PoliZette

Ending Obamacare Mandate Would Save Cash — at Least on Paper

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The same factor that helped kill past attempts to repeal Obamacare may now help Senate Republicans push their tax cut plan across the finish line.

That factor is the mysterious math of the Congressional Budget Office, the official scorekeeper of the cost of legislation. Each time the forecasters considered an Affordable Care Act repeal, the forecasters projected millions fewer Americans with health insurance, largely because of an assumption that many people would ditch their coverage if the government did not force people to buy it.

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Those high numbers scared off moderate Republicans and helped doom repeal.
Now, Republicans want to flip the script and use that same assumption to get a score from the budget office that allows deeper tax cuts.

"It's a little ironic because they're using this process that was causing them so many problems," said Michael Tanner, a senior fellow at the libertarian Cato Institute. "They're kind of playing in the realm of the playing field that the CBO created."

Projected Impact of Insurance Mandate Repeal

Impact through 2027	
Insurance	**Enrollment***
Medicaid	-5 million
Individual market	-5 million
Employer sponsored	-2 million
Additional uninsured	**13 million**
Type	**Revenue**
Market subsidies	$185 billion
Medicaid	$179 billion

Type	Revenue
Employer penalties	-$1 billion
Individual penalties	-$43 billion
Medicare	-$44 billion
Other effects	$62 billion
Deficit effect	**-$338 billion**

*Rounded figures don't add up to 13 million

Source: Congressional Budget Office

In order to avoid a Democratic filibuster and allow for Senate passage of tax cuts with a simple majority, the forecasters must conclude that it would not add more than $1.5 trillion to the deficit over the next 10 years.

To make those numbers work, Republicans ***propose repealing the tax penalty*** people pay for not having health insurance. So how can repealing a tax actually cut the deficit?

Democrats used the same "accounting fiction" to show on-paper deficit reductions when they argued in favor of the Affordable Care Act in the first place.

By reducing the money the government has to pay in order to help people buy it. The forecast envisions that the government would lose $44 billion over 10 years without tax penalties paid by the uninsured. But that would more than be made up by $185 billion in savings that would come from less money spent on subsidies for lower-income Americans who buy insurance on the government-run exchanges and an additional $179 billion saved from less Medicaid spending. What's more, the forecast projects that the federal government would collect tens of millions of dollars more in revenue from workers who choose not to accept tax-shielded employer-sponsored insurance in favor of regular income, which is taxed.

Add it all up and the bottom line is $338 billion in deficit reduction through 2027. That would allow Republicans an additional $338 billion to reduce tax rates, expand the child tax credit, or make other changes to the current tax code.

Tanner and other experts doubt the savings ever would materialize in the real world. But if the CBO declares that it would, it would comply with budgetary rules developed by former Sen. Robert Byrd to bypass the normal 60-vote requirement for most legislation.

"This is all about complying with the Byrd rule," he said. "But if the CBO is willing to give them the money, they'll take it."

It is important to keep in mind that none of the projected savings comes from any other changes to the Affordable Care Act. All of the rules and regulations, the subsidies and the additional spending to let states expand Medicaid would stay. All of the deficit reduction would come from

fewer insurance customers — people who voluntarily give up their subsidized insurance or don't sign up for it in the first place.
Anyone earning more than 400 percent of the poverty line is not eligible for financial assistance to buy insurance. So people in that group who give up insurance in the absence of a mandate would not save the government anything.

By 2027, according to the projection, 5 million fewer people would be on Medicaid, 5 million fewer people would have insurance in the individual market and 2 million fewer people would have employer-sponsored insurance. None of those people would "lose" insurance because of spending cuts. They all simply would choose not to sign up even though they would be eligible for free or subsidized insurance.

Edmund Haislmaier, a health care expert at the conservative Heritage Foundation, said some people surely would skip out on insurance if they did not face a penalty. But he said it is hard to accept the numbers projected by the budget office.

"Most policy folks outside of the CBO have been skeptical of this," he said.

Robert Graboyes, a health care scholar at George Mason University's Mercatus Center, also expressed doubt about the CBO projections. He noted that people who qualify for Medicaid but do not sign up and then go to a hospital automatically get signed up for Medicaid.

"If you don't sign up and you get sick, you can walk on down and sign up and do it retroactively," he said. "If I had to guess, I'd say that they're still overstating the impact of the mandate."

Graboyes recalled that Democrats used the same "accounting fiction" to show on-paper deficit reductions when they argued in favor of the Affordable Care Act in the first place.
"It's sort of an echo of 2010 when Democrats were playing a similar game," he said