

# The Better Care Reconciliation Act: Economic & Employment Consequences for States

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# Report

- *Leighton Ku, Erika Steinmetz, Erin Brantley, Nikhil Holla, Brian Bruen. The Better Care Reconciliation Act: Economic and Employment Consequences for States. Commonwealth Fund. July 2017.*
- Available at: [www.cmwf.org](http://www.cmwf.org).
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- REMI's PI+ 2.0 was used. Thanks to John Bennett and Fred Treyz of REMI.

# *Background*

- Better Care Reconciliation Act (BCRA) was introduced in the US Senate as an alternative to the House's American Health Care Act (AHCA)
- Senate effort collapsed July 27 after rejecting five alternative bills.

## **Two main elements of BCRA**

- **Coverage-Related Policies:** Eliminate individual and employer mandates. Reduce Medicaid (expansions, per capita caps, etc.). Restructure and reduce premium tax credits. State Innovation & Stability Fund, etc.
- **Tax Repeal:** Repeal many ACA taxes, largely helping those with high incomes and certain businesses.

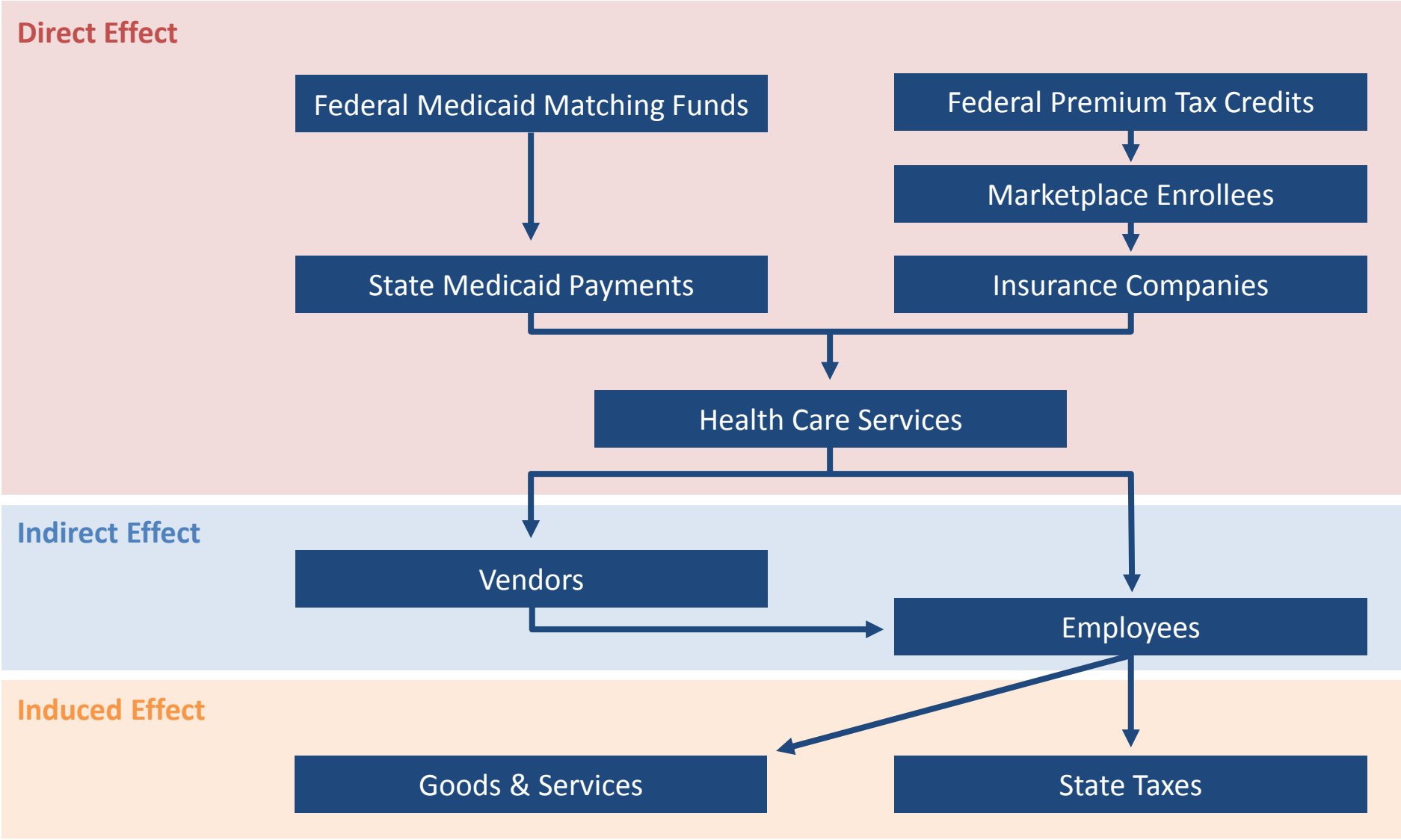
# ***Background and Goal***

- ACA increased insurance coverage and health access, especially Medicaid expansion.
- CBO analysis of BCRA: 22 million uninsured by 2026. Similar to 23 million loss estimated for House AHCA.
- Urban Institute said BCRA would lead to 25 million more uninsured by 2022. Also found BCRA hurts low-income, while tax changes mostly help upper income.
- ***Assess potential effects of this version of BCRA on economy and employment in all 50 states and DC from 2018-26.***

