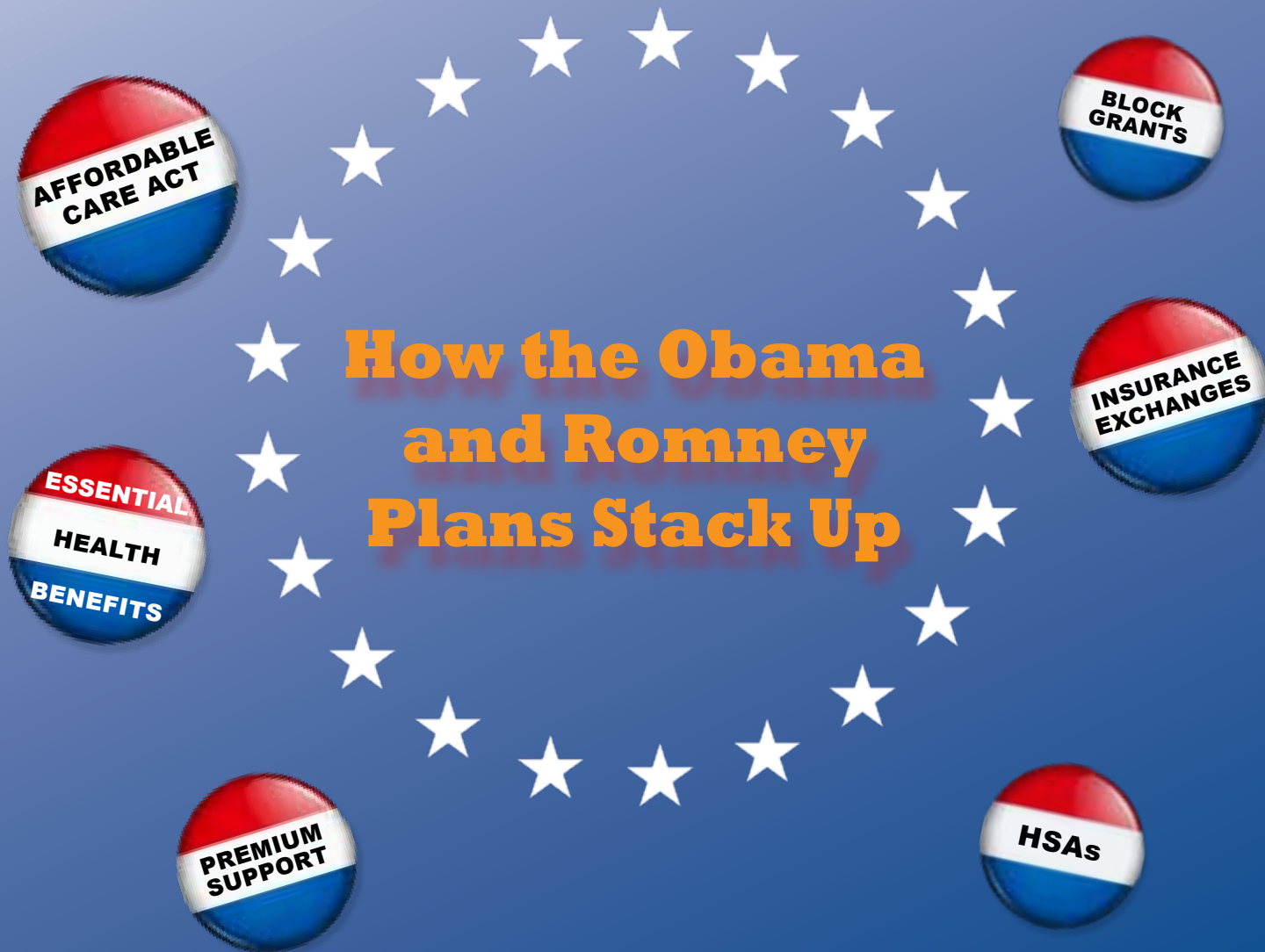


HEALTH CARE IN THE 2012 PRESIDENTIAL ELECTION



Sara R. Collins, Stuart Guterman, Rachel Nuzum,
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How the Obama and Romney Plans Stack Up

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Abstract: With President Obama and Governor Romney offering fundamentally different visions for the nation's health system, this fall's presidential election provides a stark choice for U.S. voters. To inform public discussion about health care in the election and beyond, this analysis draws from microsimulation analysis to contrast the potential impact of implementing the Affordable Care Act in full with Romney's proposals to repeal the law, eliminate many of the new requirements for insurance markets, and make changes in Medicaid and Medicare. The report focuses on the following: the number of Americans expected to gain health insurance; changes in the affordability of insurance; changes in consumer protections and consumer choice; help for small businesses; improvement in Medicare solvency; improvement in health care quality; and control of health spending growth. Findings of the analysis indicate that, in each area, implementation of the Affordable Care Act would likely outperform Romney's proposals.

Support for this research was provided by The Commonwealth Fund. The views presented here are those of the authors and not necessarily those of The Commonwealth Fund or its directors, officers, or staff. To learn more about new publications when they become available, visit the Fund's Web site and [register to receive e-mail alerts](#). Commonwealth Fund pub. no. 1636.

EXECUTIVE SUMMARY

With the U.S. presidential election just five weeks away, health care is in the spotlight. President Obama and Governor Romney have proposed distinctly different approaches to the health care problems currently plaguing the United States: more than 48 million people without health insurance, increases in health care costs and premiums that exceed the growth in family incomes, and uneven quality in health care across the country. If reelected, the president has pledged to continue to implement the Affordable Care Act, the health reform law whose major provisions to expand insurance coverage and improve health care delivery will be rolled out in the next 15 months. In contrast, the Republican nominee has said that, if elected, he will work to repeal the law and replace it with his own vision for U.S. health care.

