



June 23, 2013

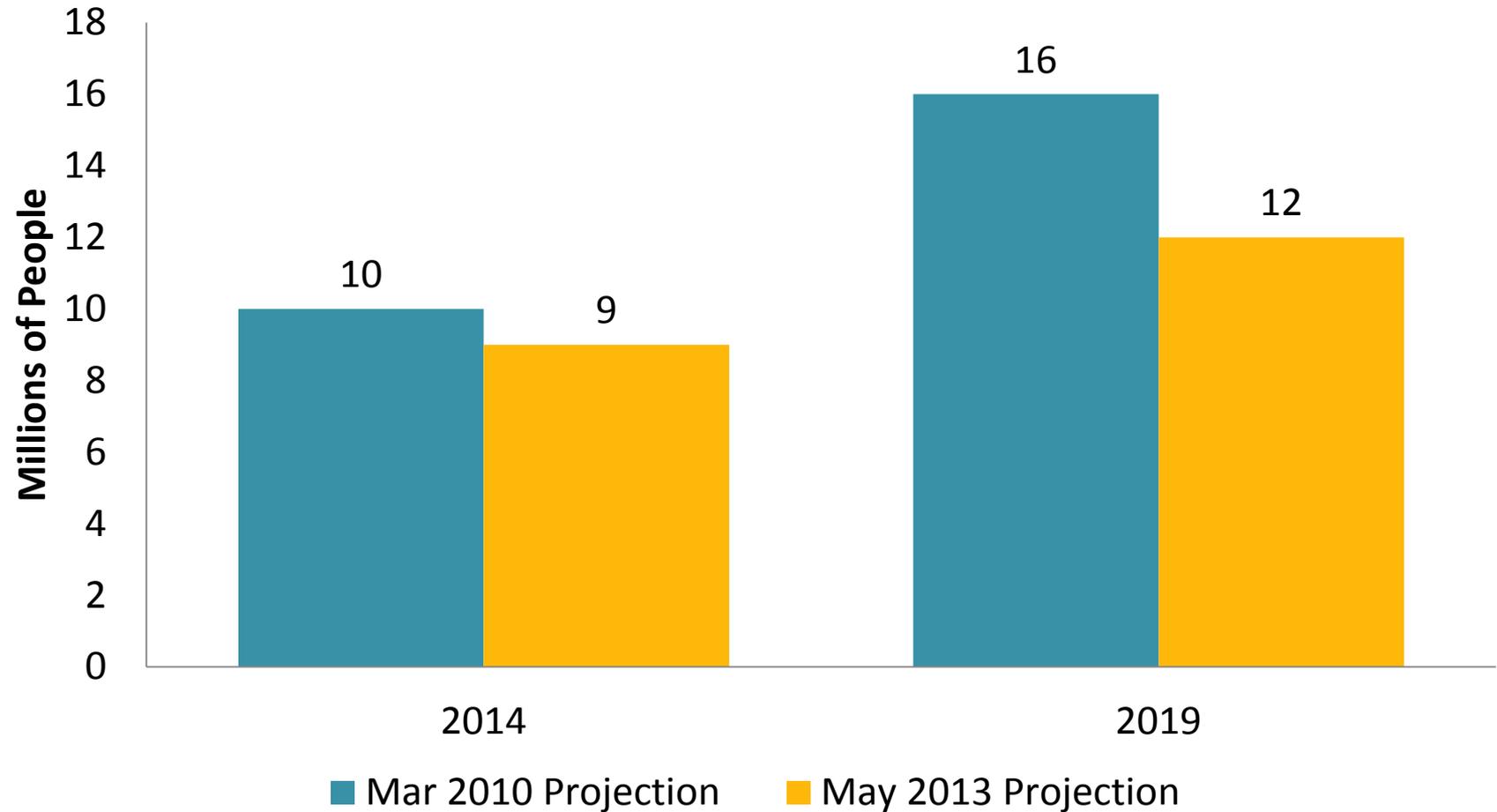
## Understanding CBO's Medicaid Coverage Projections under the Affordable Care Act

