Decoding Trump Administration Spin on CBO AHCA Cost Estimates

Be Skeptical of Mick Mulvaney’s Assertions About the Next AHCA CBO Score: He Misled the Public Last Time
Acknowledgments

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Introduction

On May 4, 2017, the House of Representatives passed the American Health Care Act of 2017, moving closer to achieving a major priority of President Trump and congressional Republicans. The bill would "repeal and replace major parts of the Affordable Care Act," including the Affordable Care Act's “individual mandate,” which imposes a fine on those who do not procure health insurance.¹

At the time of its passage, the Congressional Budget Office (CBO) had not scored the version of the bill that was voted on. In other words, the bill “passed without legislators knowing how many people it would cover and how much it would cost,” as noted in Vox.²

However, the CBO had issued a pair of reports analyzing earlier versions of the AHCA. Each concluded that the Republicans’ proposed replacement of the Affordable Care Act, or Obamacare, would result in 24 million fewer Americans having health insurance by 2026. Many blamed the first two CBO scores for the earlier version of the AHCA receiving an approval of only 17 percent of Americans in March.³

The bill has changed since the original CBO scores. “The final version,” Vox’s Tara Golshan notes, “reduces taxes but will likely put millions of people at risk of losing their health insurance — including people with preexisting conditions, older Americans, and the poor — has not yet been evaluated by the CBO.”⁴

A CBO score on the newly passed bill is expected soon. Because of the enormous stakes of the legislation, Republicans will likely make a strenuous effort to discredit the new score if it is unfavorable to their legislation, just as they did after the original report was issued.⁵

Office of Management and Budget (OMB) Director Mick Mulvaney has numerous responsibilities and a seemingly growing base of power within the White House. OMB is responsible for the budget process, for moving rulemakings to protect the public (or slowing them), among other things. Mulvaney has been described as “the top Trump lieutenant on health care” and served as a point person for the administration in attempting to discredit the CBO report.⁶ For the most part, many of his statements went unchallenged, at least in television interviews. Next time should be different.

It is reasonable to believe Republicans in Congress and members of the Trump administration will use the similar language and arguments to rebut the new CBO score as they did with the original

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¹ Thomas Kaplan and Robert Pear, House Passes Measure to Repeal and Replace the Affordable Care Act, THE NEW YORK TIMES (May 4, 2017), http://nyti.ms/2praakl.
³ Tessa Berenson, One Reason Health Care Vote Is So Tricky: Everything Involved Is Unpopular, TIME (March 24, 2017), http://ti.me/2pDSa4L.
⁵ Matt Shuham, Mulvaney: ‘According to The CBO, It’s Sunny and 75° This Morning’, TALKING POINTS MEMO (March 14, 2017), http://bit.ly/2qL9btA.
As a guide to possible future deceptions, this report deconstructs some of the selective, disingenuous and intellectually inconsistent arguments that Mulvaney put forth last time around.

**Mick Mulvaney: The CBO is Fake News**

On a snowy March day in Washington D.C., OMB Director Mick Mulvaney mocked the non-partisan CBO, saying: "Good morning from Washington, where, according to the CBO, it's sunny and 75 degrees this morning." He enjoyed his joke, telling CNN's Chris Cuomo with a grin: "I had to, it was too easy." Mulvaney repeated the same one-liner multiple times, on different networks, his grin seeming to grow wider with each delivery.

Mulvaney sought to discredit the CBO because it had just issued a score for the American Health Care Act – the Republican healthcare plan to replace the Affordable Care Act – and the score undermined president Trump's promise to provide “insurance for everybody.” The CBO estimated that “the increase in the number of uninsured people relative to the number under current law would rise to 21 million in 2020 and then to 24 million in 2026” if the American Health Care Act were to become law. According to the CBO, in 2026, “an estimated 52 million people would be uninsured, compared with the 28 million who would lack insurance that year under current law.”

Mulvaney hammered the CBO, saying the report consisted of “bad assumptions” and “bizarre numbers.”

This criticism was in sharp contrast to Mulvaney's comments just days before the CBO report was released, when he was apparently expecting something drastically different. Mulvaney told Morning Joe: “This is a reconciliation bill. We all know it's going to score positive to helping out the deficit to spending less money. Another thing that conservatives should be supportive of … the only question about the CBO is it going to be really good or is it going to be great when that number finally comes out?”

