Fact Sheet

RAND COMPARE

# Coverage, Spending, and Consumer Financial Risk

## How Do the Recent House and Senate Health Care Bills Compare?

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On November 7, 2009, the U.S. House of Representatives passed the Affordable Health Care for America Act (H.R. 3962). On December 24, 2009, the U.S. Senate passed the Patient Protection and Affordable Care Act (H.R. 3590). Both these bills seek to provide affordable, quality health care for all Americans.

RAND undertook an analysis of the provisions within these bills related to expanding coverage for people who currently do not have health insurance. Using the COMPARE microsimulation model, RAND researchers estimated the potential effects of each bill on changes in the number of uninsured people, the costs to the federal government and the nation of implementing the policy, and consumers' health care spending. RAND also estimated the effects associated with different scenarios for expanding coverage. These scenarios provide insights into how the various provisions of the bills (e.g., individual mandate, employer mandate, Medicaid expansion) might contribute to changes in coverage and spending.

### Key Findings

#### Coverage

- **The House bill (H.R. 3962) would decrease the number of uninsured from 53 million to 24 million by 2019, a 56% decrease relative to the projected trend in the status quo.** Under the House bill, by 2019, about 12 million more people would be enrolled in employer-sponsored insurance, 10 million more would be enrolled in Medicaid, and 8 million more would be enrolled in nongroup insurance (including the national Health Insurance Exchange proposed by the bill).

- **The Senate bill (H.R. 3590) would decrease the number of uninsured to 25 million by 2019, a 53% decrease relative to the projected trend in the status quo.** Under the Senate bill, the number of people enrolled in employer-sponsored insurance compared with the projected status quo would increase by 6 million, the number covered by Medicaid would increase by 12 million, and the number of insured in the nongroup market (including the state-level Health Benefit Exchanges proposed by the bill) would increase by 10 million.

#### Spending

- **The House legislation would increase national health spending by 3.3% over the status quo projection between 2013 and 2019.** This represents an estimated $753 billion cumulative increase in spending. New government spending on coverage provisions of H.R. 3962 between 2013 and 2019 is estimated to be $1.0 trillion. This spending increase comes both from increased Medicaid expenditures

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($559 billion) and from federal subsidies for eligible people participating in the Exchange ($445 billion). In 2019, average insurance premiums in the employer market would be at least 2% lower than projected in the status quo. In comparison, insurance premiums for the most common nongroup policies (i.e., the Exchange) are projected to increase slightly, at an average of about 4% from 2014 to 2019.

- **The Senate bill would increase national health spending by 2% between 2014 and 2019.** Under H.R. 3590, government spending would increase by $899 billion compared with the projected status quo: $499 billion is attributed to increased spending in Medicaid, and $400 billion to subsidies for premiums and cost-sharing. In 2019, premiums paid by individuals obtaining coverage through employers are projected to be 2% lower than in the status quo, primarily because of changes in the composition of the population purchasing insurance. Unsubsidized premiums in the nongroup insurance market are also estimated to decrease because of a combination of changes in the benefit packages being purchased, lower administrative costs, and changes in the composition of the population purchasing insurance in this market.

### Consumer Financial Risk

- **Both bills would result in a net benefit to the newly insured.** On average, both bills would result in higher health expenditures for the newly insured. However, the newly insured would face a lower risk of catastrophic expenditures and would benefit from increased use of health care services. Under both bills, the people who would gain most are those who obtain insurance through Medicaid and the Exchange(s).

### Effects of Alternate Design Choices and Assumptions

- **In the House bill, the individual mandate has the largest independent effect on increasing coverage, but the addition of the employer mandate results in lower costs to the federal government than would otherwise occur.** In the absence of a penalty for noncompliance with the individual mandate, 4.9 million fewer people would obtain coverage; increasing the penalty from 2.5% to 3.5% of adjusted gross income would increase coverage by less than 1 million. Varying the Medicaid eligibility threshold has little effect on coverage.

- **In the Senate bill, the individual mandate also has the greatest independent effect on reducing the number of people without insurance.** Without a penalty for noncompliance, 10 million more people would be uninsured. Without subsidies, 13 million more people would be uninsured, and 14 million fewer people would purchase insurance through the Exchanges. If penalties for employers who do not offer insurance were removed from the legislation, 700,000 fewer people would be insured, but new government spending would increase by $98 billion because more people would obtain subsidized policies through the Exchanges.

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