To inform public discussion about health care in the presidential election and beyond, this report describes the candidates' approach, examines key differences in how each would address the current problems affecting the health care system, and evaluates the potential implications of their respective plans on health insurance coverage and out-of-pocket spending. The comparison relies on results of microsimulation analysis of the candidates' plans conducted by economist Jonathan Gruber.

THE CANDIDATES' APPROACHES TO SOLVING THE NATION'S HEALTH CARE PROBLEMS

With each candidate offering fundamentally different visions for the nation's health care system, this fall's presidential election provides a stark choice for U.S. voters (Exhibit ES-1). In pledging to fully implement the Affordable Care Act, President Obama supports the goal of near-universal health insurance coverage, by maintaining existing private insurance markets but also instituting tighter and more standardized regulations across the country to ensure a broad choice of comprehensive health plans to all who seek coverage. In addition, federal tax credits would make individually purchased health plans more affordable. The Medicaid program would cover more families with low or moderate incomes.

Governor Romney, on the other hand, has not identified universal coverage as a goal. While also supporting a health insurance system based on existing markets, he believes that more limited regulation will ensure a broad choice of health plans for consumers. Romney would encourage more people to buy health plans in the individual market by making the tax treatment of individually purchased coverage similar to that now accorded to employer-based plans. By reducing federal funding to Medicaid, through a proposed system of state block grants, and loosening federal requirements, his administration would substantially scale back the federal-state public insurance program for people with low incomes.

Exhibit ES-1. Comparison of the Affordable Care Act and Governor Romney's Plan: Goals and Provisions

	Affordable Care Act	Romney
Aims to cover all Americans	X	
State health insurance exchanges	X	
Tax credits or tax advantages for private insurance premiums	X	X
Expanded eligibility for Medicaid	X	
Consumer insurance protections	X	X
New Medicare benefits	X	
Individual requirement to have health insurance	X	
Cost containment	X	X
Incentives for quality improvement	X	X

Sources: Commonwealth Fund Health Reform Resource Center, available at <http://www.commonwealthfund.org/Health-Reform/Health-Reform-Resource.aspx>; and Governor Mitt Romney's plan, available at <http://www.mittromney.com/>.

To contain growth in health care costs and improve the quality of care, Obama supports the health law’s reforms targeting both how insurance markets operate and how providers are paid and care is delivered. Romney would seek to drive down health care costs by providing fixed budgets and looser standards to state Medicaid programs, on the theory that doing so will allow states to innovate and save money. On Medicare, Romney would introduce competition between private plans and traditional Medicare by providing beneficiaries with “premium support” to buy the plan they choose. He would also place limits on annual spending, starting in 2023, if such competition fails to bring down costs.

COMPARING THE CANDIDATES’ PLANS FOR HEALTH CARE

To examine how the Obama and Romney health plans stack up, this analysis asks seven key questions:

- Will the plans increase the number of Americans with health insurance?
- Will the plans make health insurance more affordable?
- Will the plans protect consumers?
- Will the plans improve consumer choice?
- Will the plans help small businesses?
- Will the plans improve Medicare?
- Will the plans improve health care quality and slow health care spending growth?

Will the candidates’ plans increase the number of Americans with health insurance?

Methods. To evaluate the effects of the candidates’ proposals for health insurance coverage, Jonathan Gruber, an economist at the Massachusetts Institute of Technology, modeled three policy scenarios:

1. The baseline, or what insurance coverage would be if the Affordable Care Act had not been implemented.
2. The Affordable Care Act fully implemented, with all states participating in the Medicaid expansion.
3. Romney’s proposals to:

- Provide federal block grants to states for their Medicaid programs
- Provide the same tax advantages to people who buy coverage on their own as those available to people insured through an employer.

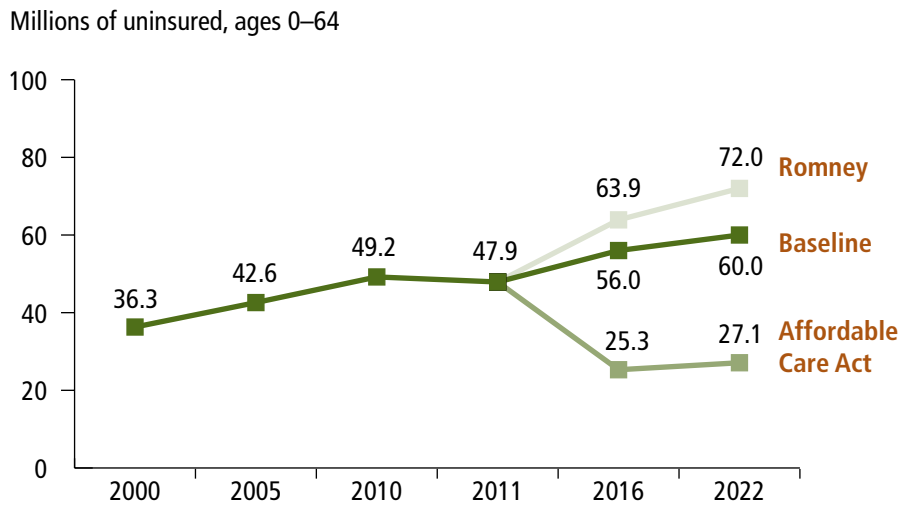
Because the Romney campaign has not yet fleshed out the details of these two proposals, this report makes a set of assumptions for each to assess their potential effects. For the Medicaid block grant proposal, the following assumptions are made:

- Block grants to states will grow at the rate of growth in the consumer price index plus 1 percent.
- States will match this lower federal rate of spending growth in their share of Medicaid spending.
- States will meet these new limits through a 50–50 combination of cuts in Medicaid costs, such as lower payments to health care providers or reduced benefits, and through reduced eligibility for the program.
- States will maintain existing Medicaid eligibility for the elderly and people with disabilities, so that any eligibility cuts needed to meet spending targets will come from the reduced eligibility of people who are under age 65 and not disabled.

