



## **Federal Subsidies for Health Insurance Coverage for People Under Age 65: CBO and JCT's September 2020 Projections**

Table 1. CBO's September 2020 Projections for Health Insurance Coverage, 2020 to 2030

Table 2. CBO's September 2020 Projections for Net Federal Subsidies for Health Insurance Coverage, 2020 to 2030

Table 3. Comparison of Current and Previous Projections of Health Insurance Coverage and Net Federal Subsidies

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Numbers may not add up to totals because of rounding.

JCT = staff of the Joint Committee on Taxation.

Table 1.

**CBO's September 2020 Projections for Health Insurance Coverage, 2020 to 2030**

Millions of People, by Calendar Year

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total Population Under Age 65	272	271	271	270	270	270	270	270	270	271	271
Employment-Based Coverage	155	151	153	153	153	153	154	154	155	155	155
Medicaid and CHIP <sup>a</sup>											
Blind and disabled in Medicaid	7	8	8	8	8	8	8	8	8	8	8
Children in Medicaid	30	33	32	31	30	30	30	29	29	29	29
Adults made eligible for Medicaid by the ACA	13	14	13	13	13	13	13	13	14	14	14
Adults otherwise eligible for Medicaid	13	14	14	13	12	12	12	12	12	12	12
CHIP	7	7	7	7	7	7	7	7	7	7	7
Subtotal	70	76	74	71	70	70	70	70	70	70	70
Nongroup Coverage and the Basic Health Program											
Nongroup coverage purchased through marketplaces <sup>b</sup>											
Subsidized	9	8	7	8	8	8	8	8	8	8	8
Unsubsidized	1	1	1	1	1	1	1	1	1	1	1
Subtotal	10	9	9	9	9	9	9	9	9	9	9
Nongroup coverage purchased outside marketplaces	5	5	5	6	6	7	7	7	7	7	7
Subtotal, nongroup coverage	16	14	14	14	15	15	16	16	16	16	16
Coverage through the Basic Health Program <sup>c</sup>	1	1	1	1	1	1	1	1	1	1	1
Medicare <sup>d</sup>	8	8	8	8	8	8	8	8	8	8	8
Other Coverage <sup>e</sup>	3	3	3	3	3	3	3	3	3	3	3
Uninsured <sup>f</sup>	31	32	32	32	31	31	31	31	31	31	31
<b>Memorandum:</b>											
Number of Insured People	240	240	239	238	238	238	239	239	240	240	241
Insured as a Percentage of the Population											
Including all U.S. residents	88	88	88	88	88	88	89	89	89	89	89
Excluding unauthorized immigrants	90	90	90	90	90	90	90	90	90	90	90

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

These projections reflect legislation, administrative actions, and regulatory changes through early July 2020, as well as premiums at that time. They are based on the economic forecast that CBO completed on June 26, 2020, and do not account for changes to the nation's economic outlook and fiscal situation arising since then from the current public health emergency.

The table shows coverage for the civilian noninstitutionalized population under age 65. The components do not sum to the total population because some people report multiple sources of coverage. CBO and JCT estimate that in every year of the projection period, between 12 million and 14 million people (about 5 percent of the insured population) have multiple sources of coverage, such as employment-based coverage and Medicaid.

Estimates reflect average monthly enrollment over the course of a year and include spouses and dependents covered under family policies.

ACA = Affordable Care Act; CHIP = Children's Health Insurance Program; JCT = Joint Committee on Taxation.

- Includes only noninstitutionalized enrollees with full Medicaid benefits. Estimates are adjusted to account for people enrolled in more than one state.
- Many people can purchase subsidized health insurance coverage through marketplaces established under the ACA, which are operated by the federal government, state governments, or partnerships between the federal and state governments.
- 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 through a marketplace.
- Includes noninstitutionalized Medicare enrollees under age 65. Most Medicare-eligible people under age 65 qualify for Medicare because they participate in the Social Security Disability Insurance program.
- Includes people with other kinds of insurance, such as student health plans, coverage provided by the Indian Health Service, or coverage from foreign sources.
- CBO and JCT consider people uninsured if they are not covered by an insurance plan or enrolled in a government program that provides financial protection from major medical risks. See Congressional Budget Office, *Health Insurance Coverage for People Under Age 65: Definitions and Estimates for 2015 to 2018* (April 2019), [www.cbo.gov/publication/55094](http://www.cbo.gov/publication/55094).

