

Federal Subsidies Under the Affordable Care Act for Health Insurance Coverage Related to the Expansion of Medicaid and Nongroup Health Insurance: Tables from CBO's January 2017 Baseline

Box 1-1. The Expansion of Medicaid and Nongroup Health Insurance Under the Affordable Care Act (Published in *The Budget and Economic Outlook: 2017 to 2027*)

Table 1. Health Insurance Coverage Related to Provisions of the Affordable Care Act

Table 2. Federal Subsidies for Health Insurance Coverage Established by the Affordable Care Act

Note: Numbers may not add up to totals because of rounding.

Box 1-1.

The Expansion of Medicaid and Nongroup Health Insurance Under the Affordable Care Act

Because of the complexity of the analysis involved, the Congressional Budget Office and the staff of the Joint Committee on Taxation (JCT) generally produce one major update per year to their 10-year projections of health insurance coverage for people under age 65. In preparing the January 2017 baseline, the agencies did not undertake a complete update of those coverage projections, but did update projections of insurance coverage that has the greatest effects on the federal budget and of the associated subsidy costs.¹ CBO's projections were completed before the new Administration took office on January 20, 2017. They do not incorporate any effects of executive orders or other actions taken by that Administration.

Health Insurance Coverage

The updated projections focus on the coverage stemming from the expansion of eligibility for Medicaid under the Affordable Care Act (ACA) and the nongroup coverage purchased through the health insurance marketplaces (sometimes referred to as exchanges).

Medicaid. By CBO's estimates, an average of 12 million noninstitutionalized residents of the United States under age 65 will have health insurance in any given month in calendar year 2017 because they were made eligible for Medicaid under the ACA. That expanded eligibility for Medicaid applies principally to adults whose income is up to 138 percent of the federal poverty guidelines; the federal government pays nearly all of the costs of expanding Medicaid coverage to those new enrollees. On average, 17 million people are projected to have such coverage in 2027, if current laws remained in place.

Nongroup Coverage. In addition, CBO and JCT estimate that, in calendar year 2017, 9 million people per month, on average, will receive subsidies for nongroup coverage purchased through the health insurance marketplaces established under the ACA. Subsidized health insurance is now available to many individuals and families with income between 100 percent and 400 percent of the federal poverty guidelines who meet certain other conditions; they can purchase coverage through designated marketplaces and receive tax credits that subsidize their insurance premiums, as well as cost-sharing subsidies. That number is projected to be 11 million in 2027 under current law.

Overall, including people who do not receive subsidies for their insurance, CBO and JCT expect that 10 million people per month, on average, will have insurance purchased through the marketplaces in 2017; that number is projected to grow to 13 million by 2027. Not all nongroup coverage is purchased through the marketplaces. In total, CBO and JCT estimate that 18 million people will have nongroup coverage in 2017 and that 20 million people would have such coverage in 2027. From 2017 through 2027, under current law, the number of uninsured people under age 65 would remain around 27 million or 28 million.

Federal Subsidies

CBO and JCT currently estimate that federal spending for people made eligible for Medicaid by the ACA will be \$70 billion, or 0.4 percent of gross domestic product (GDP), in fiscal year 2017. Such spending is projected to rise at an average annual rate of about 7 percent, reaching \$142 billion (or 0.5 percent of GDP) in 2027. For the 2018–2027 period, such spending is projected to total \$998 billion if current laws remained in place.

The agencies also estimate net federal subsidies for coverage obtained through the marketplaces to be \$49 billion, or 0.3 percent of GDP, in fiscal year 2017. Those subsidy amounts are projected to rise at an average annual rate of about 9 percent, reaching \$110 billion (or 0.4 percent of GDP) in 2027. For the 2018–2027 period, the net subsidy is projected to total \$919 billion under current law.

1. For more information, see Congressional Budget Office, "Federal Subsidies for Health Insurance (Includes Effects of the Affordable Care Act)" (January 2017), www.cbo.gov/publication/51298.

Table 1.