Presentation to AcademyHealth Annual Research Meeting

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This presentation provides information published in several past CBO reports, including *Updated Estimates for the Insurance Coverage Provisions of the Affordable Care Act* ( March 13, 2012), *Estimates for the Insurance Coverage Provisions of the Affordable Care Act Updated for the Recent Supreme Court Decision* (July 24, 2012), and *Updated Budget Projections: Fiscal Years 2013 to 2023* (May 14, 2013). See <http://www.cbo.gov/publication/43076> , <http://www.cbo.gov/publication/43472> , and <http://www.cbo.gov/publication/44172>

# Why did CBO's Projections of Medicaid Enrollment Decline over Time?



# Affordable Care Act:

## Key Provisions Affecting Medicaid Enrollment

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- Expanded eligibility for Medicaid up to 138 % of the federal poverty line
- Imposed a penalty tax on uninsured individuals
  - Applies to those above the tax filing threshold
  - Exempts certain groups
- Established streamlined eligibility determination and enrollment procedures
- According to Supreme Court decision in June 2012, allowed states to choose whether or not to expand Medicaid coverage

# CBO Modeling Assumptions: Main Drivers of Medicaid Enrollment

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- Number of people in income-eligible ranges and changes to the distribution of income over the projection period
- Access to employment-based coverage
- Macroeconomic conditions (unemployment)
- State choices on expansion
- Direct effect of higher thresholds on the newly eligible
  - Indirect effect on the previously eligible
- Direct effect of penalty tax for being uninsured
  - Compliance with tax laws
  - Indirect effect of change in social norms, estimated to be smaller for Medicaid-eligible individuals relative to those with higher incomes

# CBO Estimates of the Impact of the Affordable Care Act

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CBO usually updates its baseline projections 3 times a year and categorizes all changes as due to:

- changes in law,
- changes in the economic forecast,
- technical changes from new information, data, regulations, and changes in modeling assumptions

This presentation will focus on 4 of those baseline estimates:

- March 2010 – Initial ACA estimate
- March 2012 – Spring baseline
- July 2012 – Updated for Supreme Court decision
- May 2013 – Spring baseline

# Four Major Legislative Changes that Affected Coverage Projections

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1. Legislation enacted in 2011 changed the conditions under which people would have to repay premium assistance tax credits that were advanced based on estimated income from tax returns for prior years.
2. The addition of nontaxable Social Security benefits to the definition of modified adjusted gross income (MAGI) used for determining Medicaid eligibility was a change in law enacted in late 2011.
3. The Supreme Court decision of June 28, 2012, had the effect of allowing states to choose whether or not to expand Medicaid coverage pursuant to the ACA.
4. Lower marginal tax rates under the American Taxpayer Relief Act, enacted in early 2013, reduce the tax benefit associated with employment-based coverage.

# Example of a Change in the Economic Forecast that Affected Coverage Projections

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Medicaid enrollment projections depend in part on economic forecasts of unemployment.