To evaluate the Romney proposal to give tax advantages to individually purchased plans, a scenario was modeled in which people who purchased health insurance in the individual market could deduct premiums from their income on an “above-the-line” basis—that is, a deduction available to all, not just those who itemize their taxes.

Results. When fully implemented, the Affordable Care Act is projected to substantially reduce the number and share of adults and children who are uninsured in every state, in every income group, and in every age group. In the absence of the Affordable Care Act—the baseline scenario mentioned above—60 million people are projected to be uninsured by 2022. The health reform law will reduce the number of uninsured people by an estimated 32.9 million, leaving 27.1 million people uninsured (Exhibit ES-2).

Exhibit ES-2. Numbers of Uninsured Under the Affordable Care Act and Governor Romney's Plan



Note: Baseline scenario is if the Affordable Care Act had not been enacted in 2010; Affordable Care Act is full implementation of the law; Romney plan includes full repeal of the Affordable Care Act and replacement with state block grants for the Medicaid program and equalization of the tax treatment of individually purchased health plans and employer plans.
Sources: *Income, Poverty, and Health Insurance Coverage in the United States: 2011*, U.S. Census Bureau, Sept. 2012; estimates by Jonathan Gruber and Sean Sall of MIT using the Gruber Microsimulation Model for The Commonwealth Fund.

In contrast, the analysis projects that Romney's proposals will increase the number and share of people who are uninsured in every state and demographic group, even compared with the baseline scenario. Nationally, Romney's proposals are estimated to increase the number of uninsured people by 12 million compared with the baseline (no Affordable Care Act), leaving 72 million people uninsured in 2022. More than 80 percent of the increase in the uninsured population (10.3 million people) stems from cuts in Medicaid eligibility resulting from state block grants. An estimated 1.9 million people would lose coverage under an income tax deduction for individually purchased coverage, since some employers may stop offering health insurance if their employees have an alternative. A similar dynamic is expected to occur as a result of the insurance provisions of the Affordable Care Act.

People with incomes below 250 percent of the federal poverty level (\$27,925 for individuals and \$57,625 for a family of four) would be particularly hard hit by Romney's proposals to repeal the Affordable Care Act and replace it with Medicaid block grants and private insurance incentives. While the health reform law's substantial expansion of Medicaid is projected to decrease the uninsured rate among people with incomes

under 138 percent of the poverty level (\$15,415 for an individual and \$31,809 for a family of four) from a projected 38.6 percent to 19.4 percent, or 34.2 million uninsured people to 17.2 million, Romney's proposals are projected to *increase* the uninsured rate in this income range to 43.7 percent, or 38.7 million people. (Exhibit ES-3). Similarly, while the subsidized private plans that will be available under the law through the new state insurance exchanges are projected to decrease the share of uninsured people with moderate incomes (up to \$57,625 for a family of four) from 28.3 percent to 6.9 percent, or 13.8 million uninsured people to 3.3 million, the Romney plan would raise the uninsured rate in this income range to 36.4 percent, or 17.7 million people.

Depending on how states respond to Medicaid block grants, coverage of children might be particularly affected under Romney's proposals. With expanded eligibility for Medicaid and income-based subsidies available for private coverage purchased through the exchanges, the percentage of uninsured children falls from 12.1 percent to 7.2 percent under the Affordable Care Act, or from an estimated 10 million uninsured children to 6 million. In contrast, Romney's proposals to repeal the health reform law and replace it with

Medicaid block grants and tax incentives to purchase individual market plans *increase* the percentage of uninsured children, from 12.1 percent to 21.6 percent, or 10 million uninsured children to 17.9 million.

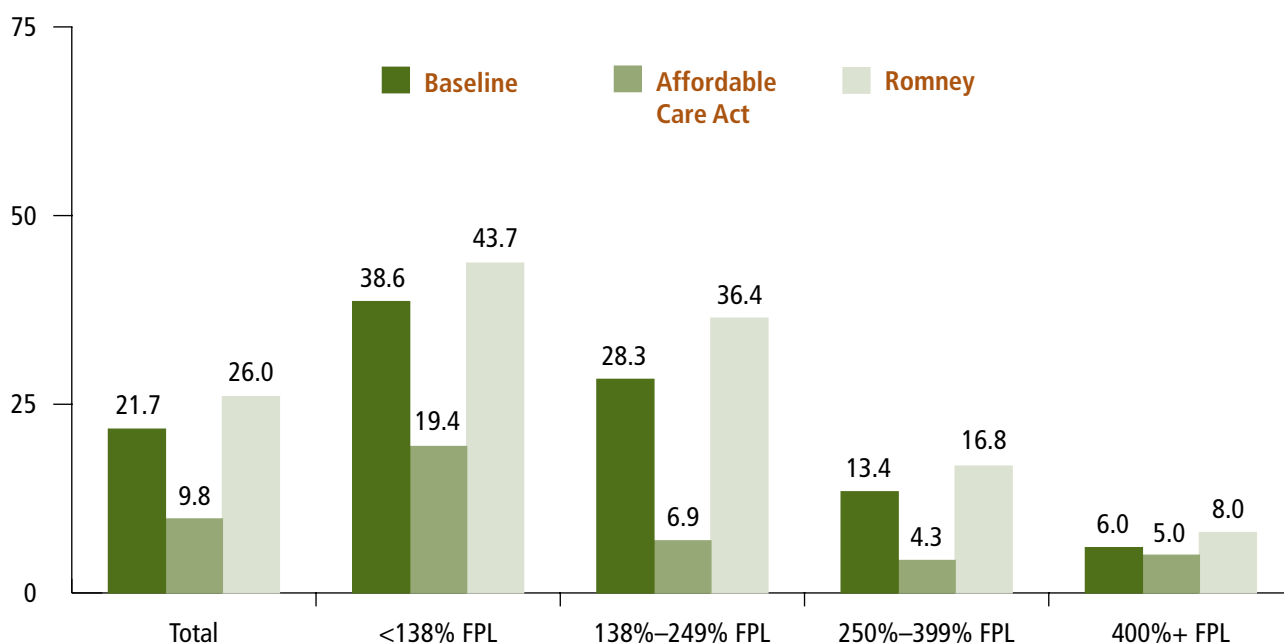
Larger numbers of young adults and baby boomers also are estimated to be without coverage under Romney’s proposals than under the Affordable Care Act. Provisions of the reform law have especially targeted young adults, including the current ability of young adults to maintain health coverage on parent’s policy until the age of 26. Consequently, the number of uninsured young adults is estimated to decline from 17.4 million, or 38.8 percent of 19-to-29-year-olds, to 7.2 million, or 16 percent of this age group in 2022. Romney’s proposals are estimated to increase the number of uninsured young adults, to 18.6 million, or 41.4 percent. Among older adults ages 50 to 64, 4.9 million are estimated to be uninsured under the Affordable Care Act, compared with 11.8 million under the combination of Romney’s proposals.