The initial CBO report forecast $387 billion in deficit reductions. Many Republicans, including Speaker of the House Paul Ryan praised the deficit reductions in the bill as one most important takeaways of the CBO report. Ironically, many Republicans praised the CBO’s forecast deficit

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9 Id.
10 Mick Mulvaney, OMB Director Breaks Down the CBO Assessment of the AHCA, Fox News (March 14, 2017), http://fxn.ws/2peM6jb.
13 Id.
15 Inside GOP Plan to Repeal and Replace, MSNBC Morning Joe (March 8, 2017), http://on.msnbc.com/2psOEY.
reduction in one breath and denounced its coverage estimates in the next. But the CBO report’s forecast coverage losses and deficit reduction estimates were intertwined, as a significant portion of deficit reductions were derived from the anticipated coverage losses.

**Mulvaney Selectively Praised the CBOs Findings**

Mulvaney did not refuse all of the CBO’s findings. He thought some of the CBO report was perfectly fine. On Fox News, Mulvaney claimed, “we saw some other numbers from yesterday from the CBO that says, look, the premiums are going to come down over the long term and in fact I think, over the near term.”

Separately, Mulvaney said that the estimate on premiums is “something the CBO may have gotten right in its report.”

In fact, the CBO report found that the cost of premiums would rise in 2018 and 2019 by 15 percent to 20 percent, “mainly because the individual mandate penalties would be eliminated, inducing fewer comparatively healthy people to sign up.”

In subsequent years, CBO concluded that the average premium for single policy holders would decline. The CBO estimated that “by 2026, average premium for single policy holders” would be “roughly 10 percent lower than current law.” But the reason for the decline was not a desirable one. It would occur because the legislation would allow insurers to charge older people more relative to younger enrollees, thereby “substantially reducing premiums for young adults and substantially raising premiums for older people.” This would result in a “younger mix of enrollees.”

The ostensibly good news on reduced premiums also reflected the ability of individuals to purchase barebones plans, as well as an exit of older enrollees who may not be able to afford health insurance at all.

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**Reduced Premiums Also Would Reflect Less Generous Coverage**

A talking point frequently repeated by Mulvaney and other administration advocates for the health care bill is that insurance policies issued under Obamacare were essentially useless because they came with such high deductibles.

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18 White House Response to CBO Estimate, C-SPAN (March 14, 2017), [http://cs.pn/2q0lXSi](http://cs.pn/2q0lXSi).


20 Id.

21 Id.

22 Id.
“The Democrats were concerned about coverage. They are patting themselves on the back for giving you coverage. But you still couldn’t afford to go to the doctor. That’s what we’re trying to fix and I’ve got news for you. That’s something we can sell,” Mulvaney told CNN’s Chris Cuomo.

“The folks who are on Obamacare know what the problem is. And the problem is they have affordable health insurance. They have completely unaffordable health care,” Mulvaney told Fox News’s morning hosts, referencing a $12,000 to $15,000 deductible for the policy he purchased on an Obamacare exchange when he was a member of Congress. “They could afford to have the coverage because they got a subsidy for the premium but when they got sick, they could not go to the doctor.”

The clear implication of these statements is that deductibles would come down under the Republican health care plan.

But the CBO’s finding that premiums would decline was based in part on an assumption that policies issued in the future will cover less, not more. In the insurance industry, the percentage of one’s health care costs that are covered by an insurance policy is known as its “actuarial value.” Under current law, insurance plans must cover a minimum of 60 percent of its covered benefits. If the AHCA becomes law, the 60 percent minimum will be eliminated in 2020. The CBO wrote of the Republican plan, “Premiums, on average, are estimated to fall because of the elimination of actuarial value requirements, which would result in plans that cover a lower share of health care costs, on average.”

Plans that cover a lower share of health care costs either have higher deductibles, or other shared costs for services, or exclude coverage altogether. In other words, the Republican alternative would worsen the problem of insured Americans not being able to afford care.

