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Leighton C. Ku  
*George Washington University*

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## **Comprehensive Immigration Reform and Health Care: CBO's Analysis of S. 744**

Leighton Ku, PhD, MPH  
Professor and Director, Center for Health Policy Research  
Department of Health Policy  
School of Public Health and Health Services  
George Washington University

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## Comprehensive Immigration Reform and Health Care: CBO's Analysis of S. 744

On June 18, the non-partisan Congressional Budget Office (CBO) released two analyses of the effects of the current Senate bill on immigration reform – the Border Security, Economic Opportunity and Immigration Modernization Act, S. 744, as designed by the bipartisan “Gang of Eight” Senators and then amended and approved by the Senate Judiciary Committee. The bill is now being considered on the Senate floor. The bill is still being debated, so the findings could change as the legislation moves forward. The first analysis examines the overall macroeconomic impact of S. 744,<sup>1</sup> while the second provides CBO’s estimate of the federal budget impact of the bill<sup>2</sup> as passed by the Senate Judiciary Committee.

In brief, CBO concludes that the immigration reform legislation would promote economic growth for the U.S. while reducing the federal budget deficit, both at substantial levels. It also indicates that the costs of health insurance benefits provided to unauthorized immigrants on the pathway to citizenship are relatively small. This brief highlights some of the key findings from the CBO analyses, particularly as they relate to health and other benefits, including the bill’s potential interaction with the Affordable Care Act.

### Population Impact

CBO estimates that the U.S. population would rise by about 10 million by 2023, because of the expansion in opportunities for legal immigration to the U.S. The bill increases the number of immigrants who would be admitted for lawful permanent residence (LPR “green card” status) both for family- and employment-related reasons, including elimination of the backlog of family and employment entry requests, and would increase the number admitted temporarily with worker visas, including high skilled workers.

One of the most widely discussed components of the bill would establish policies that permit certain qualified unauthorized immigrants who are already in the U.S. enter a pathway to legal residency and to citizenship. However, these changes would not contribute to population growth, since the immigrants are already in the U.S. By 2023, about 6.5 million unauthorized immigrants are expected to transition into legal status as Registered Provisional Immigrants<sup>3</sup> or as “Blue Card” agricultural workers.<sup>4</sup> Efforts to increase border security would reduce the number of future unauthorized immigrants by 1.6 million within 10 years. Taken together, there would be about 8 million fewer unauthorized immigrants in the U.S. by 2023.

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<sup>1</sup> Congressional Budget Office. The Economic Impact of S. 744, Border Security, Economic Opportunity and Immigration Modernization Act, June 2013. <http://www.cbo.gov/publication/44346>

<sup>2</sup> Congressional Budget Office. Cost Estimate: S. 744. The Economic Impact of S. 744, Border Security, Economic Opportunity and Immigration Modernization Act, June 18, 2013. <http://www.cbo.gov/publication/44225>

<sup>3</sup> This includes unauthorized children and adults who entered the country before the age of 16 (sometimes called DREAMers).

<sup>4</sup> In general, most Registered Provisional Immigrants would be required to wait for at least ten years to be eligible for LPR status. Some could lose Registered Provisional Immigrant status even after they initially qualify if they do not meet the employment and other requirements specified in the bill. The DREAMers may gain LPR status after five years if they complete at least two years of college and Blue Card workers and their dependents could be eligible for LPR status in five years. If DREAMers join the military, they could naturalize after enlisting.

## **Economic Impact**

CBO indicates that S. 744 would help the overall U.S. economy grow: the Gross Domestic Product (GDP), which would rise by 3.3 percent in 2023 and by 5.4 percent in 2033, compared to the levels that would occur without the bill. The primary reasons for this faster rate of growth, according to CBO, are the bill's impact on the size of the labor force and innovation. The U.S. population would rise by about 10 million by 2023, because of the expansion in opportunities for legal immigration, and as a result, the labor force would rise as more immigrants enter the country. The growth in the labor force would, in turn, increase wages and economic growth. In addition, legalization of the undocumented will help them improve their job skills and help them earn higher wages. Immigration reform would also spur U.S. productivity and innovation because more high-skill immigrants would be admitted. CBO notes, for example, that a large share of American Nobel Prize winners, patent holders, and business entrepreneurs are immigrants.

CBO also notes, however, that the Gross National Product (GNP) per capita initially will be slightly lower, but will rise to higher levels by 2033. According to CBO, this initial reduction will be the result of the fact that, in the near term, immigrants will have lower wages than others, but their wages will rise with time and experience. CBO also explains that these lower overall levels do not mean that current workers will be worse off, but instead reflect the average of both current workers as well as the new immigrants (who have lower initial wages).

## **Federal Budget Impact**

CBO and the Joint Committee on Taxation have estimated the bill's impact on both federal revenues and expenditures. They estimate that the bill will, in net, lower the federal budget deficit by \$197 billion from Fiscal Years 2014 to 2023 and by about \$700 billion from Fiscal Years 2024 to 2033.

From 2014 to 2023, federal revenues would be increased by \$459 billion, primarily due to higher income and payroll taxes. The revenue growth includes not only immigrants' direct payment of taxes (will rise due to higher wages and payment of taxes), but also broader revenue growth as a result of the effects of immigration on the economy, described above. For example, because of economic growth, more goods and services will be purchased, which will provide income to the native-born workers and business owners.