Across the country, in every state, the percentage of people under age 65 who are uninsured declines under the Affordable Care Act and increases under Romney’s proposals, relative to the baseline. Uninsured rates are estimated to decline to 10 percent or 15 percent in 12 states and the District of Columbia, and to less than 10 percent in the rest of the states. People living in the South and West are projected to make particularly dramatic gains under the reform law (Exhibit ES-4). For example, uninsured rates in 11 states are estimated to fall by more than 15 percentage points from projected levels (in Alaska, Arkansas, Florida, Georgia, Idaho, Louisiana Mississippi, Montana, New Mexico, South Carolina, and Texas).

Romney’s plan to repeal the Affordable Care Act and replace it with block grants to states for Medicaid and new tax incentives for health plans purchased in the individual market are expected, on balance, to reduce health insurance coverage in every state (Exhibit ES-5). Under the assumption

Exhibit ES-3. Percent of Population Uninsured Under the Affordable Care Act and Governor Romney’s Plan Compared with Baseline by Poverty, 2022

Percent of nonelderly poverty group uninsured in 2022



Note: Baseline scenario is if the Affordable Care Act had not been enacted in 2010; Affordable Care Act is full implementation of the law; Romney plan includes full repeal of the Affordable Care Act and replacement with state block grants for the Medicaid program and equalization of the tax treatment of individually purchased health plans and employer plans. FPL refers to federal poverty level.

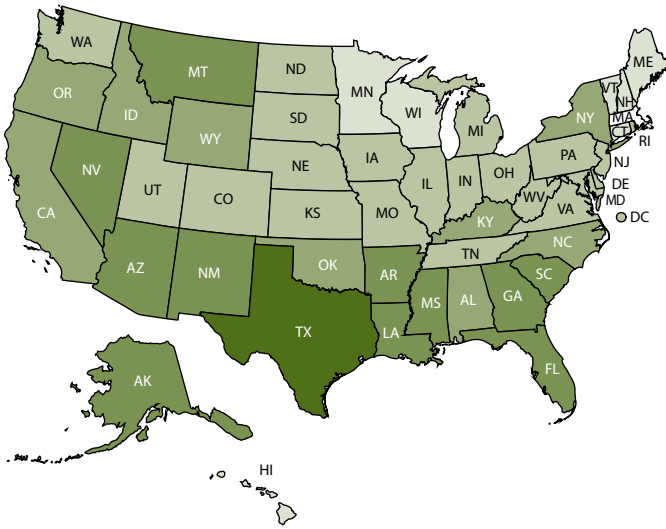
Source: Estimates by Jonathan Gruber and Sean Sall of MIT using the Gruber Microsimulation Model for The Commonwealth Fund.

Exhibit ES-4. Uninsured Nonelderly Under Baseline and the Affordable Care Act in 2022, by State

