

IN CASE YOU MISSED IT

President of Paragon Institute Reviews CBO Annual Report of Federal Health Insurance Subsidies, *Highlights Need for Change of Direction in Health Policy*

In September 2023, the Congressional Budget Office (CBO) released its [annual report](#) entitled, *Federal Subsidies for Health Insurance: 2023 to 2033*, detailing how the federal government subsidizes health care coverage—and the coinciding, projected cost estimates—for the U.S. populous younger than 65 years old.

Following CBO's publication, Brian Blase, President of Paragon Health Institute, penned an analysis of the report with [Health Affairs](#) that sounds the alarm about CBO's projections.

Blase's synopsis warns that CBO's findings reaffirm the unsustainable trajectory of our nation's federal health spending; and further outlines *ten key takeaways* that sound the alarm on the ever-increasing disparity between the cost to taxpayers of government subsidized health insurance coverage and employer-sponsored insurance.



WORD ON THE STREET



1. Only 1% of Americans Are Uninsured And Lack A Subsidized Coverage Opportunity

“The CBO projects that 24.3 million individuals in the United States—or about 7.2 percent of the population—are uninsured in 2023. Of the uninsured population, 4.3 million people are eligible for Medicaid but not enrolled, 10.8 million people are eligible for other subsidized coverage—mostly ESI or [an] ACA exchange plan—and 5.1 million people are not legal residents.”

2. Federal Health Spending Is 7 Percent Of GDP, Projected to Reach 8.3 Percent In A Decade

“According to the CBO, federal government health care spending will total \$1.8 trillion in 2023—an amount equal to 7.0 percent of GDP. The CBO projects that by 2033, these amounts will grow to \$3.3 trillion and 8.3 percent of GDP, respectively.”



3. Federal Health Spending Is Unsustainable, Needs \$1.9 Trillion Trim Over Next Decade

“In January, Paragon Health Institute released a [study](#) from budget policy expert Paul Winfree that quantified the contribution of federal health spending to our nation’s unsustainable fiscal trajectory. Winfree measured sustainability using fiscal space or the federal government’s ability to borrow money in the future. Winfree estimated that federal spending on government health programs must be reduced by at least 7.5 percent of baseline spending, or 0.5 percent of the economy, over the next decade to put these programs on a sustainable path.”

4. Taxpayers Are Better Off if People Have Employer Coverage Versus Alternatives

“The average federal subsidy per Medicaid and Children’s Health Insurance Program (CHIP) enrollee and ACA exchange enrollee is about \$6,000—nearly three times higher than the average subsidy cost per ESI enrollee (\$2,170). The report is a reminder that moving able-bodied, working-age adults from Medicaid and the ACA exchanges to employer coverage helps the federal budget.”

5. The Individual Market Is About Half the Size of What CBO Projected In 2013

In May 2013, the CBO projected that there would be about 40 million people enrolled in the individual health insurance market by 2021. It turns out that there were only about 20 million people enrolled. As a result, it is clear “the ACA in practice has produced a much less attractive individual market for health insurance than experts expected.”

6. The Cost Per New Private-Market Enrollee Is Three Times What the CBO Projected

“Federal spending on the ACA exchanges totaled about \$60 billion in 2021; compared to 2009, only about 1.6 million more people had private health insurance coverage—a gain of about 2.9 million individual market enrollees and a decline of about 1.3 million people with ESI. This means that “for 2021 the cost per additional private insurance enrollee at \$36,798—or 3.5 times the CBO’s original projection of \$10,538.”

7. ACA Subsidy Expansions Have Been Inefficient Uses of Taxpayer Dollars

“ACA premium subsidy expansions “ contained in the American Rescue Plan Act (ARPA) and extended by the Inflation Reduction Act... increased the size of subsidies received and lifted the previous eligibility cap of 400 percent of the federal poverty level. In 2021, the ARPA increased federal subsidies by \$8,712 for each additional enrollee.”



8. The ACA Is Mostly Medicaid Expansion and Almost Everyone Eligible for Medicaid Is Enrolled

“According to the CBO, there were 90.4 million enrollees in Medicaid and CHIP in 2023, and only 4.3 million people who are eligible for Medicaid and yet not enrolled. This means that only 4.5 percent of those who are eligible for Medicaid or CHIP are not enrolled, under the unrealistic assumption that everyone enrolled in Medicaid and CHIP is eligible.”

9. Despite ACA Changes, Medicare Advantage Enrollment Has Soared

“The ACA reduced federal payments to MA plans, causing the CBO and the Centers for Medicare and Medicaid Services Office of the Actuary to [project](#) a substantial decline in MA enrollment at the time.

However, MA enrollment has greatly increased since the ACA was enacted. Between 2016 and 2023, the share of Medicare enrollees in MA increased from about 30 percent to nearly half.”

10. The US Population Is Turning Greyer

“The percentage of the US population older than the age of 65 will increase from 18 percent today to 21 percent in a decade. The greying of the population is the result of most baby boomers reaching 65 and the declining fertility rate. The larger percentage of seniors puts increasing pressure on the federal budget as more Americans collect Social Security and Medicare.”

THE BOTTOM LINE

America’s runaway federal health spending is the primary driver of our growing deficits, [constituting](#) one-quarter of all non-interest federal spending in 2022, a figure that is ***projected to rise to approximately 40 percent of all non-interest spending within the next 30 years.***

More specifically, the current costs of federal subsidies provided for Medicaid, Children’s Health Insurance Program (CHIP), and Affordable Care Act (ACA) exchange enrollees is nearly ***three times higher*** than the average subsidy cost of employer sponsored insurance (ESI) enrollee.

According to CBO and the Joint Committee on Taxation (JCT), total federal subsidies for 2023 (which include budget outlays and revenues losses from tax exemptions) are estimated to be \$1.8 trillion, or rather, 7 percent of gross domestic product (GDP). Even further compounding our fiscal crisis, CBO and JCT project that in the next 10 years federal subsidies will continue to soar, reaching \$3.3 trillion, or 8.3 percent of GDP, by 2033.



Similar to Blase, the House Budget Committee’s FY 2024 “Reverse the Curse” [Budget Resolution](#) puts forth a plan that reins in federal health spending by reducing inefficient spending, enhancing program integrity, while instead imploring Congressional authorizers to prioritize reforming the health care system in hopes of increasing access to high-quality *and* affordable health care for all Americans.

In response to the growing impact of health care spending on the Federal budget, Chairman Jodey Arrington (R-TX) [established](#) the House Budget Committee Health Care Task Force, chaired by Dr. Michael C. Burgess, M.D. (R-TX), to serve as a policy incubator that aims to identify innovative solutions that will improve patient outcomes and reduce federal spending. In October, the Task Force [received](#) over 170 responses to its request for information (RFI) from health care stakeholders and experts. You can learn more about the Health Care Task Force [HERE](#).

