Economic and Fiscal Effects of the Affordable Care Act

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ACA in Fiscal Context
Large Gross Effects, Small Net Effects

Source: CBO.
ACA in Fiscal Context
Estimates Haven’t Changed Much So Far

Source: CBO.
ACA in Fiscal Context
Estimates Haven’t Changed Much So Far

Millions of Individuals

Employer Medicaid Exchanges Other Uninsured


Millions of Individuals

Source: CBO.
## ACA in Context
Policy Uncertainty Works in Both Directions

<table>
<thead>
<tr>
<th>Policy Changes</th>
<th>Budget Effect ($bn, 2014-2023)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repeal Individual Mandate</td>
<td>+385</td>
</tr>
<tr>
<td>Delay Individual Mandate 1 Year</td>
<td>35</td>
</tr>
<tr>
<td>Repeal Employer Mandate</td>
<td>-149</td>
</tr>
<tr>
<td>Delay Individual Mandate 1 Year</td>
<td>-12</td>
</tr>
<tr>
<td>Repeal IPAB</td>
<td>+3</td>
</tr>
</tbody>
</table>

Source: CBO. RAND.
Fiscal Impulse
ACA Impulse Swings to Positive

Estimated Fiscal Effect
- Net Individual
- Net Employer
- Net Industry
- Net Total

Billions of Dollars

Source: CBO. Goldman Sachs Global Investment Research.
Fiscal Impulse
Reduced Fiscal Drag in 2014

Impact of Federal Fiscal Policy on Real GDP Growth:

- Tax
- Spending

Source: Goldman Sachs Global Investment Research.
Fiscal Impulse
A Boost to Health Consumption

Change in Health Consumption, yoy, by Source of Coverage:

- Other
- Medicaid
- Private Insurance
- Out of Pocket
- Total

Source: CMS Actuary.
Fiscal Impulse
Effect on Total Consumption Less Clear

Potential Effect of ACA on 2014 Out of Pockets Costs:
- Mandate Penalties
- Out of Pocket Costs
- Insurance Expenditure

Billions of Dollars

Source: CBO. Census. AHRQ. CMS. Goldman Sachs Global Investment Research.
Long-Term Budget Outlook
Long Term ACA Effect Hinges on Sustainability

Effect of ACA on 75-Year Simulation

- Medicare (net)
- Medicaid, CHIP, and Exchange Subsidies
- Discretionary Spending
- Other Mandatory
- Revenue
- Primary Deficit

Source: GAO, CBO.
Latest projection of cumulative federal health spending 2014-2021 is $950bn (0.7% of GDP) lower than 2011 projection.

Projections increased after Medicare drug benefit enacted.

Temporary effect of recession and state fiscal aid (through Medicaid).

Projected spending rose after ACA enactment.

Source: CBO.
Long-Term Budget Outlook
Excess Cost Assumptions

Source: CBO. CMS Actuary. HHS ASPE.
Long-Term Budget Outlook
Debt Trajectory

Federal Publicly Held Debt, by Excess Health Cost Growth Assumption, Extended Baseline

Source: CBO. Goldman Sachs Global Investment Research.
Long-Term Budget Outlook
Debt Trajectory

Federal Publicly Held Debt, by Excess Health Cost Growth Assumption, Alternative Scenario

Source: CBO. Goldman Sachs Global Investment Research.
Long-Term Budget Outlook
Demographics Still a Major Driver

Source: CBO. Goldman Sachs Global Investment Research.
Long-Term Budget Outlook
“Everything Else”

* CBO Extended Baseline, with emergency spending removed from discretionary spending
Source: CBO.
Long-Term Budget Outlook
States Carry Some of the Burden

Government Share:
- **Federal**
- **State/Local**

Note: Federal Medicaid grants to states shown as Federal spending.
Source: CMS, BEA.
Long-Term Budget Outlook
Medicaid Expansion Costs States...a Little

Long-Term Budget Outlook
The Medicaid Roller Coaster

Percent of Potential GDP

Federal Medicaid Grants to States


Percent of Potential GDP

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Disclosure Appendix

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