

What We Know So Far from CBO about the Democrats' Health Care Plan

The Congressional Budget Office (CBO) has released a number of important analyses of the health care reform bills moving through Congress. Here is what we know from the CBO so far:

Health Care Spending Will Go Up: “The changes that we have looked at so far do not represent the sort of fundamental change, the order of magnitude that would be necessary to offset the direct increase in federal health costs from the insurance coverage proposals...”^[i]

Long-Term Health Care Spending Will Go Up Even More: “In sum, relative to current law, the proposal would probably generate substantial increases in federal budget deficits during the decade beyond the current 10-year budget window.”^[ii]

The Cost Curve Will Bend Up, Not Down: Asked by Senator Conrad whether the cost-curve is bent under the health care reform legislation currently being considered, CBO Director Doug Elmendorf said, “No.” He then went on to say, “The way I would put it is that the curve is being raised.”^[iii]

Both the House and Senate Bills Will Add to the Federal Deficit: The House bill would add \$239 billion over 10 years to the federal deficit.^[iv] The Senate bill would add \$597 billion to the deficit over 10 years.^[v]

Millions of Americans Will Lose Their Private Coverage: “All told, we estimate that, in 2016, about 9 million people who would otherwise have had employer coverage would not be enrolled in an employment-based plan under the proposal.”^[vi]

Millions More Americans Will be Forced onto a Government-Run Plan: CBO estimated that 6 million people will get coverage under a government plan, a number that would “undoubtedly be greater” if more people were eligible.^[vii]

Employers and Small Businesses Will Face Higher Taxes: Under the House bill, employers will pay \$163 billion in pay-or-play penalties,^[viii] and Democrats proposed another \$543 billion in other taxes that will largely hit small business.^[ix]

Employees, Not Employers, Will Pay The Costs of The Pay-Or-Play Job Tax: “[I]f employers who did not offer insurance were required to pay a fee, employees’ wages and other forms of compensation would generally decline by the amount of that fee from what they would otherwise have been—just as wages are generally lower (all else being equal) to offset employers’ contributions toward health insurance.”^[x]

The Pay-Or-Play Job Tax Could Reduce Jobs for Low-Income, Minimum-Wage Workers: “In particular, a play-or-pay provision could reduce the hiring of low-wage workers, whose wages could not fall by the full cost of health insurance or a substantial play-or-pay fee if they were close to the minimum wage.”^[xi]

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- ^[i] Testimony by CBO Director Elmendorf before the Senate Budget Committee, July 16, 2009.
- ^[ii] CBO Letter to Rep. Dave Camp, July 26, 2009. <http://cbo.gov/ftpdocs/104xx/doc10400/07-26-InfoOnTriCommProposal.pdf>
- ^[iii] Testimony by CBO Director Elmendorf before the Senate Budget Committee, July 16, 2009.
- ^[iv] CBO Letter to Rep. Charles Rangel, July 17, 2009. Available at: <http://cbo.gov/ftpdocs/104xx/doc10464/hr3200.pdf>.
- ^[v] CBO Letter to Senator Edward Kennedy, July 2, 2009. Available at: <http://www.cbo.gov/ftpdocs/104xx/doc10431/07-02-HELPltr.pdf>.
- ^[vi] CBO Letter to Rep. Dave Camp, July 26, 2009. Available at: <http://cbo.gov/ftpdocs/104xx/doc10400/07-26-InfoOnTriCommProposal.pdf>
- ^[vii] CBO Letter to Rep. Dave Camp, July 26, 2009. Available at: <http://cbo.gov/ftpdocs/104xx/doc10400/07-26-InfoOnTriCommProposal.pdf>
- ^[viii] CBO Letter to Rep. Charles Rangel, July 17, 2009. Available at: <http://cbo.gov/ftpdocs/104xx/doc10464/hr3200.pdf>.
- ^[ix] Joint Committee on Taxation, Estimated Effects of the Chairman’s Amendment in the Nature of a Substitute to the Revenue Provisions of H.R. 3200, Fiscal Years 2010-2019, July 16, 2009. Available at: <http://waysandmeans.house.gov/media/pdf/111/jctgs.pdf>
- ^[x] CBO, “Effects of Changes to the Health Insurance System on Labor Markets,” July 13, 2009.
- ^[xi] CBO, “Effects of Changes to the Health Insurance System on Labor Markets,” July 13, 2009.