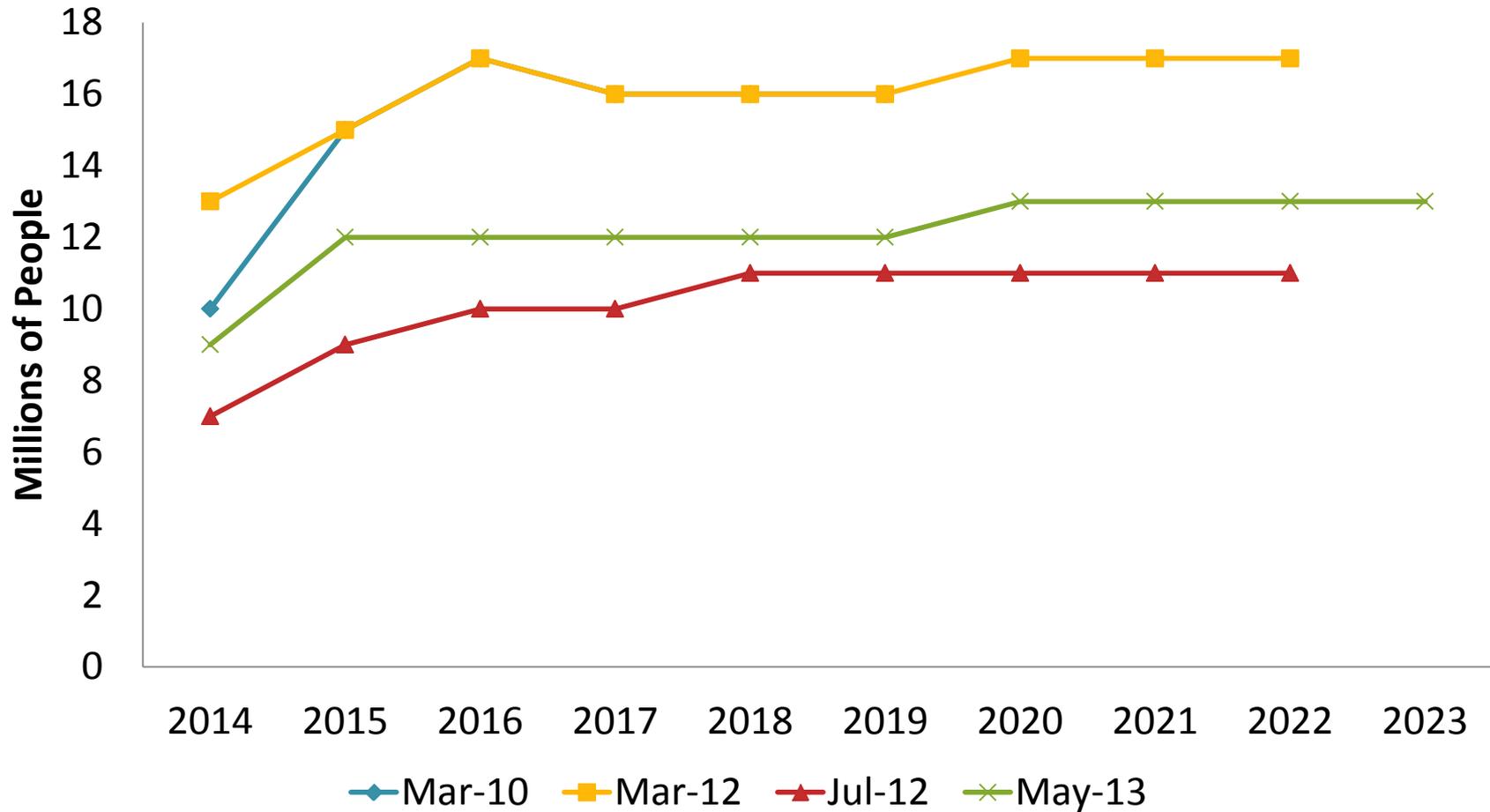
- The economic forecast issued in early 2012 projected a slower economic recovery and higher unemployment throughout the projection period than in the previous forecast, yielding an increase in the projected number of people eligible for Medicaid and CHIP in the March 2012 baseline. It also yielded a small net reduction in the number projected to be eligible for insurance in the exchanges.

