

White House: CBO's Numbers Don't Add Up

In the above video, the White House offers a “reality check” on the Congressional Budget Office’s “score” on the Better Care Reconciliation Act, the Senate Republican Conference’s health care reform bill.

The 45-second video provides a very brief overview of the Trump administration’s biggest beef with the CBO: chiefly, its inability to accurately forecast health insurance enrollment when the Affordable Care Act—otherwise known as Obamacare—was enacted. According to the CBO, 25 million Americans were supposed to be enrolled in Obamacare this year; in reality, only 10.3 million are enrolled in the health care exchanges.

“CBO’s claim that 22 million would be uninsured by 2026 is based on bad numbers,” the video states.

The Council of Economic Advisers have analyzed the CBO’s score on the BCRA legislation and also found it wanting. The White House released the following statement from the CEA on Wednesday afternoon:

The Council of Economic Advisers (CEA) has analyzed the Congressional Budget Office’s estimate of the Better Care Reconciliation Act, particularly the bill’s effect on Medicaid since this effect has not been adequately analyzed. Although CBO’s estimates should be discounted because of the large errors made by the agency in estimating the toll of the Affordable Care Act, CEA’s analysis provides important information about the undescriptive CBO estimate regarding BCRA’s effect on federal Medicaid spending.

While the media has reported that the BCRA makes significant Medicaid “cuts,” the BCRA results in at least

\$265 billion more federal Medicaid spending between 2018 and 2026, relative to 2017 levels of spending. This spending could be as high as \$554 billion if CBO is wrong that people will drop Medicaid coverage simply because of repealing the individual mandate. Moreover, a large part of the reported “cuts,” which are actually reductions in the rate of federal Medicaid spending growth, result from CBO’s unlikely assumption that more than half of non-expansion states adopt the Medicaid expansion by 2026. Of crucial importance, the BCRA puts Medicaid on a sustainable trajectory. Specifically:

- CEA found that in CBO’s analysis of the BCRA, 60 percent of the reduction in future increases in Medicaid spending will result from repealing the individual mandate and ending the enhanced match rate for states that have not already adopted Obamacare’s Medicaid expansion.
- CEA estimated that repealing the individual mandate will result in Medicaid spending over the next decade to be \$289 billion less than under current law as CBO believes that 4 million people, on net, in 2018 and 7 million people, on net, in 2026 will leave Medicaid. This estimate is likely substantially inflated, since Medicaid enrollees currently pay little to no out-of-pocket costs and most are not subject to the individual mandate penalty.
- CEA found that CBO’s analysis assumes that more than half of non-Medicaid expansion states will choose to adopt expansion under current law, and therefore Medicaid spending will increase by \$170 billion over the next decade. But given that state legislatures in several expansion states, such as Ohio and Arkansas, are trying to trim Medicaid expansion due to cost overruns and that states’ share of the expansion bill increases over time, it is unlikely that many non-expansion states would adopt the expansion by 2026.

In direct contrast to the CBO estimate, the Office of the Actuary at the Centers for Medicare and Medicaid Services does not predict additional states will expand under current law.

- CEA found that the remainder of reduced federal Medicaid spending over the next decade from CBO's analysis totals \$313 billion and is largely attributable to the phase-down of the enhanced match rate from 2021 to 2024 and structural Medicaid reforms. The phase-down of the enhanced match rate must occur for two important reasons. First, the federal government's discrimination against traditional populations, such as the disabled and low-income children, pregnant women and seniors in favor of the expansion population of non-disabled, working-age adults must end. Second, expansion costs are substantially higher than expected as many expansion states have richly rewarded healthcare special interests with federal money through the enhanced match.
- The structural Medicaid reforms—capped allotments combined with additional state flexibility—will help preserve the program for those who truly depend on it while protecting taxpayers against wasteful and inefficient spending. {eo}