

Estimate of Direct Spending and Revenue Effects of H.R. 1628, the Healthcare Freedom Act of 2017, an Amendment in the Nature of a Substitute [S.A. 667]

CBO and the staff of the Joint Committee on Taxation (JCT) have prepared an estimate of the direct spending and revenue effects of H.R. 1628, the Healthcare Freedom Act of 2017.

MAIN PROVISIONS OF THE LEGISLATION

- Eliminate penalties associated with the requirements that most people obtain health insurance coverage (also known as the individual mandate) and that large employers offer their employees coverage that meets specified standards (also known as the employer mandate), while keeping those requirements in place. The penalties for large employers would be eliminated only through 2024.
- Eliminate the Prevention and Public Health Fund, beginning in 2019.
- Extend the moratorium on the excise tax on manufacturers and importers of certain medical devices through 2020.
- Increase the maximum contribution limit to Health Savings Accounts for 2018-2020.
- Provide funding for grants to states for applying for or implementing waivers allowed under section 1332 of the Affordable Care Act.
- Increase the amount of funding authorized for and appropriated to the Community Health Center Fund, which provides grant funds to health centers that offer primary and preventive care to patients regardless of their ability to pay.
- Prohibit federal funds from being made available, for one year, to certain entities that provide abortions.

ATTACHED TABLES

Table 1. Estimate of the Direct Spending and Revenue Effects

Table 2. Estimate of the Net Budgetary Effects of the Insurance Coverage Provisions

Table 3. Effects on Health Insurance Coverage for People Under Age 65

Table 1 - ESTIMATE OF THE DIRECT SPENDING AND REVENUE EFFECTS OF H.R. 1628, THE HEALTHCARE FREEDOM ACT OF 2017, AN AMENDMENT IN THE NATURE OF A SUBSTITUTE [S.A. 667]