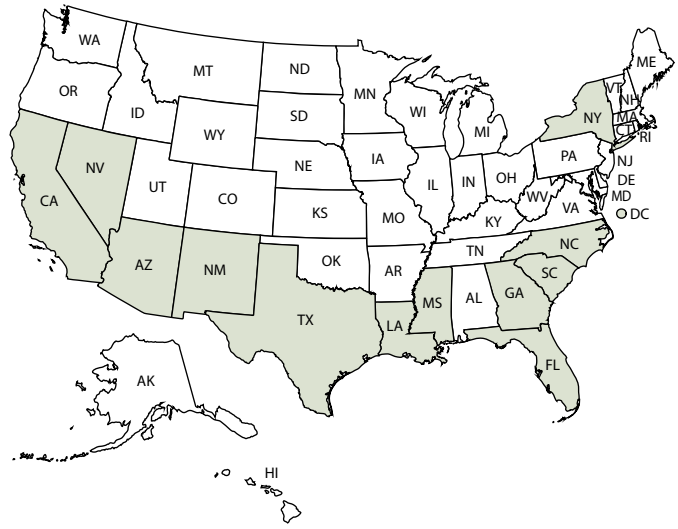


Baseline

Affordable Care Act



22% of nonelderly uninsured



10% of nonelderly uninsured

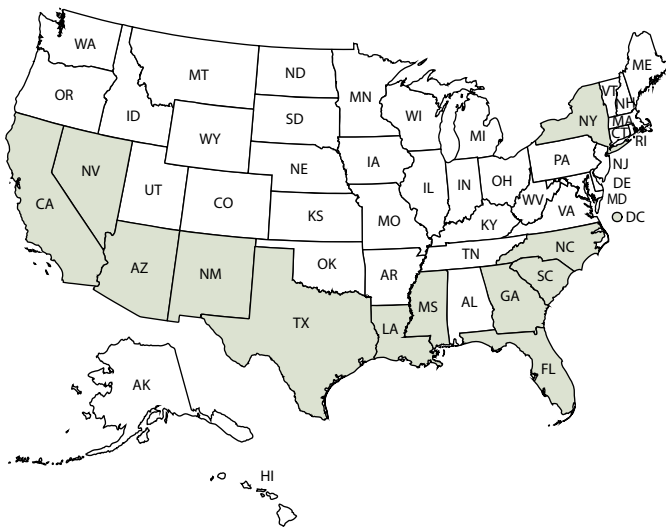
Note: Baseline scenario is if the Affordable Care Act had not been enacted in 2010; Affordable Care Act is full implementation of the law; Romney plan includes full repeal of the Affordable Care Act and replacement with state block grants for the Medicaid program and equalization of the tax treatment of individually purchased health plans and employer plans. Source: Estimates by Jonathan Gruber and Sean Sall of MIT using the Gruber Microsimulation Model for The Commonwealth Fund.

Exhibit ES-5. Uninsured Nonelderly Under the Affordable Care Act and Governor Romney's Plan in 2022, by State

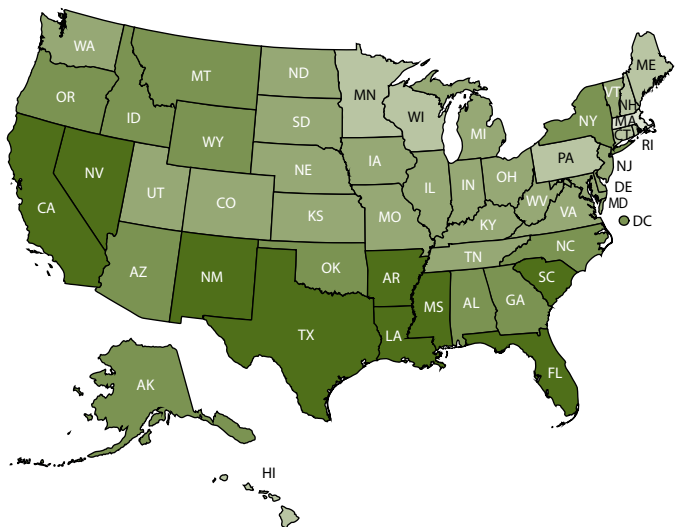


Affordable Care Act

Romney



10% of nonelderly uninsured



26% of nonelderly uninsured

Note: Baseline scenario is if the Affordable Care Act had not been enacted in 2010; Affordable Care Act is full implementation of the law; Romney plan includes full repeal of the Affordable Care Act and replacement with state block grants for the Medicaid program and equalization of the tax treatment of individually purchased health plans and employer plans. Source: Estimates by Jonathan Gruber and Sean Sall of MIT using the Gruber Microsimulation Model for The Commonwealth Fund.

that states respond to reduced federal financing for Medicaid by a 50–50 combination of lowering per capita spending in the program, through changes in provider reimbursement or benefits or other efficiencies, and reducing eligibility, 30 percent or more of the under-65 population in nine states, mostly in the South and West, are projected to be uninsured by 2022. In an additional 12 states, 25 percent to 30 percent of the under-65 population may be uninsured by that year. Thus, in 21 states, a quarter or more of the under-65 population might be without health insurance in 2022 if Romney’s proposals become law.

Will the candidates’ plans make health insurance more affordable?

Health insurance premium tax credits under the Affordable Care Act provide a greater subsidy for twice the number of people compared with Governor Romney’s proposal to repeal the law and instead equalize the tax treatment of employer-based coverage and plans purchased in the individual insurance market. Under the Affordable Care Act, by 2016 about 20 million people are projected to be eligible for tax credits to help pay the cost of health plans sold through the insurance exchanges. The beneficiaries of the credits are expected to be evenly split between people who had been uninsured until that point and people who had insurance. The average per-person tax credit is estimated to range from \$3,900 to \$4,500.

The Romney plan to repeal the health reform law and equalize the tax treatment of employer and individually purchased plans, as described above, would benefit about half the number of people—10 million—with the primary beneficiaries being those who already have health insurance. An estimated 1 million people who were previously uninsured would take the deduction. The average value of the tax deduction, ranging from \$1,900 to \$2,600, is also lower than the value of the reform law’s tax credits.

People who currently do not have health coverage through an employer and must purchase a plan on their own are projected to spend less of their income on health care under the Affordable Care Act than they would if the law were repealed and replaced with Medicaid block grants and new tax incentives to

purchase individual coverage. Without the Affordable Care Act in place—the baseline scenario—people buying coverage in the individual market are estimated to spend, on average, 18.1 percent of their income on coverage in 2016, including 15 percent on health insurance premiums and 3 percent on out-of-pocket costs (Exhibit ES-6). With the health reform law in place, the combination of premium tax credits, limits on out-of-pocket spending, and consumer protections reduces costs for people purchasing coverage through the new insurance exchanges or the individual market to 9.1 percent of income, on average, including 8.4 percent of income on premiums and 0.7 percent on out-of-pocket costs. Under Romney’s proposals, people buying coverage on their own are projected to spend 14.1 percent of their income on premiums (11.9%) and out-of-pocket costs (2.2%).