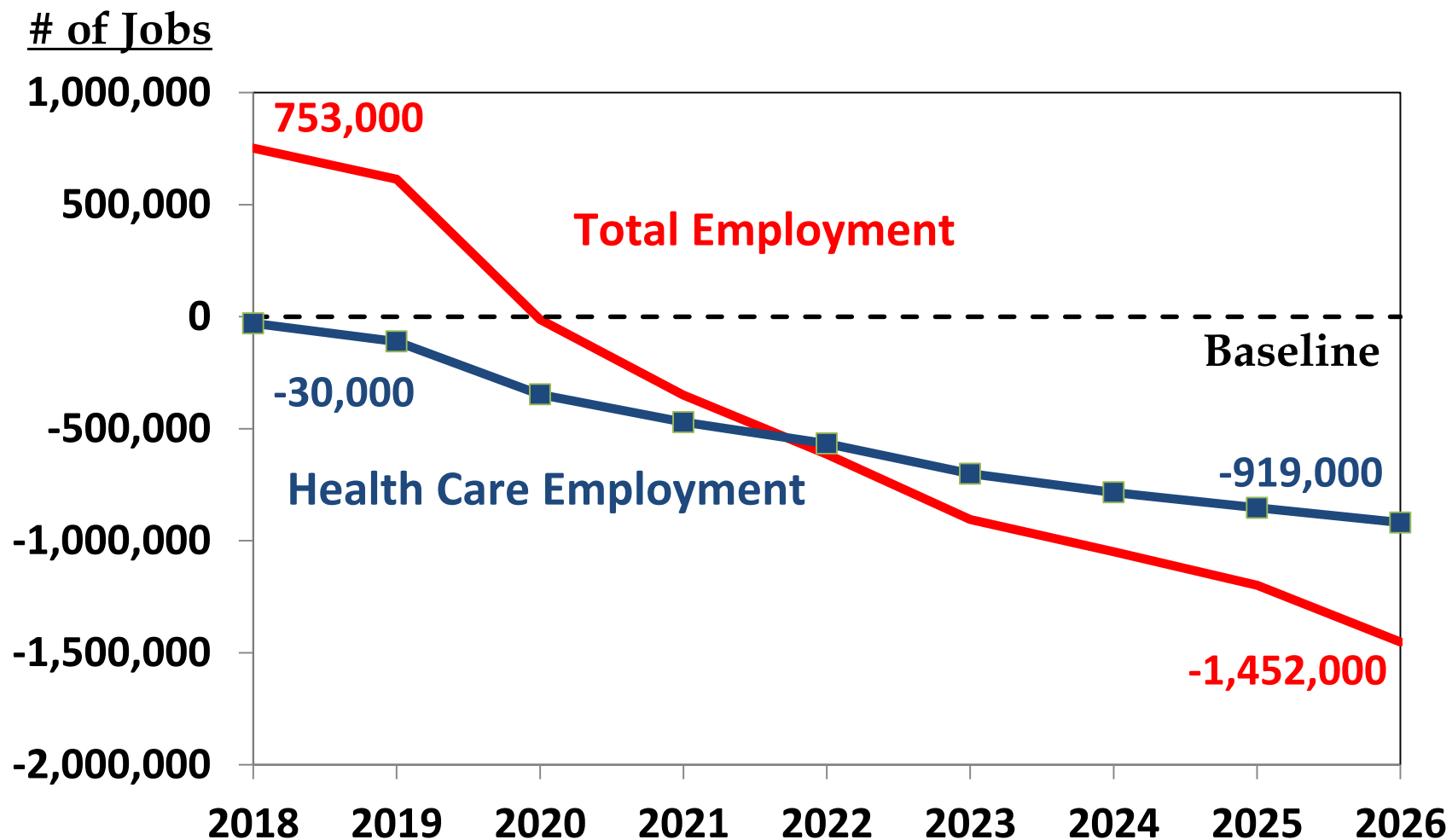
# Methods

- Align with CBO national budget estimates. Allocate changes in federal funds to states from 2018 to 2026.
- Estimate all parts of BCRA, including changes to Medicaid, tax credits and tax repeal.
- Use dynamic structural model -- REMI's PI+ ver 2.0 -- to estimate effects on state employment and economies (gross state products & business output) from CY 2018 to 2026.
- Adjust for skewed distribution of tax repeal effects. Tax changes that benefit high income people create less economic stimulus than other spending or transfers.

# How Federal Health Funding Flows Through State Economies



# Rise and Fall in Employment Due to BCRA



## *Key National Findings: Total Changes*

	2018	2026
<b><u>CHANGES IN FEDERAL FUNDING:</u></b>		
Tax Repeal	\$38 bil.	\$83 bil.