Billions of Dollars, by Fiscal Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017-2021	2017-2026
ESTIMATED CHANGES IN DIRECT SPENDING^a												
Title I												
Coverage Provisions												
Estimated Budget Authority	-1.0	-11.7	-19.5	-21.8	-26.3	-29.8	-31.9	-39.1	-44.1	-50.3	-80.3	-275.6
Estimated Outlays	-1.0	-11.7	-19.5	-21.8	-26.3	-29.8	-31.9	-39.1	-44.1	-50.3	-80.3	-275.6
<i>On-Budget</i>	-1.0	-11.7	-19.5	-21.8	-26.3	-29.8	-31.9	-39.1	-44.1	-50.3	-80.3	-275.6
<i>Off-Budget</i>	0	0	0	0	0	0	0	0	0	0	0	0
Sec. 101 - Individual Mandate	<i>included in estimate of coverage provisions</i>											
Estimated Budget Authority	<i>included in estimate of coverage provisions</i>											
Estimated Outlays	<i>included in estimate of coverage provisions</i>											
Sec. 102 - Employer Mandate	<i>included in estimate of coverage provisions</i>											
Estimated Budget Authority	<i>included in estimate of coverage provisions</i>											
Estimated Outlays	<i>included in estimate of coverage provisions</i>											
Sec. 105 - Federal Payment to States ^b	<i>included in estimate of coverage provisions</i>											
Estimated Budget Authority	*	-0.1	*	*	*	*	*	*	*	*	-0.1	-0.1
Estimated Outlays	*	-0.1	*	*	*	*	*	*	*	*	-0.1	-0.1
Title II												
Sec. 201 - Prevention and Public Health Fund												
Estimated Budget Authority	0	0	-0.9	-1.0	-1.0	-1.5	-1.0	-1.7	-2.0	-2.0	-2.9	-11.1
Estimated Outlays	0	0	-0.1	-0.4	-0.8	-1.0	-1.1	-1.3	-1.4	-1.7	-1.3	-7.9
Sec. 202 - Community Health Center Program												
Estimated Budget Authority	0.4	0	0	0	0	0	0	0	0	0	0.4	0.4
Estimated Outlays	0	0.2	0.2	*	0	0	0	0	0	0	0.4	0.4
Sec. 203 - Waivers for State Innovation												
Estimated Budget Authority	2.0	0	0	0	0	0	0	0	0	0	2.0	2.0
Estimated Outlays	*	0.6	0.6	0.6	0	0	0	0	0	0	1.9	1.9
Total Changes in Direct Spending												
Estimated Budget Authority	1.4	-11.9	-20.4	-22.8	-27.3	-31.3	-32.9	-40.8	-46.1	-52.3	-81.0	-284.4
Estimated Outlays	-1.0	-11.0	-18.8	-21.6	-27.0	-30.9	-33.0	-40.4	-45.6	-52.0	-79.5	-281.3
<i>On-Budget</i>	-1.0	-11.0	-18.8	-21.6	-27.0	-30.9	-33.0	-40.4	-45.6	-52.0	-79.5	-281.3
<i>Off-Budget</i>	0	0	0	0	0	0	0	0	0	0	0	0
ESTIMATED CHANGES IN REVENUES^c												
Title I												
Coverage Provisions												
<i>On-Budget</i>	-5.1	-9.2	-10.9	-7.4	-9.2	-11.4	-12.3	-14.8	-17.8	6.3	-41.7	-91.7
<i>Off-Budget</i>	-5.4	-15.0	-16.4	-12.5	-14.3	-16.4	-17.7	-19.8	-22.2	3.6	-63.7	-136.1
<i>Off-Budget</i>	0.3	5.8	5.5	5.2	5.1	5.1	5.3	4.9	4.4	2.7	22.0	44.4
Sec. 101 - Individual Mandate	<i>included in estimate of coverage provisions</i>											
Sec. 102 - Employer Mandate	<i>included in estimate of coverage provisions</i>											
Sec. 103 - Extension of Moratorium on Medical Device Excise Tax	0	-1.4	-1.9	-2.0	-0.5	0	0	0	0	0	-5.8	-5.8
Sec. 104 - Maximum Contribution Limit to Health Savings Accounts	0	-1.0	-1.6	-1.9	-0.6	0	0	0	0	0	-5.0	-5.0
Total Changes in Revenues												
<i>On-Budget</i>	-5.4	-17.2	-19.5	-16.0	-15.2	-16.4	-17.7	-19.8	-22.2	3.6	-73.3	-145.7
<i>Off-Budget</i>	0.3	5.6	5.2	4.7	5.0	5.1	5.3	4.9	4.4	2.7	20.8	43.2
INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES^d												
Net Increase or Decrease (-) in the Deficit												
<i>On-Budget</i>	4.1	0.6	-4.5	-10.4	-16.8	-19.5	-20.7	-25.5	-27.8	-58.3	-27.0	-178.8
<i>Off-Budget</i>	4.4	6.2	0.7	-5.6	-11.8	-14.5	-15.4	-20.6	-23.4	-55.6	-6.2	-135.6
<i>Off-Budget</i>	-0.3	-5.6	-5.2	-4.7	-5.0	-5.1	-5.3	-4.9	-4.4	-2.7	-20.8	-43.2

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

Numbers may not add up to totals because of rounding.

* = between -\$50 million and \$50 million.

a. For outlays, a positive number indicates an increase (adding to the deficit) and a negative number indicates a decrease (reducing the deficit).

b. CBO expects that this provision would be implemented in a way that the prohibition would apply only if at least one entity, affiliate, subsidiary, successor, or clinic satisfied all of the criteria specified in the legislation. (One of those criteria is that the entity had expenditures under the Medicaid program that—when combined with the expenditures of its affiliates, subsidiaries, successors, and clinics—exceeded \$1 million in fiscal year 2014.) CBO estimates that at least two organizations would be affected, but that almost all of the budgetary effects would stem from a reduction in funding for the Planned Parenthood Federation of America. It is possible that more than two entities could be affected, but CBO has not identified any additional entities with certainty. If the provision was implemented in a way that affiliates, subsidiaries, successors, and clinics could satisfy the criteria separately, then the provision could apply to more organizations, perhaps many more.

c. For revenues, a positive number indicates an increase (reducing the deficit) and a negative number indicates a decrease (adding to the deficit).

d. CBO and JCT estimate that titles I and II would each reduce on-budget deficits by more than \$1 billion over the 2017-2026 period.

