



Budget Model

Biden's Healthcare Proposals

Summary: The Biden healthcare plan focuses on expanding access and affordability of insurance and decreasing prescription drug prices. We estimate that by 2030, relative to current law, the Biden plan would decrease the uninsurance rate from 10 percent to 6 percent, decrease private insurance premiums by 23 percent and out-of-pocket spending by 16 percent, and decrease the percent of the population that forgoes medical care from 7 percent to 4 percent. The Biden healthcare plan would increase net spending by \$352 billion over ten years but would reduce debt by 4.5 percent over that period due to dynamic growth effects.

Introduction

Presidential candidate Joe Biden announced several [healthcare policies](#) that aim to improve access to and decrease the cost of healthcare. In a [previous analysis of the full Biden platform](#), PWBM projected that, together with the elder care portion of the [Biden caregiving plan](#), those proposals will increase net spending by \$352 billion over ten years. This analysis takes a deeper dive into how the healthcare policies Joe Biden proposed would affect private health insurance premiums, the uninsurance rate, out-of-pocket spending, the fraction of the population that foregoes medical treatment, and the health and size of the population.

The Biden healthcare proposals

Biden proposes to improve access to healthcare by:¹

- Lowering the Medicare eligibility age from 65 to 60 years old;
- Expanding the Affordable Care Act (ACA) insurance marketplaces;
- Making the ACA's premium tax credit more generous; and
- Expanding long-term elder care.

While Biden has proposed offering a public insurance option similar to Medicare for those without employer-provided insurance or whose insurance is inadequate, this rather complicated proposal lacks enough detail to model and so was not included in our analysis.

Biden's main proposals for lowering costs deal with prescription drug prices. We model two of those proposals, which would:

- Allow Medicare to negotiate drug prices,
- Allow consumers to import drugs from abroad.

We find that Biden's other main prescription drug proposals—limiting launch prices for new specialty drugs through independent review boards and limiting drug price increases to inflation—are not likely to have much additional effect beyond allowing Medicare to negotiate prices and allowing consumers to import prescription drugs from abroad.

Method

PWBM analyzes the economic effects of the Biden healthcare plan through our [integrated health model](#), which captures the links between changes in health, demographics, and the broader economy. For example, this model captures how individuals make decisions about which health insurance plan to choose—or whether to choose one at all—and how their insurance choices affect their future health and in turn their economic productivity. It also accounts for the changes in federal debt that are associated with changes to public health insurance plans, such as Medicare or Medicaid, and how that debt affects the stock of productive capital and wages. The details of this analysis are described in our [analysis of the full Biden Platform](#).

Effects on Medicare Enrollment

Lowering the Medicare eligibility age from currently 65 to 60 would greatly expand the number of people enrolled in Medicare, increasing enrollment by 32 percent in 2030, 33 percent in 2040, and 34 percent in 2050. We assume that all newly eligible would enroll in, and pay insurance premiums for, Medicare Parts B and D. In addition, we assume that those premiums are not tax deductible and that labor markets are competitive, which means that employees would receive their current employer's health insurance subsidy as taxable cash wages.

Effects on the Affordable Care Act

The Biden ACA proposal would expand the ACA insurance marketplaces and lower ACA insurance premiums by making the ACA's premium tax credit more generous. PWBM projects that the main effects of that proposal would be to increase enrollment in the ACA and to decrease the uninsurance rate.

Effects on Prescription Drug Prices

Biden's prescription drug proposals would allow the U.S. government, through Medicare, to negotiate for drug prices that are similar to those paid by other countries. Kang et al. (2019) find that U.S. consumers pay prices that are three to four times higher for the same drugs as consumers in other industrialized countries do that negotiate over prices, such as Canada, the U.K., and Japan.² Further, research by Clemens and Gottlieb (2017) suggests that lower Medicare reimbursement rates can affect how private insurance companies set their drug reimbursement rates.³

Drawing on a recent CBO score of H.R.3, Elijah E. Cummings Lower Drug Costs Now Act (Congressional Budget Office 2019),⁴ and assuming that the plan's proposal to allow consumers to import drugs from abroad will lower drug prices in the private health insurance sector as much as for Medicare, PWBM estimates that Biden's proposals would lower average prescription drug prices by roughly 60 percent. It is an open question, however, to what extent such a price decrease will affect future research and innovation in the prescription drug market, and how those changes will affect the health of future generations.

Effects on Premiums and Enrollment

As shown in Table 2, the Biden healthcare proposals would lower private health insurance premiums by about 23 percent in 2030 and 28 percent in 2050, compared to current law. About half of that decrease is due to the

prescription drug policy, while lowering the Medicare age contributes about 35 percent of the decrease. The remainder comes from the ACA expansion. These calculations do not include new revenue sources to pay for Biden's new health care spending—as a funding mechanism has not been specified, we follow convention and assume deficit-financing.

