

How CBO and JCT Analyze Major Proposals That Would Affect Health Insurance Choices



Congressional Budget Office
Nonpartisan Analysis for the U.S. Congress

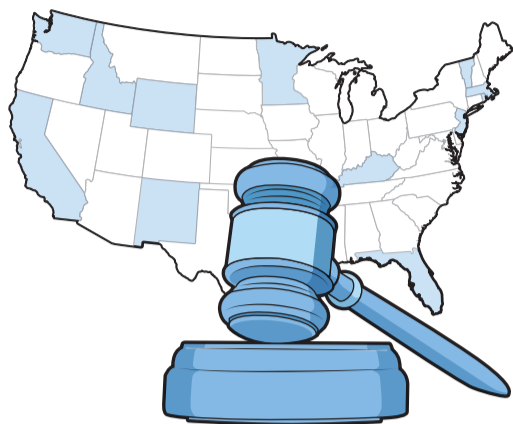
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When tasked with analyzing major legislative proposals that would affect health insurance choices for people under age 65, the Congressional Budget Office and the staff of the Joint Committee on Taxation embark on a process to develop a cost estimate that reflects the middle of the distribution of potential outcomes. CBO focuses on estimating the effects on coverage, premiums, and federal spending, and JCT estimates the tax-related budgetary effects. (The process applies to proposals that would make changes within the existing insurance market but not to proposals that would eliminate private insurance.)

REVIEW THE PROPOSAL

1 Read the draft proposals, beginning with informal ones as ideas take shape and ending with a final version of the legislative language.

2 Analyze the policy specifications in the drafts.



3 Clarify any ambiguities by asking the authors about their intent.

4 Identify how the proposal would change federal laws and interact with state laws.

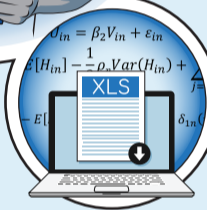
If wording in the proposal and the authors' intent seem to conflict, return to the authors for clarification.

DEVELOP A MODELING STRATEGY

5 Identify the proposal's potential key effects on individuals' and employers' health insurance decisions.

6 Identify the relevant effects on insurers' and states' decisions about coverage and benefits, along with effects on health care providers.

7 Determine the timing of the effects, such as altering or starting programs or changing state laws or regulations.



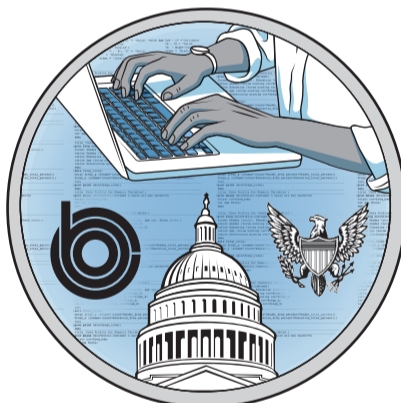
8 Review existing research, particularly on similar policies or programs.

9 Consult with outside experts, including insurance commissioners, actuaries, benefit consultants, CBO's Panel of Health Advisers, and a technical review panel for CBO's health insurance simulation model, HISIM2.

10 Decide which models to use (they range in complexity from spreadsheets to simulations using thousands of lines of computer code), whether their capabilities need to be extended, and how to translate the information gathered into inputs to the models.

If the models produce results that are unexpected or not in line with historical outcomes and economic theory, revisit the approach.

MODEL THE EFFECTS OF THE PROPOSAL



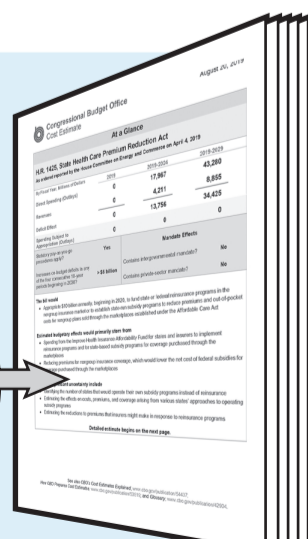
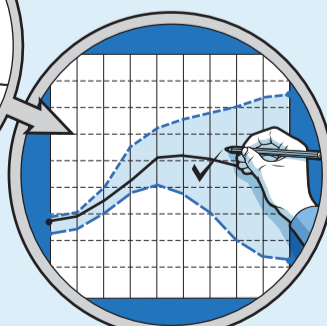
11 Having included inputs for insurers' and state governments' decisions about coverage and benefits, model individuals' and employers' health insurance decisions over the projection period using HISIM2.

12 Estimate spending for Medicaid, the Children's Health Insurance Program, and other programs using program-specific models.

13 Estimate federal spending overall, and estimate federal revenues using JCT's tax models.

If review uncovers the need to adjust parameters, return to the relevant models.

REVIEW AND WRITE ABOUT THE ESTIMATES



14 Review the models' output for analytical soundness and objectivity (drawing on people with various areas of expertise at CBO and JCT).

15 Assess the main sources of uncertainty and possible alternative outcomes.

16 Write the cost estimate and review it for analytical soundness, objectivity, and clarity.

17 Publish the cost estimate.

For more information, see Congressional Budget Office, "Methods for Analyzing Health Insurance Coverage," <https://go.usa.gov/xppAM>.