# Some Technical Changes that Affected Coverage Projections

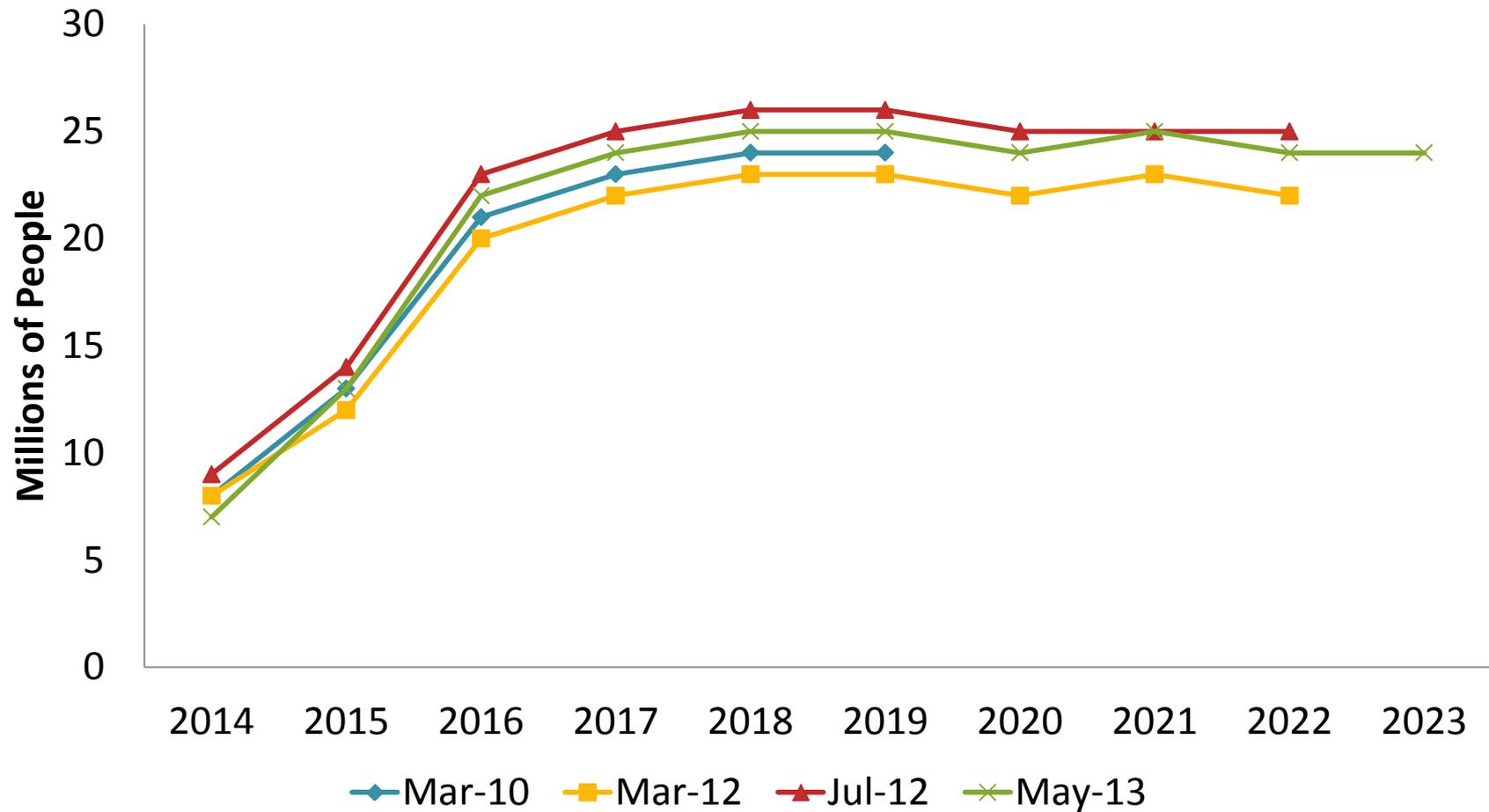
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- CBO has slightly reduced its estimate of the rates at which people will enroll in Medicaid and the insurance exchanges in the years 2014 and 2015.
- CBO has twice revised downwards the projected growth rate for private premiums.
- Other technical changes:
  - Improvements in modeling the income distribution
  - Increased employer responsiveness to alternative options

