if a state did not comply with the ACA's Medicaid expansion, it would lose all federal Medicaid funding, not just the federal funding associated with those newly eligible for Medicaid under the ACA. The Supreme Court found this overly coercive, ruling that states had to be given the option of rejecting the expanded Medicaid eligibility while still continuing to receive current federal Medicaid funding.

## CBO's New Estimate

In light of the Supreme Court's decision, the CBO revised its cost estimate for the ACA's insurance provisions. The revised estimate is based on a "middle of the road" estimate of what states may do (i.e., expand coverage completely, partially expand coverage, delay expansion, or not expand coverage at all). The new estimate is down \$84 billion over 10 years, from \$1,252 billion to \$1,168 billion. The CBO says its estimate was revised downward because "fewer people will be covered by the Medicaid program, more people will obtain health insurance through the newly established exchanges, and more people will be uninsured." The CBO explains that although more people will be in the health insurance exchanges and receive a subsidy, the cost of this coverage will be below the cost of the expanded Medicaid coverage.

The report recognizes an unintended consequence of the Court's ruling. Under the ACA, in 2014 Medicaid eligibility is expanded to most individuals under age 65 with incomes below 138% of the FPL, and individuals with incomes of from 100% to 400% of the FPL are eligible for subsidies to purchase exchange coverage. If a state does not expand Medicaid coverage as provided for in the ACA and only covers individuals at a limit that is below 100% of the FPL, some individuals will be ineligible for either Medicaid or an exchange subsidy. These individuals will probably be uninsured. This result was likely not intended by ACA's drafters. However, given the current political climate, it is unlikely that any legislation will be passed that would provide a fix.

## Did you know?

According to the Senate reference page, the lame-duck session is the period in an even-numbered year when Congress reconvenes after the November election. Members who lost their election and will not return the following year are considered "lame duck" members, and the session is named after them. Although a lame-duck session is coming up later this year, it is expected to be anything but lame because a number of key budget and tax issues will be coming to a head.

Next week: What is a "Christmas tree" bill?

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