Table 1. Private Health Insurance Premiums Under the Biden Plan, Relative to Current Law

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| | 2030 | 2040 | 2050 |
|------------------------------|-------------|-------------|-------------|
| Total | -23% | -27% | -28% |
| <i>Age < 60</i> | -12% | -12% | -11% |
| <i>Age between 60 and 64</i> | -70% | -75% | -78% |

Insurance premiums decrease the most for the newly eligible Medicare recipients. The group of 60 to 64 year olds are currently paying the highest private health insurance premiums and would under our assumption only pay for the relatively lower Medicare Parts B and D under Biden's proposed Medicare expansion—a reduction of over 70 percent. Private health insurance premiums for those younger than 60 would be about 12 percent lower, with almost all of that decrease stemming from the reduction in prescription drug prices.

As shown in Table 2, between 2030 and 2050, the Biden proposals would reduce the percent of uninsured Americans from 10 percent to 6 percent in 2030 and from 15 percent to 9 percent in 2050. While the uninsurance rate of the 60 to 64 year olds drops from 6 percent in 2030 and 9 percent in 2050 to zero, the fraction of uninsured among those who are younger than 60 would decrease from 13 percent to 9 percent in 2030 and from 20 percent to 16 percent in 2050. The three Biden healthcare proposals affect the number of uninsured people differentially by age. For people younger than age 30, the ACA expansion is responsible for the entire decrease in the number of uninsured, whereas the Medicare expansion and lower prescription drug prices by themselves increase the number of people who are uninsured by decreasing the current and longer-term cost of poor health. For the 30 to 59 year age group, the entire decrease in the number of uninsured is due to lower prescription drug prices, whereas the ACA expansion and the Medicare expansion have little to no effect.

Table 2. Population Without Health Insurance

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| | 2030 | 2040 | 2050 |
|------------------------------|------|------|------|
| Total | | | |
| Under current law | 10% | 13% | 15% |
| Biden Plan | 6% | 7% | 9% |
| Difference | -4% | -6% | -6% |
| Age < 60 | | | |
| Under current law | 13% | 17% | 20% |
| Biden Proposal | 9% | 13% | 16% |
| Difference | -4% | -4% | -4% |
| Age between 60 and 64 | | | |
| Under current law | 6% | 8% | 9% |
| Biden Proposal | 0% | 0% | 0% |
| Difference | -6% | -8% | -9% |

Effect of Health Insurance Enrollment on Out-of-Pocket Expenditures

As shown in Table 3, total out-of-pocket expenditures will decrease by about 16 percent. There are two reasons why out-of-pocket expenses decrease. First, with more people being covered by health insurance, fewer people are uninsured and paying their medical expenditures out of pocket. Second, lower prescription drug prices will mean lower out-of-pocket spending in the form of co-payments.⁵ Roughly 60 percent of that decrease is the result of lower prescription drug prices, Medicare expansion contributes another 25 percent, and the remaining 15 percent is the result of expanding the ACA. As discussed above, these calculations do not include new taxes to pay for Biden's new healthcare spending.

Table 3. Out-of-Pocket Expenditures Under the Biden Plan, Relative to Current Law

[DOWNLOAD DATA](#)

| | 2030 | 2040 | 2050 |
|-----------------------|------|------|------|
| Total | -16% | -16% | -16% |
| Age < 60 | -14% | -12% | -12% |
| Age between 60 and 64 | -41% | -46% | -50% |

The group of 60 to 64 year olds sees the largest decrease in out-of-pocket spending, ranging from 41 percent in 2030 to 50 percent in 2050. Of that decrease, roughly 60 percent is the result of Medicare expansion and the associated reduction in the uninsured and about 30 percent stems from the lower prescription drug prices. Those younger than 60 see total out-of-pocket spending decrease by between 14 percent in 2030 to 12 percent in 2050. Roughly 70 percent of that lower spending is due to the prescription drug policy and 20 percent is due to expanding the ACA. Retirees' out-of-pocket spending would be roughly 13 percent lower, which is entirely due to the reduction in prescription drug prices.

Effects on Medicaid Enrollment

As shown in Table 4, under Biden's health care proposals, Medicaid enrollment would increase by between four and five percent. The primary reason for higher Medicaid enrollment is that in response to the Biden proposals, people spend fewer resources on insuring against future health shocks and related expenditures: they work fewer hours (roughly 1 percent less) and save less (about 6 percent less). Because Medicaid eligibility depends on income and assets, the result of lower incomes and fewer assets is that slightly more people qualify for Medicaid.

Table 4. Medicaid Enrollment, Hours Worked, and Private Savings Under the Biden Plan, Relative to Current Law

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| | 2030 | 2040 | 2050 |
|-------------------------------|------------|------------|------------|
| Population in Medicaid | 5% | 5% | 4% |
| Age < 60 | 5% | 4% | 3% |
| Age between 60 and 64 | -22% | -22% | -20% |
| Age > 64 | 1% | -3% | -6% |
| Hours worked | -1% | -1% | -1% |
| Age < 60 | -1% | -1% | -1% |
| Age between 60 and 64 | -3% | -3% | -3% |
| Private savings | -7% | -6% | -6% |
| Age < 60 | -7% | -7% | -7% |
| Age between 60 and 64 | 37% | 72% | 113% |
| Age > 64 | 10% | 11% | 14% |

People under age 60 save roughly seven percent less, while those older than 60 save more. The group of newly eligible Medicare recipients would more than double their savings by 2050. At the same time, 60 to 64 year olds also decrease their hours worked by almost three times as much as those under 60 (about three percent versus one percent, in 2050). As a result of an increase in saving among retirees, Medicaid enrollment among that group decreases by six percent in 2050.