Table 2.

**CBO's September 2020 Projections for Net Federal Subsidies for Health Insurance Coverage, 2020 to 2030**

Billions of Dollars, by Fiscal Year

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total, 2021– 2030
<b>Work-Related Coverage</b>												
Tax exclusion for employment-based coverage <sup>a,b</sup>	288	299	315	328	336	347	388	417	444	475	510	3,860
Income tax deduction for self-employment health insurance <sup>c</sup>	4	4	4	4	4	4	5	5	6	6	6	49
Small-employer tax credits <sup>b</sup>	*	*	*	*	*	*	*	*	*	*	*	*
Subtotal	291	303	319	332	340	351	393	423	450	481	516	3,909
<b>Medicaid and CHIP<sup>d</sup></b>												
Blind and disabled in Medicaid	124	143	138	133	142	151	159	168	176	185	194	1,590
Children in Medicaid	86	103	98	94	98	102	107	112	117	123	130	1,084
Adults made eligible for Medicaid by the ACA	82	95	96	94	99	106	114	121	128	135	143	1,132
Adults otherwise eligible for Medicaid	57	76	70	60	60	63	67	70	74	78	82	700
CHIP	17	16	15	15	16	16	17	17	18	19	19	168
Subtotal	366	433	418	397	415	439	463	488	513	539	569	4,674
<b>Marketplace-Related Coverage and the Basic Health Program</b>												
Premium tax credit outlays	43	45	43	43	44	45	45	47	50	53	57	473
Premium tax credit revenue reductions	9	10	9	9	10	10	10	10	11	12	13	103
Subtotal, premium tax credits	53	55	53	52	54	54	55	57	61	65	70	577
Outlays for the Basic Health Program	5	5	6	6	6	6	6	6	7	7	8	62
Collections for risk adjustment	-6	-6	-6	-6	-6	-7	-7	-7	-7	-8	-8	-67
Payments for risk adjustment	6	6	6	6	6	6	7	7	7	7	8	66
Subtotal	58	60	58	58	59	60	61	63	67	72	77	637
Medicare <sup>e</sup>	118	125	131	139	147	157	165	174	182	187	196	1,603
<b>Gross Subsidies</b>	<b>834</b>	<b>922</b>	<b>926</b>	<b>926</b>	<b>962</b>	<b>1,007</b>	<b>1,083</b>	<b>1,147</b>	<b>1,212</b>	<b>1,280</b>	<b>1,358</b>	<b>10,824</b>
<b>Taxes and Penalties Related to Coverage</b>												
Net receipts from tax on health insurance providers <sup>f</sup>	-13	0	0	0	0	0	0	0	0	0	0	0
Gross collections of employer penalties <sup>g</sup>	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-3	-21
Subtotal	-14	-2	-2	-2	-2	-2	-2	-2	-2	-2	-3	-21

Continued

Table 2.

Continued

**CBO's September 2020 Projections for Net Federal Subsidies for Health Insurance Coverage, 2020 to 2030**

Billions of Dollars, by Fiscal Year

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total, 2021– 2030
<b>Net Subsidies</b>	<b>819</b>	<b>920</b>	<b>924</b>	<b>924</b>	<b>960</b>	<b>1,005</b>	<b>1,081</b>	<b>1,145</b>	<b>1,210</b>	<b>1,277</b>	<b>1,356</b>	<b>10,803</b>
<b>Memorandum:</b>												
Gross Subsidies as a Percentage of GDP	4.04	4.39	4.19	4.03	4.02	4.02	4.15	4.21	4.26	4.32	4.42	
Net Subsidies as a Percentage of GDP	3.97	4.38	4.19	4.02	4.01	4.02	4.14	4.20	4.25	4.32	4.41	

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

These budget projections reflect legislation, administrative actions, and regulatory changes through early July 2020, as well as premiums at that time. They are based on the economic forecast that CBO completed on June 26, 2020, and do not account for changes to the nation's economic outlook and fiscal situation arising since then from the current public health emergency.