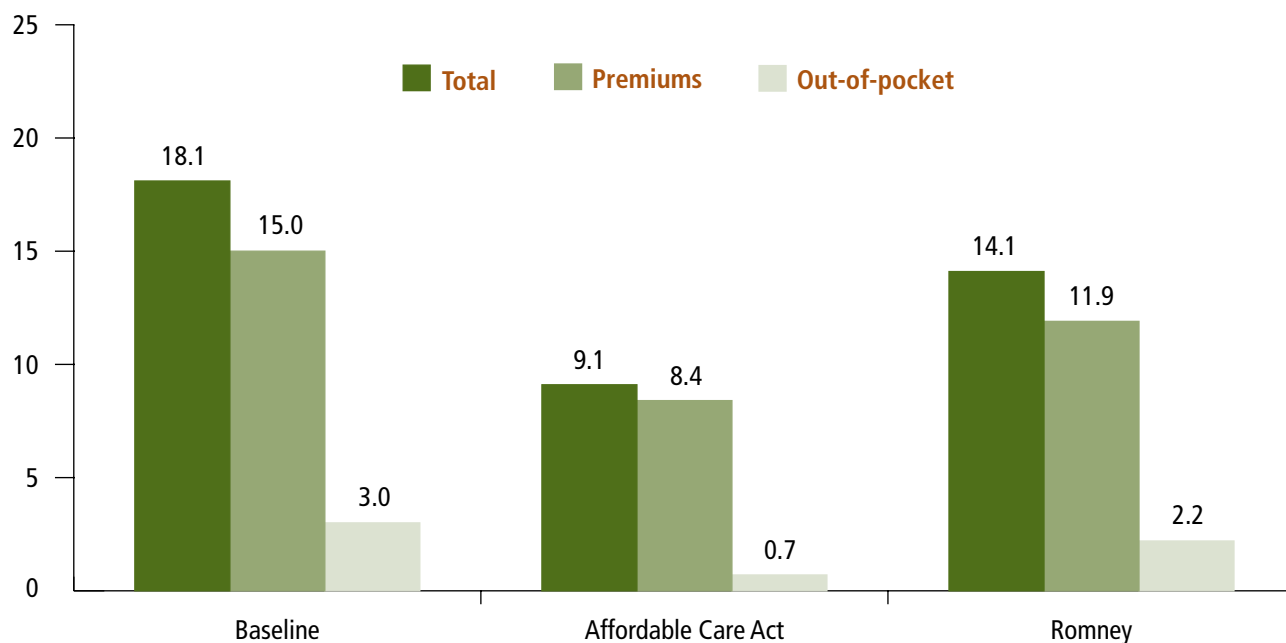
Will the candidates’ plans protect consumers?

To protect consumers and improve the functioning of individual and small-group insurance markets, the Affordable Care Act initiated a set of sweeping reforms whose rollout began in 2010 and will continue through 2014. Almost all states have taken legislative or regulatory steps to implement the law’s “Patient’s Bill of Rights,” which went into effect in 2010 and includes a ban on the insurance company practice of rescinding, or terminating, a health insurance policy (for example, as a result of new diagnosis of illness), a ban on restrictions of lifetime or annual benefits, a ban on excluding children with a preexisting condition from enrollment, and the requirement to cover preventive care services without cost-sharing. Beginning in 2014, insurers will no longer be able to deny or restrict coverage based on preexisting health conditions, and they will be prohibited from charging higher premiums based on health status or gender.

Governor Romney’s proposal to repeal the law would remove these protections. In their place, Romney has said that he would prevent discrimination against people with preexisting conditions who maintain continuous coverage. The federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) currently achieves this by preventing both group and individual market health plans from excluding coverage

Exhibit ES-6. Average Percent of Income Spent on Health Care in the Nongroup Market Under the Affordable Care Act and Governor Romney’s Plan Compared with Baseline, 2016

Average percent of income nonelderly spent on health care in nongroup market



Note: Baseline scenario is if the Affordable Care Act had not been enacted in 2010; Affordable Care Act is full implementation of the law; Romney plan includes full repeal of the Affordable Care Act and replacement with state block grants for the Medicaid program and equalization of the tax treatment of individually purchased health plans and employer plans. Source: Estimates by Jonathan Gruber and Sean Sall of MIT using the Gruber Microsimulation Model for The Commonwealth Fund.

of preexisting conditions for people who have been insured continuously.

Will the candidates’ plans improve consumer choice?

Besides cost and underwriting, the most significant challenges that consumers face if they must buy health coverage on their own is a lack of information about the plans that are available to them. Benefits can vary widely from plan to plan, and cost-sharing responsibilities and limits on coverage can be difficult to assess at the point of purchase. President Obama seeks to address this information gap through the Affordable Care Act’s state insurance exchanges, which will provide a menu of health plan choices that include information on premiums and cost-sharing, benefits covered, participating providers, and ratings of plan quality and enrollee satisfaction. All plans offered through the exchanges and individual and small-group markets will include a standard package of “essential benefits” sold at four different “tiers”: bronze, silver, gold, and platinum. Plans offered within each tier will cover the same share

of someone’s medical costs on average, ranging from 60 percent in the bronze tier to 90 percent in the platinum tier. In this regard, the health reform law should help those consumers who lack access to the guidance in making plan choices that is typically provided by employers that offer health benefits.