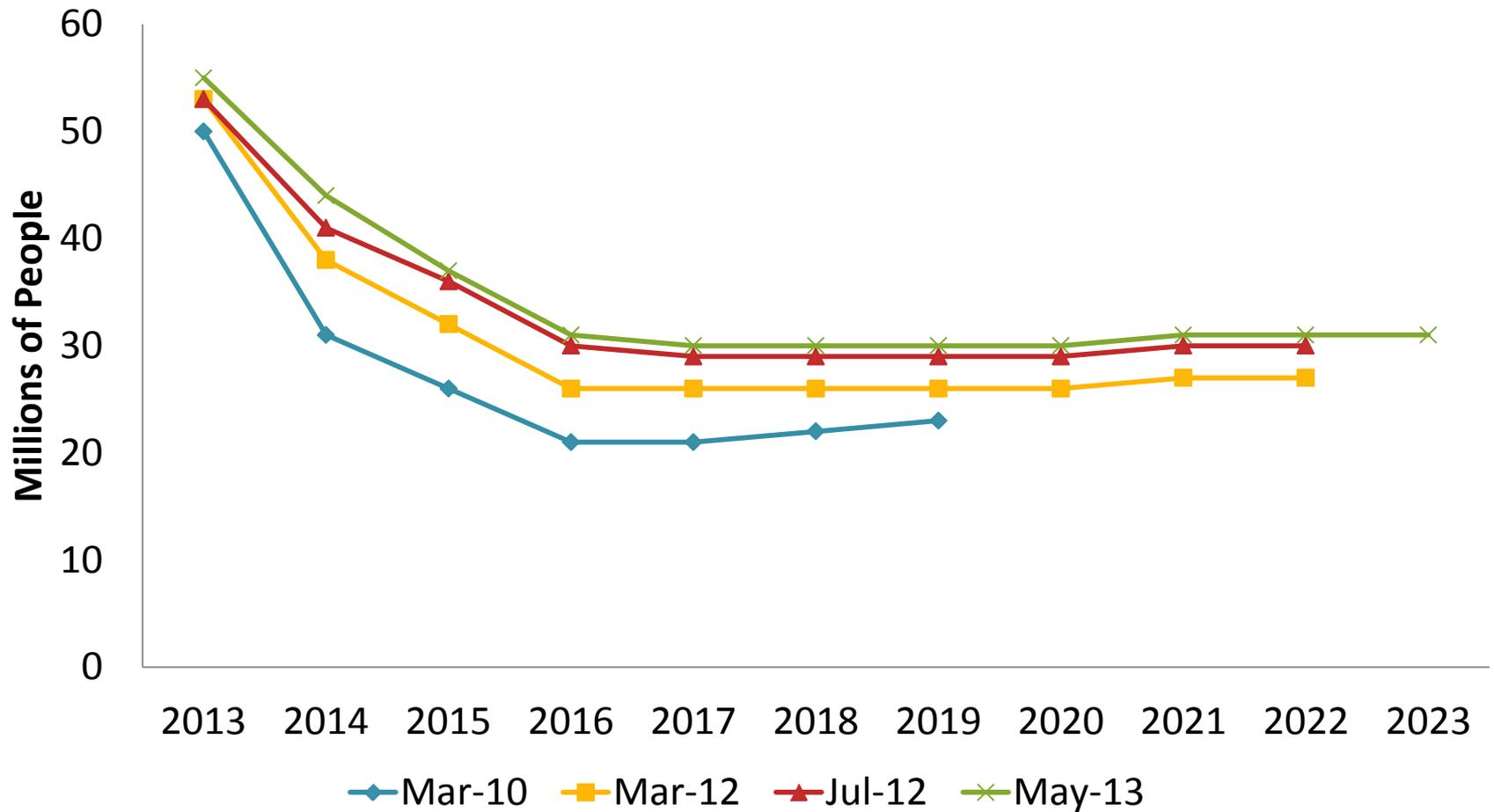
# Medicaid Enrollment due to ACA: CBO Baseline Projections