Health Insurance Coverage Related to Provisions of the Affordable Care Act

Millions of People, by Calendar Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Made Eligible for Medicaid by the ACA ^a	12	12	12	12	13	13	14	14	15	16	17
Nongroup Coverage and the Basic Health Program											
Purchased through marketplaces ^b											
Subsidized	9	10	11	12	12	12	11	11	11	11	11
Unsubsidized	1	1	1	2	2	2	2	2	2	2	2
Subtotal	10	11	12	13	13	13	13	13	13	13	13
Purchased outside marketplaces	8	8	8	8	7	7	7	7	7	7	7
Subtotal, nongroup coverage	18	19	20	21	21	21	21	20	20	20	20
Coverage through the Basic Health Program ^c	1	1	1	1	1	1	1	1	1	1	1
Uninsured ^d	27	28	28	28	28	28	28	28	28	27	27

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation (JCT).

Estimates include noninstitutionalized civilian residents of the 50 states and the District of Columbia who are younger than 65.

Estimates reflect average enrollment in any given month over the course of a year and include spouses and dependents covered under family policies.

Relative to CBO's March 2016 baseline, CBO and JCT reduced their estimates of the number of people enrolled through the marketplaces because actual enrollment in 2016 and 2017 has been lower than previously projected. Recent data also indicate that the number of uninsured people is close to the agencies' projections and that fewer employers have stopped offering insurance coverage in response to the ACA than the agencies had previously expected. As a result, CBO and JCT have increased their projections of enrollment in employment-based coverage and expect that most of the people who are no longer projected to obtain insurance through the marketplaces will instead be covered by employment-based insurance.

ACA = Affordable Care Act.

a. Includes only people who became eligible for Medicaid under the expanded eligibility criteria established by the ACA. CBO estimates that some other people would have been eligible for Medicaid without the ACA but chose to enroll as a result of the ACA's enactment. Those enrollees are not counted here.

b. Under the ACA, many people can purchase subsidized health insurance coverage through marketplaces (sometimes called exchanges), which are operated by the federal government, state governments, or partnerships between federal and state governments.

c. The Basic Health Program, created under the ACA, allows states to establish a coverage program primarily for people with income between 138 percent and 200 percent of the federal poverty guidelines. To subsidize that coverage, the federal government provides states with funding equal to 95 percent of the subsidies for which those people would otherwise have been eligible by purchasing health insurance through a marketplace.

d. Includes unauthorized immigrants, who are ineligible either for marketplace subsidies or for most Medicaid benefits; people ineligible for Medicaid because they live in a state that has not expanded coverage; people eligible for Medicaid who do not enroll; and people who do not purchase insurance available through an employer, through the marketplaces, or directly from an insurer.

Table 2.

Federal Subsidies for Health Insurance Coverage Established by the Affordable Care Act

Billions of Dollars, by Fiscal Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total, 2018- 2027
Medicaid Outlays for People Made Eligible for Medicaid by the ACA ^a	70	73	76	79	84	91	99	107	117	129	142	998
Nongroup Coverage and the Basic Health Program												
Premium tax credit outlays	31	41	47	54	59	62	64	67	69	71	72	606
Premium tax credit revenue reductions	7	8	9	10	11	11	12	12	12	13	13	110
Subtotal, premium tax credits	38	48	56	65	69	73	76	79	81	83	85	716
Cost-sharing outlays	7	10	11	12	13	14	14	15	15	15	16	135
Outlays for the Basic Health Program	4	4	5	6	6	7	7	8	8	8	9	69
Collections for risk adjustment and reinsurance	-9	-5	-6	-7	-7	-8	-8	-9	-9	-9	-10	-77
Payments for risk adjustment and reinsurance	9	6	6	6	7	8	8	8	9	9	10	77
Marketplace grants to states	*	*	0	0	0	0	0	0	0	0	0	*
Subtotal, subsidies through marketplaces and related spending and revenues	49	63	72	83	89	93	97	101	104	107	110	919

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

Positive numbers indicate an increase in outlays or a decrease in revenues, and negative numbers indicate a decrease in outlays or an increase in revenues.

ACA = Affordable Care Act; * = between zero and \$500 million.

a. Medicaid outlays reflect only medical services for enrollees under age 65 who became eligible for Medicaid under the expanded eligibility criteria established by the ACA. CBO estimates that some other people would have been eligible for Medicaid without the ACA but chose to enroll as a result of the ACA's enactment. Outlays for those enrollees are not counted here.