Coverage-Related Spending (bil \$)	-\$5 bil.	-\$183 bil.
Net Change in Federal Deficit (bil \$)	\$33 bil.	-\$101 bil.
<b><u>CHANGES IN ECONOMIC OUTPUTS:</u></b>		
Total Employment	<b>753,000</b>	<b>-1,452,000</b>
Health Care	-30,000	-919,000
All Other	783,000	-533,000
Gross State Product (bil \$)	\$80 bil.	-\$162 bil.
Business Output (bil \$)	\$139 bil.	-\$265 bil.



# Effects of Coverage vs. Tax Changes

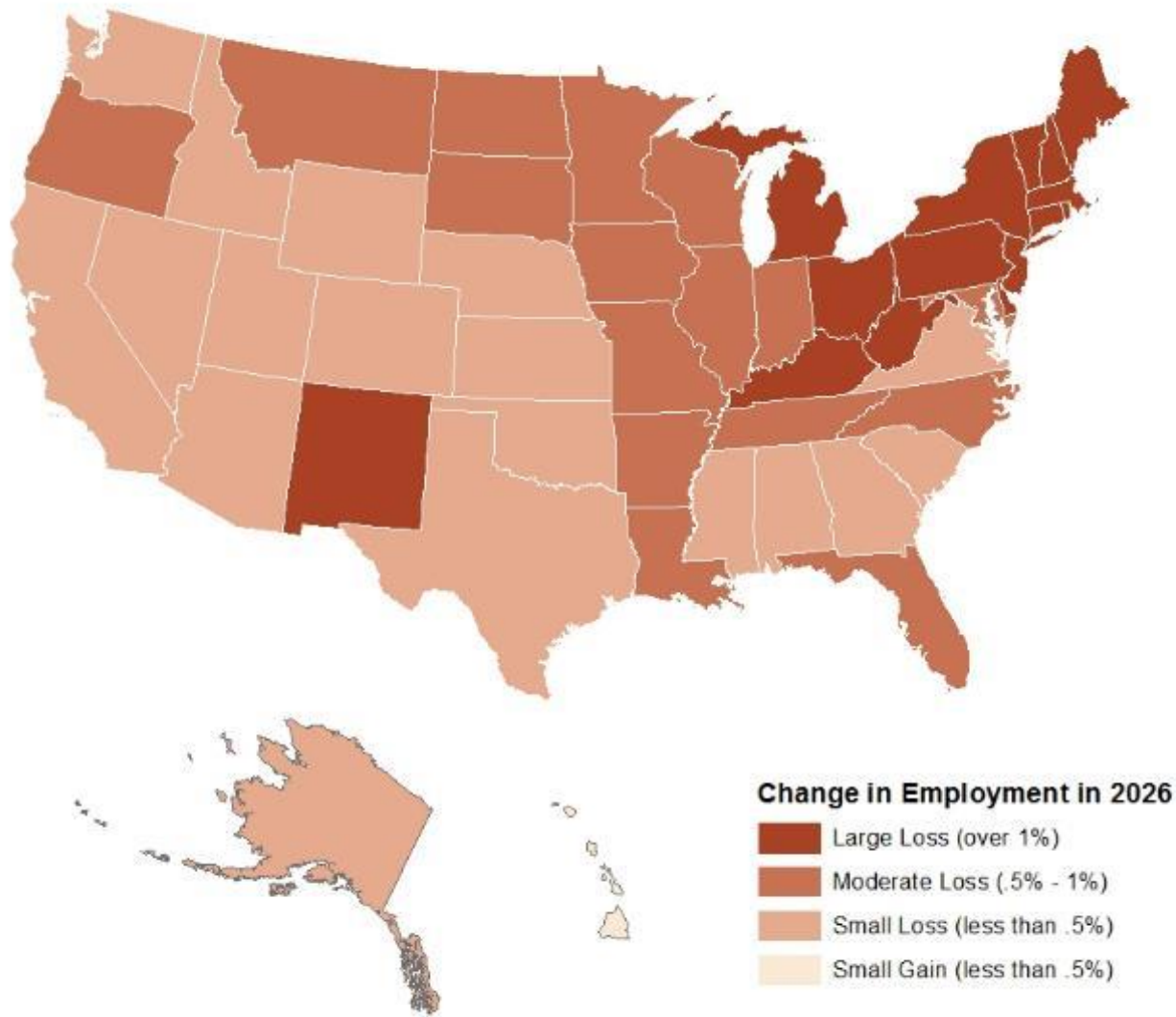
	2018	2026
<b><u>Coverage Related Changes</u></b>		
Federal Funds	-\$5 bil.	-\$183 bil.
Total Employment	<b>21,000</b>	<b>-2,311,000</b>
Health Care	-95,000	-1,005,000
Gross State Product	\$4 bil.	-\$283 bil.
<b><u>Tax Repeal Changes</u></b>		
Federal Funds	\$38 bil.	\$83 bil.
Total Employment	<b>730,000</b>	<b>861,000</b>
Health Care	65,000	86,000
Gross State Product	\$75 bil.	\$121 bil.