Table 2 - ESTIMATE OF THE NET BUDGETARY EFFECTS OF THE INSURANCE COVERAGE PROVISIONS OF H.R. 1628, THE HEALTHCARE FREEDOM ACT OF 2017, AN AMENDMENT IN THE NATURE OF A SUBSTITUTE [S.A. 667]

Billions of Dollars, by Fiscal Year

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total, 2017- 2026
Medicaid	*	-8	-15	-19	-24	-28	-30	-34	-37	-41	-235
Change in Subsidies for Coverage Through Marketplaces and Related Spending and Revenues ^{a,b}	-1	-7	-9	-8	-7	-6	-6	-10	-12	-15	-80
Change in Small-Employer Tax Credits ^{b,c}	*	*	*	*	*	*	*	*	*	*	*
Elimination of Penalty Payments by Employers ^c	2	16	20	15	16	18	19	20	22	-2	146
Elimination of Penalty Payments by Uninsured People	3	3	3	3	4	4	4	4	4	5	38
Medicare ^d	0	2	5	4	4	4	4	4	5	5	37
Other Effects on Revenues and Outlays ^e	*	-9	-12	-11	-11	-10	-11	-9	-8	-8	-90
Total Effect on the Deficit	4	-3	-9	-14	-17	-18	-20	-24	-26	-57	-184
Memorandum: Additional Detail on Marketplace Subsidies and Related Spending and Revenues											
Premium Tax Credit Outlay Effects	-1	-5	-7	-6	-5	-5	-5	-8	-9	-11	-63
Premium Tax Credit Revenue Effects	*	-1	-1	-1	-1	-1	-1	-1	-2	-2	-11
Subtotal, Premium Tax Credits	-1	-6	-9	-7	-6	-6	-6	-9	-11	-13	-74
Cost-Sharing Outlays	*	-1	-1	*	*	*	*	*	-1	-1	-4
Outlays for the Basic Health Program	*	*	*	*	*	*	*	*	-1	-1	-3
Total, Subsidies for Coverage Through Marketplaces and Related Spending and Revenues ^{a,b}	-1	-7	-9	-8	-7	-6	-6	-10	-12	-15	-80

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

Estimates are based on CBO's March 2016 baseline, adjusted for subsequent legislation.

Positive numbers indicate an increase in the deficit; negative numbers indicate a decrease in the deficit.

Numbers may not add up to totals because of rounding.

* = between -\$500 million and \$500 million.

a. Related spending and revenues include spending for the Basic Health Program and net spending and revenues for risk adjustment.

b. Includes effects on both outlays and revenues.

c. Effects on the deficit include the associated effects on revenues of changes in taxable compensation.

d. Effects arise mostly from changes in Disproportionate Share Hospital payments.

e. Consists mainly of the effects on revenues of changes in taxable compensation.

Table 3 - EFFECTS OF H.R. 1628, THE HEALTHCARE FREEDOM ACT OF 2017, AN AMENDMENT IN THE NATURE OF A SUBSTITUTE [S.A. 667], ON HEALTH INSURANCE COVERAGE FOR PEOPLE UNDER AGE 65

Millions of People, by Calendar Year

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Population Under Age 65	273	274	275	276	276	277	278	279	279	280
Uninsured Under Current Law	26	26	27	27	27	27	27	28	28	28
Change in Coverage Under the Legislation										
Medicaid ^a	*	-3	-3	-5	-6	-6	-7	-7	-7	-7
Nongroup coverage, including marketplaces	-1	-6	-6	-6	-5	-5	-5	-5	-6	-6
Employment-based coverage	*	-6	-5	-5	-4	-4	-4	-3	-3	-2
Other coverage ^b	*	*	*	*	*	*	*	*	*	*
Uninsured	1	15	15	15	16	16	16	16	16	16
Uninsured Under the Legislation	28	42	42	43	43	43	43	43	43	43
Percentage of the Population Under Age 65										
With Insurance Under the Legislation										
Including all U.S. residents	90	85	85	84	84	84	84	84	85	85
Excluding unauthorized immigrants	92	87	87	87	87	87	87	87	87	87

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

Estimates are based on CBO's March 2016 baseline, adjusted for subsequent legislation. They reflect average enrollment over the course of a year among noninstitutionalized civilian residents of the 50 states and the District of Columbia who are under the age of 65, and they include spouses and dependents covered under family policies.

For these estimates, CBO and JCT consider individuals to be uninsured if they would not be enrolled in a policy that provides financial protection from major medical risks.

CBO and JCT estimate that premiums for policies in the nongroup market would increase by roughly 20 percent relative to current law in all years between 2018 and 2026.

* = between -500,000 and zero.

a. Includes noninstitutionalized enrollees with full Medicaid benefits.

b. Includes coverage under the Basic Health Program, which allows states to establish a coverage program primarily for people whose income is between 138 percent and 200 percent of the federal poverty level. To subsidize that coverage, the federal government provides states with funding that is equal to 95 percent of the subsidies for which those people would otherwise have been eligible.