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RAND COMPARE Analysis of President Obama's Proposal for Health Reform

On February 22, 2010, President Obama released his proposal for reforming the health care system. The RAND Corporation undertook an analysis of this proposal related to expanding coverage for people who currently do not have health insurance. Using the COMPARE microsimulation model, RAND researchers estimated the potential effects between 2010 and 2019 of the President's proposal on changes in the number of uninsured and the costs to the federal government (through Medicaid and subsidy payments) and the nation. The proposal would be enacted in 2010, but many of the coverage-related provisions would not take effect until 2014.

The President's proposal is not as detailed as the bills that have been passed in both the House (H.R. 3962) and Senate (H.R. 3590). However, because it was modeled after the Senate bill, we assume that the details from the Senate bill apply, except where otherwise noted.

The key features of the President's proposal that were included in this analysis are as follows:

- Establish insurance exchanges that offer standard benefit packages (Bronze, Silver, Gold, Platinum) for people who do not have offers of coverage from an employer or a public program (e.g., Medicaid).
- Expand coverage under Medicaid to anyone living in a household with an adjusted gross income less than 133% of the federal poverty level (FPL).
- Require that all individuals obtain insurance coverage through public or private sources or pay a penalty of up to 2.5% of adjusted gross income. Those with incomes below the federal tax filing threshold (\$9,350 for an individual and \$18,700 for a family in 2009) and those whose premium share would exceed 8% of income are exempt. Subsidies for those with incomes up to 400% of FPL are provided on a sliding scale to offset the costs associated with premiums and cost-sharing requirements.
- Create new fees charged to businesses with 50 or more employees that do not offer insurance and in which one or more employees obtain a subsidy to help pay for insurance. The fees are \$2,000 per full-time employee, with an exemption for the first 30 employees.

We did not include the small-business tax credit (\$40 billion) in our modeling because the method for allocating the credit was not clear in the President's proposal. We also did not model the high-risk pools provision.

Key Findings

The President's proposal would reduce the number of uninsured relative to the status quo in 2019 by 56%, an order of magnitude similar to what we found for the House and Senate bills, as shown in Table 1.

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Table 1**Estimated Number of People (millions) Uninsured, 2010–2019, Under the President’s Proposal, Senate Bill, and House Bill, Relative to the Status Quo**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Status quo	49	50	50	51	51	52	52	52	53	53
President’s proposal	49	50	50	51	43	31	23	23	23	23
Senate bill	49	50	50	51	44	32	24	24	25	25
House bill	49	50	50	41	29	23	23	23	23	24

The type of insurance that we predict people will select under the different proposals is shown in Table 2. The number of people with employer-sponsored insurance under the President’s proposal is the same as under the Senate bill. The total number on Medicaid is the same as under the Senate bill and slightly higher than under the House bill. The number of people obtaining insurance through the Exchange or Exchanges is somewhat higher than under either the House bill or the Senate bill.

The costs associated with the provisions we modeled are shown in Table 3 and represent cumulative costs between 2010 and 2019. Government spending (Medicaid plus subsidy costs) under the President’s proposal would increase by \$885 billion, which is lower than under the House or Senate bills. The total subsidy cost of the President’s proposal is 2.8% larger than the total subsidy cost of the Senate bill, and 1 million more people obtain coverage through the Exchanges. This is because of some small differences in the subsidy and penalty structures of the two plans.

Personal health care expenditures would increase by about 2.5% under the President’s proposal relative to the status quo, which is somewhat higher than under the Senate bill (2.4%) and lower than under the House bill (3.3%).

Conclusion

We estimate that the President’s proposal will reduce the number of uninsured by 30 million relative to the status quo, which is roughly similar to the numbers provided by White House analysts. The President’s proposal would result in about 1 million more people obtaining insurance through the nongroup or Exchange market than under the Senate bill. Total spending on Medicaid under the President’s proposal would be the same as under the Senate bill, and subsidy costs would be higher than under the Senate bill.

Table 2**Distribution of Insured Nonelderly Persons (millions) by Type of Insurance in 2019, Under the President’s Proposal, Senate Bill, and House Bill, Relative to the Status Quo**

	Employer-Sponsored Insurance	Medicaid/SCHIP	Exchange(s) or Nongroup	Other
Status quo	156	38	17	16
President’s proposal	162	50	29	16
Senate bill	162	50	28	16
House bill	168	48	25	16

NOTE: SCHIP = State Children’s Health Insurance Program.

Table 3**Cumulative Spending (\$ billions) Related to Coverage Expansions, 2010–2019, in the President’s Proposal, Senate Bill, and House Bill, Relative to the Status Quo**

	Medicaid Spending*	Cost of Subsidies*	Total Personal Health Spending**
Status quo	\$2,675	\$0	\$22,488
President’s proposal	\$3,149	\$411	\$23,053
Senate bill	\$3,174	\$400	\$23,036
House bill	\$3,234	\$445	\$23,241

*Government spending is equal to Medicaid spending plus the cost of subsidies. The federal government will bear 100% of costs of newly eligible Medicaid recipients from 2014 to 2017, 95% of costs from 2018 to 2019, and 90% of costs thereafter.

**Estimates of personal health spending are based on Medical Expenditure Panel Survey data, which include only the noninstitutionalized population, and thus do not include costs associated with long-term care and other components of personal health spending.

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This fact sheet was written by Elizabeth A. McGlynn. The COMPARE microsimulation model was reviewed by two expert panels during its development and also underwent an expert peer review based on analyses of specific policy options. The modeling results in this fact sheet have undergone an additional peer review to ensure that they meet rigorous standards for research quality and objectivity. The RAND Corporation is a nonprofit research organization providing objective analysis and effective solutions that address the challenges facing the public and private sectors around the world. RAND’s publications do not necessarily reflect the opinions of its research clients and sponsors. RAND® is a registered trademark.

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