

Obamacare cost forecast is reduced 7% by U.S. fiscal watchdog

<http://www.latimes.com/business/la-fi-health-costs-cbo-20140415.0.1998284.story?track=rss#axzz2yunun400>

Lower-than-expected health insurance premiums will save the federal government \$104 billion in subsidies over the next decade, the Congressional Budget Office says.



According to a CBO report, the average annual premium for the new healthcare exchanges' mid-level Silver plan is expected to be \$4,400 by 2016. That would be 15% lower than the office's estimate before President Obama's signature health law was passed four years ago. Above, people sign up for health plans last month in Florida. (Joe Raedle, Getty Images / April 14, 2014)

By Michael A. Memoli

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WASHINGTON — Lower-than-expected health insurance premiums under Obamacare will help cut the long-term cost of the program 7% over the next decade, according to the latest report from the Congressional Budget Office.

The government's reduction of \$104 billion in subsidies for those premiums was the main factor that led the nonpartisan fiscal watchdog to cut its projection of the nation's federal deficit by nearly \$300 billion through 2024.

According to the CBO report, released Monday, the average annual premium for the new healthcare exchanges' mid-level Silver plan — used as a benchmark — is expected to be \$4,400

by 2016. That would be 15% lower than the office's estimate before President [Obama](#)'s signature health law was passed four years ago.

The cost was cheaper because the benefits offered, including doctor choice and coverage, were narrower than the CBO initially expected, though it predicted benefits and premiums would rise in future years.

Because health plans are expected to cost less, federal subsidies offered this year to low-income individuals also will decrease — as much as \$300 per enrollee from a previous estimate.

Those subsidies account for more than \$1 trillion of the nearly \$1.4-trillion cost of the Affordable Care Act over the next decade.

[The White House](#) said the CBO revisions show that the health law is achieving one of its primary goals by limiting the growth of healthcare spending.

"This is historic progress and shows how the Affordable Care Act is working as it was supposed to by helping more Americans get coverage, while making historic progress in slowing healthcare cost growth and improving our nation's fiscal outlook by lowering deficits," White House Press Secretary [Jay Carney](#) told reporters.

But independent analysts noted that the CBO continues to project that overall deficits will begin to grow again after their recent declines, requiring difficult choices in the future on taxes and entitlements to address the growing national debt.

The CBO continues to project that 6 million individuals will buy health insurance through the exchanges this year, despite the administration's recent announcement that 7.5 million have enrolled in plans. The White House said the discrepancy results from a technical calculation CBO makes for individuals enrolled for only a portion of the year.

The CBO expects the number of enrollees to quadruple by 2016 before leveling off at 25 million over the rest of the next decade. An additional 13 million will have health coverage through Medicaid and the Children's Health Insurance Program than would have had coverage without the Affordable Care Act, it said.

The latest projections are likely to become part of the debate in this year's midterm elections, which have largely centered on the state of Obamacare during its most crucial phase since passage in 2010.

Republican leaders had no immediate response. House Minority Leader [Nancy Pelosi](#) (D-San Francisco) said in a statement that "despite the savings the Affordable Care Act is realizing for middle-class families and for our nation, Republicans continue their desperate fixation with its repeal."

Looking at the broader budget outlook, the CBO revised its projected federal budget deficit for this year to \$492 billion, which is \$22 billion less than it had forecast two months ago.

The cumulative \$7.6 trillion in deficit spending over the next 10 years is \$286 billion less than it had forecast two months ago, a revision the CBO bases largely on the lower projections for Obamacare subsidies.

The deficit is expected to shrink next year to \$469 billion, the sixth consecutive annual decline when compared with the overall economy. But it is projected to grow again in 2016 to \$536 billion and potentially eclipse the \$1-trillion mark again by 2023, in part, because of the expansion of healthcare spending.

The United States will spend \$5.8 trillion on interest costs alone on the national debt over the next decade.

"Policymakers should be using this period of relative calm to make real progress on our long-term fiscal challenges," said Maya MacGuineas, president of the Committee for a Responsible Federal Budget.

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