The table shows subsidies for the civilian noninstitutionalized population under age 65.

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

The table excludes outlays made by the federal government in its capacity as an employer.

ACA = Affordable Care Act; CHIP = Children's Health Insurance Program; GDP = gross domestic product; JCT = Joint Committee on Taxation;

\* = between zero and \$500 million.

- a. The estimates shown, produced by JCT, reflect the tax value of the exclusion from federal income and payroll taxes for employment-based health insurance for people under age 65, as well as the penalty payments by employers. The tax value represents the change in tax revenues if the exclusion from federal income and payroll taxes was repealed and the total compensation paid by the employer (including the employer's payroll taxes) remained constant by increasing wages. The estimates differ from those of the tax expenditure for the exclusion. The tax expenditure represents the change in tax revenues if the amount of excluded compensation was taxed and is larger than the tax value. Neither measure reflects employees' behavioral responses to the change.
- b. Includes increases in outlays and reductions in revenues.
- c. The estimates shown, which JCT produced, do not include effects stemming from the deduction for people over age 65.
- d. For Medicaid, the outlays reflect only medical services for noninstitutionalized enrollees under age 65 who have full Medicaid benefits.
- e. For Medicare, the outlays are for benefits net of offsetting receipts for noninstitutionalized Medicare beneficiaries under age 65. Estimates include Part D spending by the federal government for Medicare beneficiaries under 65.
- f. Net receipts include effects on individual and corporate tax receipts. Health insurers are subject to the excise tax in calendar year 2020. The Further Consolidated Appropriations Act, 2020, eliminated the excise tax beginning in calendar year 2021.
- g. Excludes the associated effects on revenues of changes in taxable compensation, which are included in the estimate of the tax exclusion for employment-based insurance. If those effects were included, net revenues from penalty payments by employers would total \$15 billion over the 10-year period.

Table 3.

**Comparison of Current and Previous Projections of Health Insurance Coverage and Net Federal Subsidies**

	2021			2020–2030		
	March 2020 Projections	September 2020 Projections	Difference	March 2020 Projections	September 2020 Projections	Difference
	<b>Insurance Coverage for the Year<sup>a</sup> (Millions of people)</b>			<b>Average Insurance Coverage Over the Period<sup>a</sup> (Millions of people)</b>		
Total Population	272	271	-1	272	270	-2
Employment-Based Coverage	159	151	-8	157	154	-4
Medicaid and CHIP <sup>b</sup>						
Blind and disabled in Medicaid	7	8	1	7	8	*
Children in Medicaid	29	33	4	29	30	1
Adults made eligible for Medicaid by the ACA	12	14	2	13	13	*
Adults otherwise eligible for Medicaid	12	14	3	12	13	1
CHIP	7	7	*	7	7	*
Total	67	76	9	69	71	2
Nongroup Coverage and the Basic Health Program						
Subsidized nongroup	8	8	*	8	8	*
Unsubsidized nongroup	7	6	-1	7	7	*
Total	15	14	-1	15	15	*
Coverage through the Basic Health Program <sup>c</sup>	1	1	*	1	1	*
Medicare <sup>d</sup>	8	8	*	8	8	*
Other Coverage <sup>e</sup>	3	3	*	3	3	*
Uninsured <sup>f</sup>	31	32	1	31	31	*
	<b>Effects on the Federal Deficit<sup>g</sup> (Billions of dollars)</b>			<b>Effects on the Cumulative Federal Deficit Over the Period<sup>g</sup> (Billions of dollars)</b>		
Employment-Based Coverage						
Tax exclusion for employment-based coverage <sup>h</sup>	313	299	-14	4,284	3,860	-424
Income tax deduction for self-employment health insurance <sup>i</sup>	4	4	**	53	49	-4
Small-employer tax credits	**	**	**	**	**	**
Subtotal	317	303	-14	4,337	3,909	-428
Medicaid and CHIP <sup>j</sup>						
Blind and disabled	118	143	26	1,533	1,590	57
Children	83	103	20	1,069	1,084	15
Adults made eligible for Medicaid by the ACA	82	95	13	1,122	1,132	10
Adults otherwise eligible for Medicaid	50	76	26	666	700	35
CHIP	14	16	1	167	168	2
Subtotal	347	433	86	4,556	4,674	118
Marketplace-Related Coverage and the Basic Health Program						
Premium tax credits	52	55	3	645	577	-68
Outlays for the Basic Health Program	5	5	**	66	62	-4
Net collections and payments for risk adjustment and reinsurance	**	**	**	-2	-1	1
Subtotal	57	60	3	709	637	-72
Medicare <sup>k</sup>	92	125	33	1,138	1,603	465
<b>Gross Subsidies</b>	<b>814</b>	<b>922</b>	<b>108</b>	<b>10,740</b>	<b>10,824</b>	<b>83</b>
Taxes and Penalties Related to Coverage						
Gross collections of employer penalties <sup>l</sup>	-2	-2	**	-22	-21	1
<b>Net Subsidies</b>	<b>812</b>	<b>920</b>	<b>108</b>	<b>10,718</b>	<b>10,803</b>	<b>84</b>