# Employment Effects in Ten States

State	Status*	Employment	
		2018	2026
Alaska	M	1,900	-1,800
Florida		50,400	-78,000
Kentucky	M	7,000	-32,100
Maine		2,600	-11,600
Michigan	M, T	-2,200	-86,300
Nevada	M	8,500	-5,100
New York	M	47,500	-131,700
Ohio	M	19,600	-98,800
Pennsylvania	M	25,400	-109,900
West Virginia	M	2,600	-13,100

M = Medicaid Expansion. T = automatic termination rule.

# *Changes in Percent Employed, 2026*



# *State Budget Effects*

- Federal tax repeals initially benefit state economies, but over time long run coverage losses hurt them.
- Other BCRA changes – particularly Medicaid – also affect federal funding to states. Reductions in matching for Medicaid for expansions and then thru per capita caps.
- States would have less revenue, just as demand for assistance (more uninsured and more unemployed) rise.
- States may have to increase tax revenues or curtail many services, not just Medicaid.
- New, large state grant funding. Lacks process for allocating fairly among states. Great HHS discretion.

# *Key Findings - 1*

- In 2018-19, tax repeals outweigh coverage losses. Federal deficit increases. Employment & state economies grow stronger, but health employment declines slightly.
- In 2020-21, coverage losses become larger. Net losses in employment and state economies. By 2026, 1.5 million jobs lost, including almost a million health jobs. Losses in almost every state.
- Boosts employment in period of low unemployment, but cuts jobs when a downturn becomes more likely. Could exaggerate highs and lows of economy.

## *Key Findings - 2*

- Effects vary by state. Some key factors:
- Medicaid expansion states decline faster and deeper.
- Seven states with automatic termination of Medicaid expansion: Arkansas, Illinois, Indiana, Michigan, New Hampshire, New Mexico and Washington
- Restructuring of premium tax credits hurts states with older, poorer people and higher health care costs.
- Tax repeal helps states with more high income taxpayers

# Variants

- Informally tested alternative bills. Most variants have similar elements: tax repeal at the beginning, then major coverage reductions later.
- Partial repeal only: Similar to above, but Medicaid expansions and tax credits end in 2020, leading to sharp drop off in 2020, then continuing down.
- BCRA-II with Cruz amendment: Employment levels are lower than BCRA levels.
- “Skinny repeal”: Preliminary. Smaller job losses, but losses in 35 states by 2020, 40 states by 2026.

# *Limitations*

- Other changes may be made to the bill.
- All forecasts, especially over 10 years, have uncertainty.
- Additional uncertainty due to substantial discretion to individual states. We conservatively spread changes across states and may underestimate the high and lows for each individual state.