

Estimated Federal Costs and Newly Insured Under General Clark's Health Care Plan

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This note presents estimates of the federal budgetary costs associated with General Clark's health care proposal. It also presents an estimate of the number of currently uninsured that, when the plan is fully implemented, would receive health insurance coverage. The plan would likely extend insurance to about 31.8 million otherwise uninsured children and adults at a federal budget cost of \$772 Billion over the ten year federal budget window. The provisions of the Clark plan are presented below. More detail on the plan is available from the Clark campaign. All elements of the plan start during calendar year 2006. The ultimate rate of program participation across all programs is expected to occur by 2008.

Elements of the plan include:

1. Mandated Health Insurance Coverage for All Children and Young Adults through Age 22

The Clark plan would require parents to obtain health insurance coverage for their children. Uninsured children living in families under 150% of the federal poverty line would enroll in Medicaid or the state Children's Health Insurance Program (SCHIP). The federal government would contribute 100% of the cost of enrolling eligible children. While states would continue to fund care for children currently enrolled at existing federal-state matching rates, this expansion would be financed totally from federal funds.

Families above 150% of poverty would have several options for purchasing health insurance. The federal government would provide substantial financial assistance for children in families through 500% of poverty to purchase health insurance. Health insurance could be purchased through the workplace, or as

¹ The Clark campaign requested that I undertake an analysis of their health care proposal. The estimates presented here are the sole responsibility of the author, do not reflect those of Emory University and may not reflect those from the Clark campaign. The author is not affiliated with the Clark campaign.

described below, through new pool of insurance offerings based on the benefit packages offered through the Federal Employees Health Benefits Program (FEHBP).

2. Expanded Health Insurance for Adults

The Clark plan would provide federal assistance (through a refundable tax credit) to expand health insurance for adults through 275% of the federal poverty line.² Adults in families under 150% of poverty would be enrolled in state Medicaid programs. Costs associated with this expansion would be financed solely by the federal government. States would enroll the adults, but would not have to contribute toward the cost of the plan.

Adults in families above 150% of poverty could purchase insurance through the workplace, or through the new individual FEHBP insurance pools. Adults in families above 150% of poverty would contribute on an income-related basis.

3. Purchasing Pools

Individuals without access to employer-sponsored insurance (including the children and adults over 150% of poverty described above) could purchase health insurance through new purchasing pools. Premiums in the pools would be community rated based on an assumption of broad participation among those aged 23 to 64. Adults in families over 275% of poverty could purchase insurance at the community rate. Those in families under 275% of poverty could also enroll in the pools, using the federal refundable tax credits to purchase insurance.

The federal government would provide funding for any costs associated with providing insurance not funded through revenues received from the community-rated premiums.³

4. COBRA-Subsidies

The Clark plan would provide federal subsidies allowing adults to purchase COBRA-coverage. The plan would provide a 70% subsidy for all COBRA-eligible adults, with federal support for the plan phasing out at 500% of poverty (virtually

² The tax credit would be fully refundable and available each month when health insurance premiums are paid.

³ Since the premiums in the pool are community rated, pool enrollment is likely to attract older (over age 55), less healthy patients. Their actual costs of receiving health care will be higher than reflected in the community-rated premiums (that are based on the demographics of those aged 23 to 64). In this case, the federal government would contribute any shortfall between actual costs and premium revenues in the pools.

all COBRA-eligibles are below this income threshold). Those eligible could either purchase coverage through their job, or use the subsidies to purchase health insurance through the new FEHBP individual pool.

II. Estimated Federal Costs and Newly Insured Under the Clark Plan

Table 1 presents an estimate of the federal costs associated with the plan over the next decade (federal fiscal years 2004 to 2013).

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	TOTAL
Child and college age adults	0	0	7.0	16.9	36.2	39.3	42.6	46.2	49.8	53.9	291.9
Adults Through 275%	0	0	6.6	26.2	57.0	61.3	66.5	72.0	78.0	84.1	451.7
Purchasing Pool	0	0	2.6	3.7	3.9	4.2	4.5	4.9	5.2	5.6	34.6
COBRA Subsidies	0	0	1.3	1.8	2.0	2.1	2.3	2.5	2.7	2.9	17.6
Additional Income and Payroll taxes	0	0	2.2	2.4	2.6	2.8	3.1	3.3	3.6	3.9	23.9
TOTALS	0	0	15.3	46.2	96.5	104.1	112.8	122.3	132.1	142.6	771.9

Collectively, the insurance expansions for children and adults would increase federal spending by approximately \$778 Billion over the next ten years.

Table 2 presents the number of newly insured and a summary of new federal spending under the Clark proposal. When fully implemented, the plan would extend coverage to an estimated 31.8 million uninsured.⁴

⁴ For comparison across the candidates' healthcare plans, this assumes the plan is fully implemented today. So the 31.8 million is based on approximately 42 million uninsured (under age 65).

Table 2. Estimated Number of Newly Insured and Federal Spending Under General Clark's Health Care Plan (When Fully Implemented), 2004-2013 (Billions of Dollars and Millions of Individuals)

Initiative	Federal Spending	Newly Insured (Millions)
Children's Insurance Mandate and Expansion for college age young adults	\$291.9	13.1
Medicaid Expansion for adults to 150% of poverty	\$282.1	11.3
FEHB Pool Buy-In for Adults to 275% of poverty	\$169.6	4.9
Individual FEHB Pool Buy-in for adults without access to employer-sponsored insurance	\$34.6	1.1
COBRA-Subsidies	\$ 17.6	1.4
Additional income and payroll tax receipts*	\$ 23.9	
TOTAL	\$771.9	31.8

* Lower costs for employers covering fewer workers and dependents that enroll in the new programs. These lower costs translate into higher cash wages, increasing income and payroll tax receipts relative to baseline projections. Not all these receipts are on-budget (i.e. social security payroll taxes).