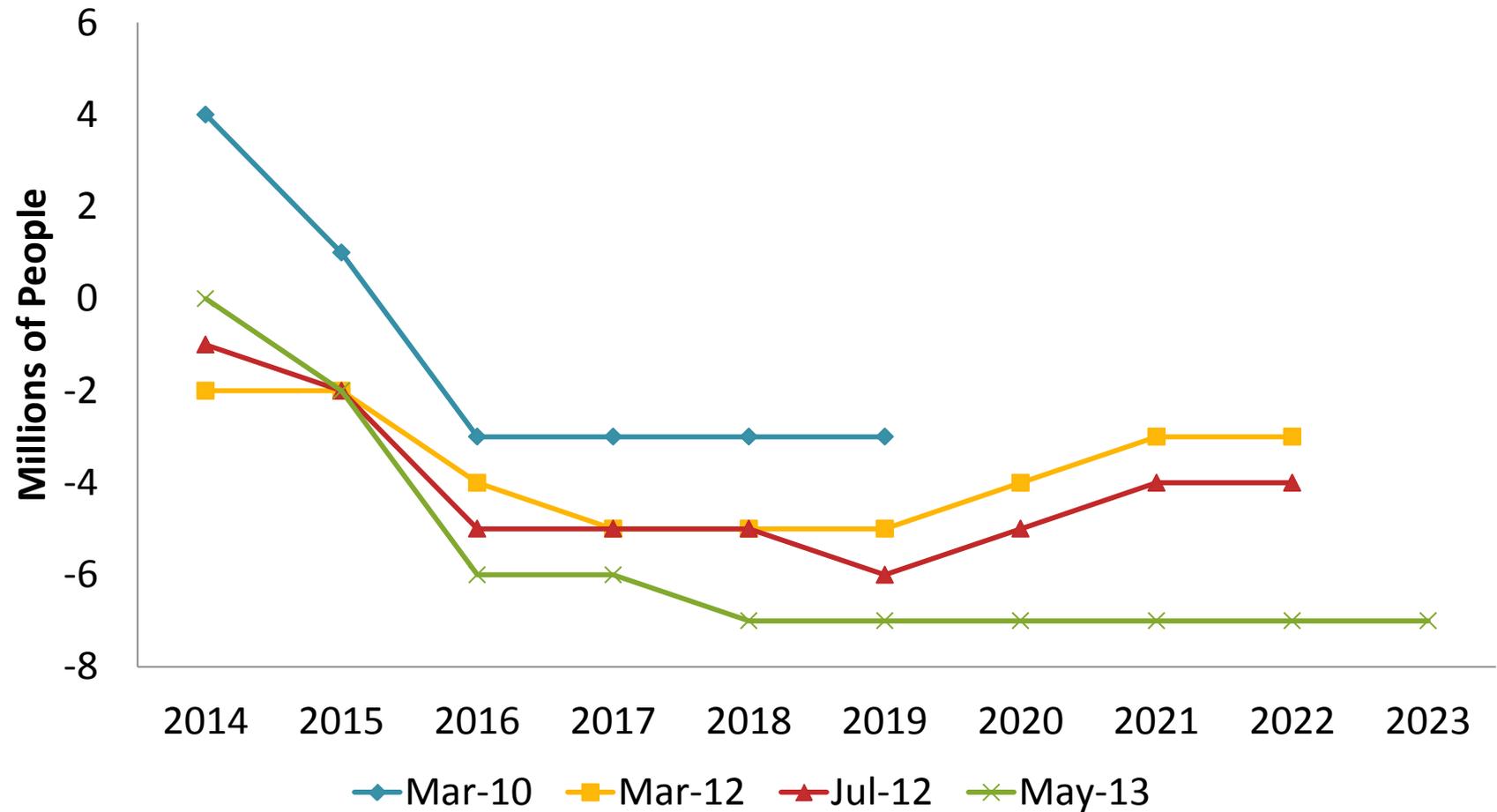
# Exchange Enrollment: CBO Baseline Projections



# Uninsured: CBO Baseline Projections



# Change in Employment-based Coverage due to ACA: CBO Baseline Projections



# How CBO Models the Impact of the Supreme Court Decision

Some states will not expand their Medicaid programs at all or will not expand coverage to the full extent authorized by the ACA.