A Romney presidency would seek to repeal these consumer-oriented provisions, and replace them with a new set of proposals, including encouraging *Consumer Reports*-type ratings for health plans and allowing consumers to purchase health insurance across state lines. Under the latter proposal, insurance carriers would be free to choose a state in which to be licensed and then sell coverage in other states, without having to comply with the regulations in each state. The nonpartisan Congressional Budget Office (CBO) has estimated that such a policy would lead to fewer consumer protections across all states, higher premiums for enrollees in poor health, and lower premiums for people in better health. An estimated 600,000 people would gain health insurance and about 200,000 would

lose it. Romney would also allow people to pay insurance premiums with pretax contributions to health savings accounts—medical savings instruments that are coupled with high-deductible health plans. Currently people can use these accounts only to pay out-of-pocket expenses tax-free.

Will the candidates' plans help small businesses?

Just as it provides new options for consumers who must buy coverage on their own, the Affordable Care Act also offers remedies to the challenges faced by small businesses that want to offer health insurance to their employees. Health insurance carriers will no longer be able to deny coverage or charge small businesses higher premiums on the basis of the health of their workforce. Small low-wage firms with fewer than 25 workers are now eligible for tax credits to offset their premium costs; 170,000 small employers claimed tax credits worth \$468 million for the 2010 tax year. The Obama administration has proposed increasing the size of firms that are eligible to 50 employees. New state exchanges for small businesses (the so-called SHOP exchanges) will enable employers to offer a menu of plan choices to their workers. In addition, the exchanges will likely handle the collection and payment of premiums on behalf of employers and insurance carriers, reducing administrative costs for small businesses.

Governor Romney's proposal to repeal the reform law would increase costs for employers that are currently taking advantage of the premium tax credits. It would also mean that small employers in some states would continue to be denied coverage and charged higher premiums based on the health of their workforces. Romney has proposed empowering small businesses to form purchasing pools—also known as multiple employer welfare arrangements (MEWAs) and association health plans—but has not laid out a specific policy proposal. MEWAs, which exist in most states, allow small employers to band together through trade and other associations to share the administrative costs of providing health insurance, and they are often able to avoid state insurance market regulations and benefit requirements. This has the potential to lower premiums for employers with younger and healthier workers but raise them for employers with older workforces, who

may continue to purchase coverage in the small-group market. MEWAs have allowed many small employers to offer their workers coverage more cheaply, but some have been plagued by insolvency problems.

Will the candidates' plans improve Medicare?

The Affordable Care Act began enhancing Medicare benefits in 2010, when the infamous “doughnut hole” in prescription drug coverage began to be phased out and preventive care services and an annual wellness visit became available to beneficiaries without cost-sharing. The law also includes provisions to reduce spending, increase revenues, and improve the quality of care. On net, the Trustees of the Medicare Trust Fund estimate that these changes will extend the solvency of the Medicare Hospital Insurance (Part A) Trust Fund, which pays for hospital and other services used by Medicare beneficiaries, to 2024. Without the law, the trust fund would be depleted by 2016.

Governor Romney's intent to repeal the law would restore the doughnut hole in Medicare's prescription drug benefit and reinstate cost-sharing for preventive care services and annual wellness visits. According to CBO estimates, repeal would also end the Medicare spending reductions and higher taxes and fees in the law, increasing net Medicare spending by \$716 billion over the period 2013 to 2022. This higher Medicare spending would also deplete the Trust Fund more quickly—by 2016, rather than 2024.

The Romney campaign proposes a new way to reduce costs in the Medicare program: providing beneficiaries with a lump sum to pay for premiums and allowing them to apply the amount to either a Medicare private plan or traditional Medicare. In addition, the age of eligibility would increase gradually to 67 by 2034. As chairman of the House budget committee, Rep. Paul Ryan, Romney's running mate, has proposed similar changes to Medicare, although he would retain the Medicare provisions in the Affordable Care Act. In Ryan's most recent proposal, individuals who become eligible for Medicare beginning in 2023 would be allotted a “premium support” subsidy, adjusted for health status and income, to use for either a private plan or traditional Medicare. If competition between plans failed to rein in cost growth sufficiently, starting in 2023

the per capita cost of the program would be limited to the rate of growth in the nation's gross domestic product, or GDP, plus 0.5 percentage points. CBO has estimated that by 2050, federal spending for new enrollees under Ryan's proposal would be 35 percent lower than under current law.

Romney, however, has pledged to repeal those Medicare provisions in the law that CBO estimates would decrease average federal spending on Medicare, including the reforms contained in Ryan's earlier proposal. Under the Romney-Ryan approach, this means that pressure to lower Medicare spending would be greater, and beneficiaries would likely face higher out-of-pocket spending, if the level of premium support failed to keep pace with growth in health care costs.

Will the candidates' plans improve health care quality and slow health care spending growth?

The Affordable Care Act includes an extensive set of new demonstration programs and incentives aimed at improving the quality and lowering the cost of health care. These include payment innovations, like higher reimbursement for preventive care services and patient-centered primary care; bundling payments for hospital, physician, and other services provided for a single episode of patient care; enabling accountable provider

groups that assume responsibility for the continuum of a patient's care to share in the savings they generate; and pay-for-performance incentives for Medicare providers.

In July, CBO estimated that a House Republican bill to repeal the Affordable Care Act would result in a \$109 billion increase in the federal budget deficit over 2013–2022 (Exhibit ES-7). Governor Romney's proposals to replace the law with Medicaid block grants and premium support for Medicare beneficiaries would reduce federal spending on the two programs. This approach to cost containment would shift the burden of growth in U.S. health care costs from the federal government to the states, to low-income families, and to Medicare beneficiaries, without addressing the underlying causes of rising costs.

