

United States Senate

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June 24, 2017

Dr. Keith Hall
Director
Congressional Budget Office
Ford House Office Building, 4th Floor
Second and D Streets, SW
Washington, DC 20515-6925

Dear Director Hall:

I write to you today to inquire about the upcoming Congressional Budget Office (CBO) estimate of the Senate Republican Better Care Reconciliation Act. I understand that you plan to release this score early next week in advance of an expected Senate vote on the bill. In order for Senators and the American public to have a clear understanding of the impacts of this legislation, there are two critical elements related to coverage estimates that I believe must be addressed in your analysis. CBO should publicly release its analysis of both of these issues before the Senate begins consideration of the bill.

First, given the confusion created by the overly rushed and secretive process Republicans have used in crafting this bill, I wanted to confirm with you that your estimate will be based on the "Discussion Draft" released by Republicans on June 22, 2017. This is particularly relevant because that draft eliminates the penalty for the individual mandate that exists under current law without replacing it with any other policy to incentivize healthy individuals to obtain coverage. It seems clear that an insurance market without any mechanism to encourage healthy people to participate is inherently unstable and unsustainable, since only those with the most urgent healthcare needs would be likely to purchase insurance. I would like your assurance that CBO's analysis of the cost and coverage impact of the bill will take this issue into account.

A report that CBO released on January 17, 2017¹ detailing the impact of the previous Republican reconciliation bill illustrates the impact of eliminating the individual mandate. That report stated, "Premiums in the nongroup market (for individual policies purchased through the marketplaces or directly from insurers) would increase by 20 percent to 25 percent—relative to projections under current law—in the first new plan year following enactment." It continued, "The majority of that increase would stem from repealing the penalties associated with the individual mandate." In terms of insurance coverage, the report states, "in the first full plan year following enactment, by CBO and JCT's estimates, about 18 million people would become uninsured." It concludes, "Most of those reductions in coverage would stem from repealing the penalties associated with the individual mandate."

¹ How Repealing Portions of the Affordable Care Act Would Affect Health Insurance Coverage and Premiums, <https://www.cbo.gov/sites/default/files/115th-congress-2017-2018/reports/52371-coverageandpremiums.pdf>

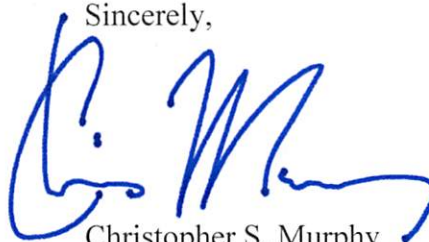
Second, as we discussed at a Legislative Branch Appropriations hearing this week, it is critically important that CBO provide an estimate of the impact of this legislation beyond the first 10-year budget window. Further, that estimate should be released concurrently with the primary 10-year score to enable a complete understanding of the bill prior to a Senate vote.

As you'll recall, during the hearing I asked, "to the extent that the reduction in people enrolled in Medicaid happens outside the 10 year window, will you opine on that subject? Let's say they start the Medicaid changes in year nine, which means that year 10 won't look that bad, but years 11 through 20 would look pretty catastrophic. Would something like that be included in an estimate theoretically?" You replied, "Yes, theoretically if we know there's going to be a change outside the window and we have some notion of how big it will be, we will talk about it."

Unfortunately, we now know that this is not theoretical. The Senate Republican Discussion Draft makes substantial changes to the growth rate in the Medicaid program in 2025—near the end of the 10-year budget window. This change to the Consumer Price Index for All Urban Consumers will have a drastic impact on state budgets from 2025 onward, with the effect growing larger every year. This, in turn, will have major implications for state Medicaid eligibility, coverage, benefits, and provider rates. As a result, it is important that this out-year estimate include the reduction in federal Medicaid spending and an estimate of how many Americans would lose Medicaid coverage. Moreover, because these impacts are potentially so large, and mostly occur outside the first 10-year window, the Senate must have CBO's out-year estimate along with the primary score in order to fairly evaluate the full consequences of this legislation.

I know that you and the rest of the staff at CBO understand the gravity of this CBO estimate and I trust that you will do everything in your power to ensure that it provides, in a timely manner, all of the information that we require to be able to judge the effects of this far-reaching legislation.

Sincerely,

A handwritten signature in blue ink, appearing to read "C. Murphy", with a stylized flourish at the end.

Christopher S. Murphy
United States Senator