



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 26, 2017

H.R. 1628

Better Care Reconciliation Act of 2017

*An Amendment in the Nature of a Substitute [LYN17343]
as Posted on the Website of the Senate Committee on the Budget on June 26, 2017*

The Congressional Budget Office and the staff of the Joint Committee on Taxation (JCT) have completed an estimate of the direct spending and revenue effects of the Better Care Reconciliation Act of 2017, a Senate amendment in the nature of a substitute to H.R. 1628. CBO and JCT estimate that enacting this legislation would reduce the cumulative federal deficit over the 2017-2026 period by \$321 billion. That amount is \$202 billion more than the estimated net savings for the version of H.R. 1628 that was passed by the House of Representatives.

The Senate bill would increase the number of people who are uninsured by 22 million in 2026 relative to the number under current law, slightly fewer than the increase in the number of uninsured estimated for the House-passed legislation. By 2026, an estimated 49 million people would be uninsured, compared with 28 million who would lack insurance that year under current law.

Following the overview, this document provides details about the major provisions of this legislation, the estimated costs to the federal government, the basis for the estimate, and other related information, including a comparison with CBO's estimate for the House-passed act.

- Repealing the annual fee on health insurance providers, beginning in calendar year 2017.
- Delaying when the excise tax imposed on some health insurance plans with high premiums would go into effect. It is currently scheduled to take effect for tax years beginning after December 2019; the legislation would delay the effective date for six years.
- Repealing the increase in the Hospital Insurance payroll tax rate for certain high-income taxpayers, effective for earned income received beginning in 2023.

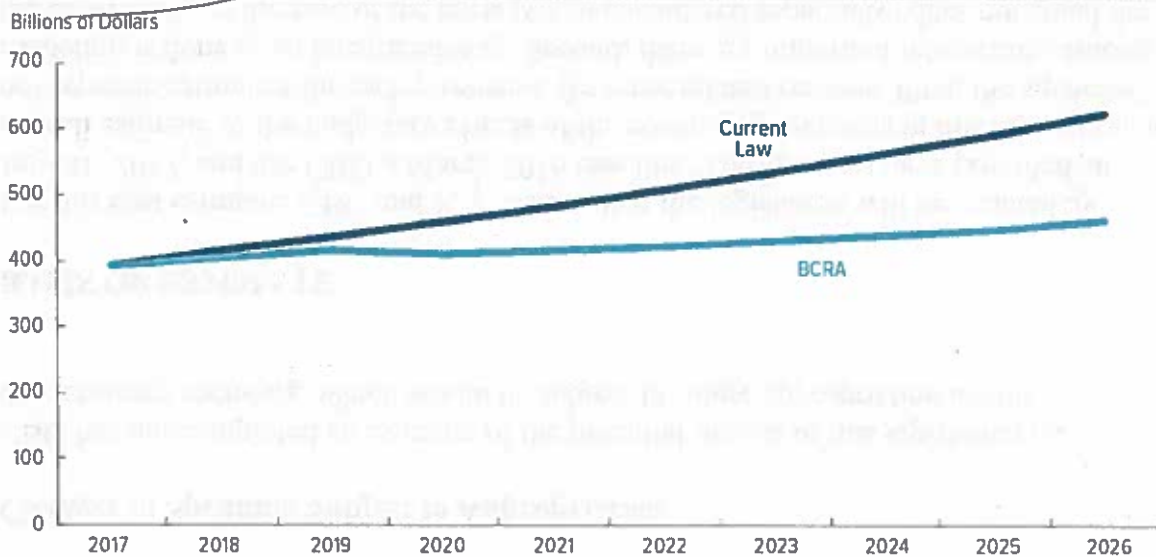
In addition, this legislation would make several changes to other health-related programs that would have smaller budgetary effects.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

CBO and JCT estimate that, on net, enacting this legislation would decrease federal deficits by \$321 billion over the 2017-2026 period. The largest budgetary effects would stem from provisions affecting insurance coverage. Those provisions, taken together, would reduce projected deficits by \$862 billion over the 2017-2026 period. Other provisions would increase deficits by \$541 billion, mostly by reducing tax revenues. (See Table 2, at the end of this document, for the estimated budgetary effects of each major provision.) The largest effects on spending under this bill would be for Medicaid. Overall, including all provisions affecting Medicaid, CBO estimates that spending for the program would be reduced by \$160 billion in 2026 compared with projections under current law (see Figure 2).

Figure 2.

Medicaid Spending Under Current Law and Under the Better Care Reconciliation Act



Source: Congressional Budget Office.

Estimates are based on CBO's March 2016 baseline, adjusted for subsequent legislation. Spending includes payments for medical services, payments to states for administration of the program, payments to hospitals that serve a disproportionate share of low-income patients, and payments made under the Vaccines for Children program.

BCRA = the Better Care Reconciliation Act of 2017 (a Senate amendment in the nature of a substitute to H.R. 1628).

Budgetary Effects of Health Insurance Coverage Provisions

The total deficit reduction that would result from the insurance coverage provisions includes the following amounts (shown in Table 3, at the end of this document):

- A reduction of \$772 billion in federal outlays for Medicaid;
- Savings of \$424 billion stemming mainly from modifying, in 2020, the ACA's tax credits for premium assistance to purchase nongroup health insurance and, in the same year, eliminating subsidies to reduce cost-sharing payments;
- Savings of \$21 billion, mostly associated with shifts in the mix of taxable and nontaxable compensation—resulting in more taxable income—from net decreases in most years in the number of people estimated to enroll in employment-based health insurance coverage; and
- Savings of \$6 billion from repealing a tax credit for certain small employers who provide health insurance to their employees.