To slow health care cost growth, the Romney campaign has also proposed reforms that would facilitate health information technology interoperability, promote alternatives to fee-for-service payment of physicians, cap noneconomic damages in medical malpractice lawsuits, and provide innovation grants to explore nonlitigation alternatives to dispute resolution. Romney's proposed repeal of the Affordable Care Act would eliminate many of the incentives to promote the full use of health IT and develop alternative provider payment mechanisms. A CBO analysis of capping noneconomic damages in

Exhibit ES-7. Estimated Budgetary Effects of Repealing the Affordable Care Act, 2013–2022

	July 2012 Congressional Budget Office estimate
Net change from coverage provisions	-\$1,171
Coverage provisions	-\$1,677
Revenues and wage effects	\$506
Net change from payment and system reforms	\$711
Reductions in annual updates to Medicare provider payment rates	\$415
Medicare Advantage reform	\$156
Provider payment changes and other provisions	\$140
Net change in noncoverage revenues	\$569
Manufacturer and insurer fees	-\$165
New Medicare taxes on high-income earners	-\$318
Other provisions	-\$87
Total net impact on federal deficit, 2013–2022	\$109

Notes: Totals do not reflect net impact on deficit because of rounding.

Source: D. Elmendorf, "Letter to the Honorable John Boehner" (Washington, D.C.: Congressional Budget Office, July 24, 2012).

medical malpractice lawsuits found that such limits could lower malpractice insurance premiums and provide some small savings in health care costs, about 0.5 percent or less of total health spending.

CONCLUSION

On each of the seven criteria used in this analysis to evaluate the candidates' health care platforms, President Obama's plan to fully implement the Affordable Care Act would likely outperform Governor Romney's plan to repeal the law and replace it with fewer federal requirements for insurance markets and reduced funding for the Medicaid and Medicare programs. This conclusion is driven in part by the considerable detail available in the health reform law and the new guidance and regulations issued by the Department of Health and Human Services to implement its provisions, compared with Romney's far less detailed proposals to replace the law.

The Affordable Care Act both substantially increases and improves health insurance coverage in private insurance markets and in public insurance

programs for Americans across income and age groups, while also providing new incentives aimed at improving health care quality and lowering the rate of growth in spending. Fully two-and-a-half years after its passage, with many of its provisions already in place, the law is already interwoven into the nation's regulatory and industrial landscape. In 15 months, the major insurance coverage provisions are set to roll out, with more than 30 million people projected to gain subsidized coverage over the next decade.

Of course, raising our health system's level of performance to achieve sustainable, near-universal access to affordable health insurance and health care, improved quality and patient-centeredness, greater accountability for both health outcomes and treatment costs, and better overall population health will require much more than the efforts of the federal government. Regardless of the outcome of the election, it will be critical for state and federal policymakers, regulators, businesses, consumers, and other key stakeholders to work together to achieve the vision of high-quality, safe health care at a price that everyone in America can afford.

Methodology

The analysis of the Affordable Care Act and Governor Romney's health care proposals was conducted by Jonathan Gruber, professor of economics at Massachusetts Institute of Technology. It is based on the Gruber Microsimulation Model (GMSIM), which allows the user to input a set of policy parameters and output the impact of these policies on costs (both public- and private-sector) and on the distribution of insurance coverage. The modeling approach is the type of microsimulation modeling that is used by the U.S. Treasury Department, the Congressional Budget Office (CBO), and other government entities. This approach consists of drawing on best available evidence in the health economics literature to model how individuals and firms will respond to changes in the insurance environment that are induced by changes in government policy. The U.S. Census Bureau's Current Population Survey (CPS) is the primary data source in the GMSIM. The CPS includes data on family demographics, tax rates, and insurance status. The baseline dataset is the 2005–2007 Current Population Surveys (CPS), which provide the individual-level data on about 40,000 nonelderly individuals and household units. The 2005 CPS is augmented with the 2006 and 2007 CPS to obtain a larger sample size for greater precision at the state level, and state averages are then updated to 2011 to reflect current conditions. Income and demographic measures are updated with the most recently available CPS data. The CPS is augmented by health expenditure and premium data from the U.S. Agency for Healthcare Research and Quality's Medical Expenditure Panel Survey (MEPS), as well as by data from the Kaiser Family Foundation on public program expenditures and eligibility. The GMSIM is calibrated to estimate the total impact of alternative policies at the national level. GMSIM analyses for individual states may differ from the findings in this report when state-specific information from a source available only in a state is included, such as specific information on state pricing in the nongroup insurance market.

To evaluate the effects of the candidates' proposals on health insurance coverage, Jonathan Gruber modeled three policy scenarios: 1) the baseline, or what insurance coverage would be if the Affordable Care Act had not been implemented; 2) the Affordable Care Act fully implemented with all states participating in the Medicaid expansion; and 3) Governor Romney's proposals to provide federal block grants to states for their Medicaid programs and provide the same tax advantages to people who buy coverage on their own as those who get insurance through an employer. While the details of Governor Romney's proposals have not been specified, a set of assumptions was made for the report based on similar proposals advanced in the past. For the Medicaid block-grant proposal, it was assumed that: 1) block grants to states would grow at the rate of growth in the consumer price index plus 1 percent;* 2) states would match this lower rate of spending growth in their share of Medicaid spending; 3) states would meet these new spending limits through cuts in Medicaid costs, such as lower provider payments or reduced benefits (50%) and through reduced eligibility for the program (50%); and 4) states would maintain existing eligibility for the elderly and disabled in the Medicaid program, so that any eligibility cuts needed to meet spending targets will come from reduced eligibility of nonelderly, nondisabled program enrollees. For Romney's proposal to give tax advantages to individually purchased plans, Gruber modeled a scenario where people who purchase health insurance in the individual market could deduct their premiums from their income on an "above-the-line" basis; i.e., a deduction available to all, not just those who itemize their taxes.

** In an earlier version of this report, it was incorrectly stated that block grants would grow at the rate of population growth plus 1 percent.*