CBO estimates that federal expenditures on benefits, including health insurance subsidies, Medicaid and refundable tax credits (the Earned Income Tax Credit and Child Tax Credit) will rise by \$259 billion over the 2014-2023 period. Specifically, health insurance subsidies – the premium assistance tax credits and cost-sharing reductions for those using health insurance exchanges under the ACA – will rise by \$82 billion and Medicaid and CHIP costs will rise by \$29 billion. Medicare expenditures will rise only \$0.8 billion<sup>5</sup>. Expenditures for refundable tax

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<sup>5</sup> Payroll taxes from non-elderly immigrants will substantially expand funding for the Social Security and Medicare Trust funds, but relatively few of the immigrants will be using Social Security or Medicare benefits in the first ten years. The net effect is to strengthen the Trust Funds and to delay the date at which they become unbalanced. Goss, S. Chief Actuary for the Social Security Administration, letter to Sen. Marco Rubio, May 8, 2013.

credits will grow by \$129 billion, and expenditures for other benefits such as the Supplemental Nutrition Assistance Program, child nutrition, and unemployment assistance will rise about \$31 billion.

## Federal Health Insurance Expenditures

A great deal of attention has been paid to the bill's implications on future health insurance costs, particularly those provisions that provide a pathway to citizenship for current unauthorized immigrants. Some opponents of both health reform and immigration reform have sought to link the immigration bill to the Affordable Care Act as a means of intensifying the controversy that surrounds both measures.<sup>6</sup> In May, for example, the Heritage Foundation estimated that legalization of the undocumented would raise ACA benefit costs (including Medicaid) by an average of \$24 billion annually.<sup>7</sup> These criticisms have been levied, even though it has been clear from the earliest discussions – both from the Obama Administration and the bipartisan Gang of Eight – that, as is the case with the ACA today, unauthorized residents will not qualify for health insurance premium subsidies or cost-sharing assistance through the new health insurance exchanges while they are on the pathway to legal residency, nor will they be able to qualify for full Medicaid coverage as newly eligible persons.

The CBO analysis indicates that more than \$100 billion will be spent on health insurance subsidies and Medicaid over the 2014 to 2023 time period. It seems likely that some will misconstrue this to mean that over \$100 billion will be spent on ACA benefits for the unauthorized immigrants who are legalizing. In fact, CBO indicates that most of the costs incurred will be due to other elements of the legislation.

The great majority of additional federal health expenditures is attributable to newly arriving immigrants who are legally admitted under the family- and employment-related entries for legal residence and for temporary work visas. CBO estimates that 65% of the new benefit costs will be attributed to immigrants admitted for family- or employment-related reasons, to obtain green cards and to help clear the existing backlog of those applying for entry.<sup>8</sup> Another 16% of benefit costs will go toward costs attributed to people who enter through the new and expanded temporary worker visa programs. In addition to ACA-related and full Medicaid increases, there could also be a small increase in the use of emergency Medicaid benefits because of the entry of new immigrants under these immigration categories.<sup>9</sup> These components of S. 744 are separate

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<sup>6</sup> Nakemura, D and Somashekar, S. Republicans trying to use health-care law to derail Obama's immigration reform efforts. *Washington Post*. June 16, 2013.

<sup>7</sup> Rector, R. and Richwine, J. *The Fiscal Cost of Unlawful Immigrants and Amnesty to the U.S. Taxpayer*. Washington, DC: Heritage Foundation. May 6, 2013.

<sup>8</sup> CBO breaks out the benefits (other than refundable tax credits) by type of immigrant, but does not break out the health insurance costs by themselves. It is reasonable to believe that the costs for health insurance subsidies and Medicaid are distributed similarly to other benefit costs.

<sup>9</sup> Under the Emergency Medical Treatment and Active Labor Act (EMTALA), hospitals are required to at least screen and stabilize all those seeking emergency care, regardless of insurance or immigration status. Emergency Medicaid is available without regard to immigration status and thus helps reimburse hospitals for a portion of the emergency costs they are required to incur under EMTALA to care for unauthorized and legal immigrants who do not otherwise qualify for Medicaid. Since current undocumented immigrants are already eligible for emergency Medicaid, legalization efforts should not increase the costs of emergency Medicaid.

from the provisions that create a pathway to legal residency and citizenship for unauthorized residents.

Only 20% of the benefit costs appear linked to people who are unauthorized residents today and who become either Registered Provisional Immigrants or Blue Card agricultural workers. Most of the Registered Provisional Immigrants would be ineligible for premium assistance tax credits or cost-sharing reductions until they gain LPR status, a period of at least ten years. DREAMers and Blue Card workers and their families could gain legal residency within five years and only then could be eligible to receive health insurance premium subsidies or cost-sharing reductions. For most populations, full federal Medicaid eligibility must wait until at least five years after LPR status is attained or when naturalized citizenship occurs. The Children's Health Insurance Program Reauthorization Program of 2009 created an option under which states may provide Medicaid eligibility to income-eligible lawfully present pregnant women or children. While 22 states have adopted some eligibility expansions under that option, it is not clear how many of these states extend Medicaid eligibility to all legally present children or pregnant women.

The CBO analysis suggests that these costs would total about \$20 billion *over ten years* or an average of \$2 billion per year. Thus, it appears that the Heritage estimate of \$24 billion annually due to legalization efforts is at least ten times too high. These costs are very small in comparison to the estimated \$197 billion in overall federal budget savings associated with the bill in its first decade.

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