The CBO broke down a premium comparison for two income categories ($26,500 and $68,200) at three age levels (21, 40 and 64). Among individuals with an annual income of $26,500, only the 21 year old age group would pay less in premiums under the Republican plan; their premiums would drop by 15 percent. But those 21 year olds would have only 65 percent of their health care expenses covered under the new plan, compared with 87 percent now.

Further, 40 and 64 year olds making $26,500 would pay more in premiums under the Republican plan and receive insurance that covers much less. Individuals with an annual income of $68,200 would pay substantially less in premiums than under current law, according to the CBO, although the scenario the CBO presented involved those policy holders receiving less generous benefits.

23 Matt Shuham, Mulvaney: ‘According to The CBO, It’s Sunny and 75° This Morning’, TALKING POINTS MEMO (March 14, 2017), http://bit.ly/2qiL9tA.
24 Mick Mulvaney, OMB Director Breaks Down the CBO Assessment of the AHCA, FOX NEWS (March 14, 2017), http://fxn.ws/2peM6jb.
25 Id.
27 Id., p. 21.
Mother Jones’ Kevin Drum summed up the CBO premium rate reduction calculation well: “CBO assumes that premiums will go up for old people, forcing many of them to drop out of the market. Since old people have expensive premiums, fewer old people means the average for the remaining pool will be lower. Second, AHCA policies will cover far less of your medical expenses, so naturally they’ll be cheaper.”

Mulvaney Dodged Specific Questions About Seniors Paying More – One Main Reason Overall Premium Rates Would be Lower

Mulvaney was notably silent on the CBO’s estimated premium increases for seniors. It estimated that a 64 year old with an income of $26,500 who under current law pays an annual health insurance premium of $1,700 (taking into account subsidies), would pay an estimated $14,600 under the plan Mulvaney was advocating – an increase of more than 750 percent. [See table]

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When Brian Kilmeade of Fox News asked Mulvaney if the 750 percent premium increase estimate for seniors by the CBO “might be right,” Mulvaney dodged the question. He responded talking about “the other things we can do” and referred to “phase 2” and “phase 3.” These terms referred to the administration’s as-yet-unreleased plans to further alter the health care system through regulatory changes and additional legislation.

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31 *Id.*
Mulvaney Distorted CBO’s Findings on the Bulk of People Losing Coverage

In his response to the CBO’s core finding that the plan would result in 24 million fewer Americans having health insurance in a decade, Mulvaney focused on a short-term finding and ignored the more enduring long-term conclusion.

In doing so, he suggested that the CBO attributed the entire loss of coverage in year one to Medicaid enrollees dropping coverage because there would no longer be a fine (also known as the individual mandate) for not having health care coverage.

This is what Mulvaney said: “The CBO report says that 14 million people will lose care in year one. Let’s go very quickly over what happens in year one? The mandate goes away. That’s it. None of the new policies kick in,” Mulvaney said. “It means the CBO is telling you that someone, on the day after the Republican plan goes into effect, will drop off of Medicaid they are getting for free and replace it with nothing.”

Mulvaney continued: “The CBO report is full of errors, not errors, but they’re just bad assumptions like that. It’s the only way you can get to these bizarre numbers.”

Mulvaney’s blanket assertion is not supported by the CBO report. The CBO concluded that significantly less than half of the 2018 reductions of insured individuals would be related to Medicaid coverage. The CBO found the reduction in the number of insured in 2018 “would consist of about 6 million fewer people with coverage obtained in the nongroup market, roughly 5 million fewer people with coverage under Medicaid, and about 2 million fewer people with employment-based coverage.”

It is true that the CBO expected the majority of coverage reductions in 2018 and 2019 to be due to the elimination of the individual mandate penalties.

“All of those people would choose not to have insurance because they choose to be covered by insurance under current law only to avoid paying the penalties. And some people would forgo insurance in response to higher premiums,” the CBO wrote. As noted above, the CBO attributed those increases in premiums in 2018 and 2019 to the effects of eliminating the penalty for purchasing insurance, resulting in an older mix of patients.