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

The March 2020 projections reflect legislation, administrative actions, and regulatory changes through early March 2020, as well as premiums at that time. They are based on the economic forecast that CBO completed on January 7, 2020. The September 2020 projections reflect such governmental activities through (and premiums in) early July 2020 and the economic forecast completed on June 26, 2020.

Estimates of insurance coverage apply to calendar years, and estimates of the effect on the federal deficit apply to fiscal years.

The table applies to the civilian noninstitutionalized population under age 65.

ACA = Affordable Care Act; CHIP = Children's Health Insurance Program; JCT = Joint Committee on Taxation; \* = between -500,000 and 500,000; \*\* = between -\$500 million and \$500 million.

- a. The components do not sum to the total population because some people report multiple sources of coverage. CBO and JCT estimate that in every year of the projection period, between 12 million and 14 million people (or about 5 percent of insured people) have multiple sources of coverage, such as employment-based coverage and Medicaid. Estimates reflect average monthly enrollment over the course of a year and include spouses and dependents covered under family policies.
  - b. Includes only noninstitutionalized enrollees with full Medicaid benefits. Estimates are adjusted to account for people enrolled in more than one state.
  - 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 through a marketplace.
  - d. Includes noninstitutionalized Medicare enrollees under age 65. Most Medicare-eligible people under age 65 qualify for Medicare because they participate in the Social Security Disability Insurance program.
  - e. Includes people with other kinds of insurance, such as student health plans, coverage provided by the Indian Health Service, and coverage from foreign sources.
  - f. Includes noncitizens not lawfully present in this country, 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 or CHIP who do not enroll; people who purchase nongroup insurance policies that do not meet the agencies' definition of comprehensive health insurance; and people who do not purchase insurance available through an employer, through the marketplaces, or directly from an insurer.
  - g. Positive numbers indicate an increase in the deficit, and negative numbers indicate a decrease in the deficit.
  - h. The estimates shown, produced by JCT, reflect the tax value of the exclusion from federal income and payroll taxes for employment-based health insurance for people under age 65, as well as the penalty payments by employers. The tax value represents the change in tax revenues if the exclusion from federal income and payroll taxes was repealed and the total compensation paid by the employer (including the employer's payroll taxes) remained constant by increasing wages. The estimates differ from those of the tax expenditure for the exclusion. The tax expenditure represents the change in tax revenues if the amount of excluded compensation was taxed and is larger than the tax value. Neither measure reflects employees' behavioral responses to the change.
  - i. The estimates shown, which JCT produced, do not include effects stemming from the deduction for people over age 65.
  - j. For Medicaid, the outlays reflect only medical services for noninstitutionalized enrollees under age 65 who have full Medicaid benefits.
  - k. For Medicare, the outlays are for benefits net of offsetting receipts for noninstitutionalized beneficiaries under age 65. The September 2020 estimates include Part D spending by the federal government for Medicare beneficiaries under 65 (estimates before that time do not).
  - l. Excludes the associated effects on revenues of changes in taxable compensation, which are included in the estimate of the tax exclusion for employment-based insurance.
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