CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Keith Hall, Director

January 5, 2018

Honorable Orrin Hatch
Chairman
Committee on Finance
U.S. Senate
Washington, DC 20510

Re: Updated Cost Estimate for S. 1827, the Keep Kids' Insurance Dependable and Secure Act of 2017

Dear Mr. Chairman:

The Congressional Budget Office and the staff of the Joint Committee on Taxation (JCT) have updated their estimate of S. 1827, the Keep Kids' Insurance Dependable and Secure Act of 2017, to account for the enactment of Public Law 115-97, which repealed the penalties related to the individual health insurance mandate starting in 2019, and to account for administrative action. The agencies now estimate that enacting this legislation would increase the deficit by $0.8 billion over the 2018-2027 period.

S. 1827 would extend federal funding for the Children's Health Insurance Program (CHIP) for five years, through fiscal year 2022. The bill also would make several other changes to CHIP, including a change in the federal matching rate for the program and extension of the requirement that states maintain eligibility levels as they were in 2010.

Compared with the October 20, 2017, cost estimate for the legislation, this cost estimate shows a cost over the next 10 years that is smaller by $7.5 billion.[1] The net change in the deficit is significantly smaller than the agencies' prior estimate primarily because the offset to the cost of funding CHIP for five years is larger. That offset, which reduces direct spending related to the marketplaces, is higher for three main reasons:

1. See Congressional Budget Office, cost estimate for S. 1827, the Keep Kids' Insurance Dependable and Secure Act of 2017 (October 20, 2017), www.cbo.gov/publication/53234.

- CBO and JCT expect that premiums for coverage through the marketplaces will be higher in the absence of the mandate penalties than they would otherwise have been. As a result, the federal cost of enrolling a child in coverage through the marketplaces will be higher. Thus, funding CHIP for five additional years—causing some children to be covered in that program rather than through the marketplaces—would result in a larger reduction in spending related to the marketplaces than in the prior estimate.

- The agencies estimate that, without the penalties related to the individual mandate, a larger share of parents would be uninsured. When funding for CHIP is reduced under current law, some parents would seek to preserve coverage for their children and enroll them in a family policy through the marketplaces. Some of those parents would otherwise be insured and could add their children to their coverage, while other parents would be uninsured and enroll both themselves and their children, resulting in higher costs to the federal government relative to insured parents. In the revised estimate, more parents would fall into the latter category. Thus, funding CHIP for five additional years would result in a larger reduction in spending related to the marketplaces than in the prior estimate.

- The agencies now incorporate into their estimate final regulations related to how premiums differ by age that increase premiums for children’s coverage through the marketplaces. Those regulations cause federal spending per child in the marketplaces to be higher. Thus, funding CHIP for five additional years—reducing the number of children covered through the marketplaces—would result in a larger reduction in spending related to the marketplaces than in the prior estimate.

I hope this information is useful to you. If you need additional information on this amendment, the CBO staff contacts are Kate Fritzsche, Emily King, and Robert Stewart.

Sincerely,

Keith Hall
Director

Attachments

cc: Honorable Ron Wyden
Ranking Member

Budgetary Effect of S. 1827, Keep Kids' Insurance Dependable and Secure Act of 2017

Based on Legislative Draft ERN17802, as posted on the website of the Senate Finance Committee

Revised January 5, 2018

Billions of dollars, by Fiscal Year	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2018 - 2022**	**2018 - 2027**
INCREASES OR DECREASES (-) IN DIRECT SPENDING												
CHIP	2.7	9.9	8.5	6.9	7.3	6.9	6.1	0	0	0	35.4	48.4
Medicaid	-0.9	-3.5	-2.2	-2.1	-2.0	-2.1	-2.1	0	0	0	-10.6	-14.8
Marketplaces	-0.7	-3.0	-3.9	-4.5	-5.3	-5.0	-4.1	0	0	0	-17.3	-26.4
Other	*	*	*	*	*	*	*	*	*	0	0.1	0.2
Total Direct Spending	**1.2**	**3.5**	**2.5**	**0.3**	**0.1**	**-0.2**	**-0.1**	*****	*****	**0**	**7.6**	**7.3**
INCREASES IN REVENUES												
Marketplaces	*	0.1	0.1	0.1	0.2	0.2	0.1	0	0	0	0.5	0.8
Employment-based insurance	0.1	0.6	0.8	1.0	1.1	1.1	0.9	0	0	0	3.7	5.8
Mandate Penalties	0	*	0	0	0	0	0	0	0	0	*	*
Total Revenues	**0.2**	**0.7**	**0.9**	**1.1**	**1.3**	**1.3**	**1.1**	**0**	**0**	**0**	**4.3**	**6.6**
Change in On-Budget Revenues	*0.1*	*0.5*	*0.6*	*0.7*	*0.9*	*0.9*	*0.7*	*0*	*0*	*0*	*2.9*	*4.4*
Change in Off-Budget Revenues	*0.1*	*0.2*	*0.3*	*0.4*	*0.4*	*0.4*	*0.3*	*0*	*0*	*0*	*1.4*	*2.2*
NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES												
Net Change in the Deficit	**1.0**	**2.7**	**1.6**	**-0.8**	**-1.2**	**-1.5**	**-1.1**	*****	*****	**0**	**3.4**	**0.8**
On-Budget	*1.1*	*3.0*	*1.9*	*-0.4*	*-0.7*	*-1.1*	*-0.8*	*	*	*0*	*4.8*	*2.9*
Off-Budget	*-0.1*	*-0.2*	*-0.3*	*-0.4*	*-0.4*	*-0.4*	*-0.3*	*0*	*0*	*0*	*-1.4*	*-2.2*

Notes: CHIP = Children’s Health Insurance Program; “Other” includes outreach and enrollment grants, the child obesity demonstration project, and the pediatric quality measures program;
* = between - $50 million and $50 million; components may not add to totals because of rounding.