But Mulvaney ignored the CBO’s findings on reductions in coverage in 2020 and beyond. Some decline in spending and enrollment would begin immediately, but most of the changes would begin in 2020,” the CBO wrote. [emphasis added]

For instance, the CBO concluded that “roughly 9 million fewer people would enroll in Medicaid in 2020,” and “that figure would rise to 14 million by 2026.” The Medicaid reductions would occur

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32 Eugene Scott, OMB Director: The CBO is ‘Terrible at Counting Coverage’, CNN (March 14, 2017), http://cnn.it/2qjyS4u.
33 Id.
35 Id.
36 Id., p. 8.
“as states that expanded eligibility for Medicaid discontinued doing so, as states projected to expand Medicaid in the future chose not to do so, and as the cap on per-enrollee spending took effect.”

Each of those effects would result from changes imposed by the Republican bill, particularly its phase-out of the Medicaid expansion, which permitted people with incomes of up to 138 percent of the poverty line to qualify for Medicaid in states that chose to participate in the program.

Under current law, the federal government matches 90 percent of medical costs for enrollees under the Medicaid expansion program. Under the American Health Care Act, “beginning in 2020, the legislation would reduce the federal matching rate for newly eligible adults from 90 percent of medical costs to the rate for other enrollees in the state,” which averages “about 57 percent,” according to CBO.

Due to this drastic drop in the matching rate, the “CBO expects that no additional states would expand eligibility, thereby reducing both enrollment in and spending for Medicaid.” Further, the CBO estimates “some states that have already expanded their Medicaid programs would no longer offer that coverage.”

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**Mulvaney Suggested That the CBO Should Have Scored Hypothetical Future “Phases” of Health Care Reform**

In Mulvaney’s objection to the CBO’s finding that seniors might see their premiums rise by 750 percent, Mulvaney said that he not sure what “the CBO is scoring” when “they give that exact example” and referred to “the other things we can do” and “phase two” and “phase three.”

This response seemed to vaguely chide the CBO for not taking into account other plans that the Trump administration has discussed but not formally put forth.

Health and Human Services (HHS) Secretary Tom Price made this claim expressly. The CBO “ignored completely the other legislative activities that we’ll be putting into place that will make certain that we have an insurance market that actually works,” Price said.

This was a bizarre attack line because it criticized the CBO for not taking into account factors that were not even plausibly within its purview. The “CBO’s job,” Politico’s Nolan D. McCaskill wrote, “Is
to analyze the legislation that was introduced, not including rhetoric from the White House and GOP leaders about additional phases that may or may not happen.”

Conclusion

Mulvaney’s attacks on the CBO report are reminiscent of President Trump’s countless attacks on the news media during the campaign, attacks he has continued as president. When Trump dislikes media reports, he screams “fake news,” attempting to delegitimize not only the current target of his ire, but future reports also.

Mulvaney may not attack the Congressional Budget Office as the “failing CBO,” but his attacks have planted seeds of doubt about CBO reports that the administration will likely continue throughout the president’s term. As a Trump administration spokeswoman recently said: “I think I know the Gospel pretty well, and I’d say the CBO is not the Gospel.”

If unchallenged, these seeds would likely bloom into full-blown doubt of CBO findings that the administration would be able to use to cast doubt on future CBO findings, such as a potential assessment that the Trump tax plan would add $7 trillion to the national debt.

When Mulvaney obfuscates on the estimated decline in Medicaid enrollment, he should not be let off the hook by simply addressing 2018 and 2019 estimates – given that a large share of the reductions occur beginning in 2020.

If Mulvaney praises overall reductions in premiums, he should be asked to defend how the reductions are achieved – by charging seniors drastically more than under current law and pricing many seniors out of the market, while providing fewer guaranteed healthcare services.

And if Mulvaney dodges tough questions by saying flaws in the AHCA will be fixed by future “phases,” he should be asked if it is reasonable for the health and well-being of 24 million Americans to depend on hypotheticals.

When the next CBO score comes out, Mulvaney’s continued obfuscations and misleading statements should not go unchallenged.

46 Miles Parks, As GOP Health Care Push Moves To Senate, White House Questions Value Of CBO Analysis, POLITICO (May 6, 2017), http://n.pr/2perEyN.
47 Alan Rappeport, Trump’s Tax Plan Is a Reckoning for Republican Deficit Hawks, THE NEW YORK TIMES (April 26, 2017), http://nyti.ms/2qL7MTP.