Effects on Treatment Choices and Overall Health

Table 5 shows various aggregate health outcomes under the Biden plan. Because there are fewer uninsured people under the Biden proposal, we project that the population that forgoes or delays medical treatment would decline from 7 percent to 4 percent in 2030 and from 9 percent to 5 percent in 2050. With more households receiving necessary medical treatments, the population will be slightly healthier, and as a result, larger than under current law. PWBM projects that by 2050, the percent of the population that is “healthy”⁶ will increase by about 0.3 percentage points. Those are people that under current law would have been “sick,”⁷ but because of the improved access to health insurance and lower health care costs received treatment. Because healthy people live longer than sick people, the population would grow slightly faster and be roughly 0.2 percent larger by 2050 than is projected under current law.

Table 5. Health Outcomes Under the Biden Plan, Relative to Current Law

[DOWNLOAD DATA](#)

| | 2030 | 2040 | 2050 |
|-------------------------------------|-------|-------|-------|
| % with Foregone Medical Care | | | |
| <i>Under current law</i> | 7% | 8% | 9% |
| <i>Biden Plan</i> | 4% | 5% | 5% |
| <i>Difference</i> | -3% | -3% | -3% |
| Population Size | | | |
| <i>% Healthy</i> | 0.1% | 0.2% | 0.3% |
| <i>% Sick</i> | -0.1% | -0.2% | -0.3% |

Effects on GDP, Capital, Hours Worked, and Debt Held by the Public

Table 6 shows the marginal macroeconomic effects of the Biden healthcare plan when layered on top of Biden’s immigration, tax, public investment, housing, and Social Security plans, as reported in our [comprehensive analysis of the Biden platform](#). Direct prescription drug savings for Medicare and increased income and payroll tax revenues from lower insurance premiums reduce deficits, on net, reducing debt held by the public by 4.6 percent in 2030, 7.8 percent in 2040, and 10.7 percent in 2050 compared to current law. Though this reduction in debt reduces crowding out of private capital, the improved insurance for households translates into reductions in hours worked of between 1.1 and 1.4 percent per year along with reductions in the capital stock of 1.1 percent and 0.8 percent in 2030 and 2040, respectively. Capital, however, ends up 0.1 percent higher in 2050. GDP is 1.1 percent, 0.9 percent, and 0.3 percent lower in 2030, 2040, and 2050, respectively.

Table 6. Marginal Effects of the Biden Healthcare Plan*

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| Year | GDP | Capital | Average Hourly Wage | Hours Worked | Debt Held by the Public |
|------|-------|---------|------------------------|--------------|----------------------------|
| 2030 | -1.1% | -1.1% | 0.0% | -1.4% | -4.6% |
| 2040 | -0.9% | -0.8% | 0.2% | -1.3% | -7.8% |
| 2050 | -0.3% | 0.1% | 0.5% | -1.1% | -10.7% |

* Values represent the pp. effect of the Biden healthcare plan assuming his immigration, tax, public investment, housing, and Social Security plans have all been implemented.

This analysis was conducted by [Felix Reichling](#).

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1. Biden's proposal to expand long-term elder care was included in our [conventional analysis](#), but it is not included in PWBM's integrate health model. [↩](#)
 2. Kang, So-Yeon, Michael J. DiStefano, Mariana P. Socal, and Gerard F. Anderson. 2019. "Using External Reference Pricing In Medicare Part D To Reduce Drug Price Differentials With Other Countries." *Health Affairs* 38 (5): 804–11. <https://doi.org/10.1377/hlthaff.2018.05207>. [↩](#)
 3. Clemens, Jeffrey, and Joshua D. Gottlieb. 2017. "In the Shadow of a Giant: Medicare's Influence on Private Physician Payments." *Journal of Political Economy* 125 (1): 1–39. <https://doi.org/10.1086/689772>. [↩](#)
 4. Congressional Budget Office. 2019. "H.R. 3, Elijah E. Cummings Lower Drug Costs Now Act." December 10, 2019. <https://www.cbo.gov/publication/55936>. [↩](#)
 5. We assume a competitive health insurance market, so that cost savings are fully passed on to consumers in the form of lower premiums and lower out-of-pocket expenditures. [↩](#)
 6. The PWBM health model tracks five distinct health states that correspond to people's self-reported health status. The five categories are excellent, very good, good, fair, and poor. Here, "healthy" refers to the top three categories (excellent, very good, and good) and "sick" refers to the bottom two categories (fair and poor). [↩](#)
 7. See the previous footnote for definition of "health" and "sick." [↩](#)