No state-by-state predictions; approximate shares of the affected population.

Key Factors in States' Decisions:

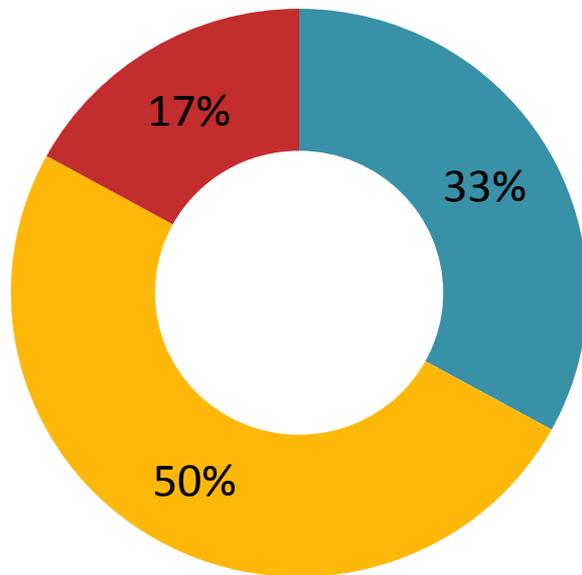
- State budgetary pressures
- Current thresholds and number of people likely to enroll in expanded coverage
- Size of current payments for uncompensated care for the uninsured
- Pressure from providers who stand to gain when more people have coverage
- Future costs of newly eligible when federal match is reduced to 90 percent and uncertainty of future federal support

In May 2013, CBO updated to reflect HHS guidance to states and recent developments in state governments.

# CBO's allocation of potentially newly eligible Medicaid beneficiaries by state expansion decisions

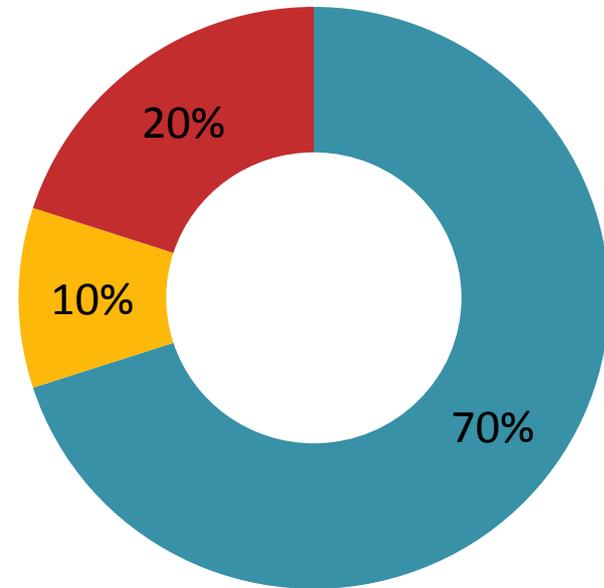
## Shares of population in 2022, July 2012 Projection

■ Full expansion    ■ Partial expansion  
■ No expansion



## Shares of population in 2023, May 2013 Projection

■ Full expansion    ■ Partial expansion  
■ No expansion



# Conclusion

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- When outcomes are uncertain, CBO considers a range of possible outcomes and aims for a projection that lies in the middle of the distribution of those outcomes.
- CBO carefully monitors new developments and incorporates new information, data, and research that will enhance its projections.
- CBO pays close attention to states' decisions on extending Medicaid coverage.