

CBO's Budget and Economic Analysis During the Pandemic

October 13, 2021

Presentation at Brown University

Phillip L. Swagel

Director

Budgetary Effects of Laws Enacted in Response to the 2020–2021 Coronavirus Pandemic, March and April 2020

Estimated Effects on the Budget, 2020–2030

Billions of Dollars

	Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 P.L. 116-123 March 6, 2020	Families First Coronavirus Response Act P.L. 116-127 March 18, 2020	Coronavirus Aid, Relief, and Economic Security (CARES) Act P.L. 116-136 March 27, 2020	Paycheck Protection Program and Health Care Enhancement Act P.L. 116-139 April 24, 2020
Increase in Discretionary Outlays	8	2	326	162
Increase in Mandatory Spending	*	95	988	321
Decrease in Revenues	0	94	408	0
Increase in the Deficit	8	192	1,721	483

Budgetary Effects of Major Laws Enacted in Response to the 2020–2021 Coronavirus Pandemic, December 2020 and March 2021

Estimated Effects on the Budget, 2021–2030

Billions of Dollars

	Consolidated Appropriations Act, 2021, Divisions M and N	American Rescue Plan Act of 2021
	P.L. 116-260 Enacted December 27, 2020	P.L. 117-2 Enacted March 11, 2021
Increase in Discretionary Outlays	185	0
Increase in Mandatory Spending	677	1,803
Decrease in Revenues	5	53
Increase in the Deficit	868	1,856

Overview

Health Analysis

Macroeconomic Analysis

- Effects of the Legislative Response to the Pandemic
- Labor Market Challenges Arising From the Response and the Economic Recovery
- Long-Term Challenges Emerging From the Pandemic



Health Analysis

Health Care Funding in the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020

Medical Care and Research Related to the Pandemic

- Public Health and Social Services Emergency Fund: \$3 billion for many activities, including support for the development of vaccines and therapies.
- Centers for Disease Control and Prevention: \$2 billion for epidemiology, infection control, mitigation, and other activities.
- National Institutes of Health: \$0.8 billion to respond to the pandemic, including by minimizing the exposure of high-risk workers.
- Food and Drug Administration: \$0.1 billion to respond to the pandemic, including by supporting the development of therapies.

Telehealth Services

- Medicare: \$0.5 billion for expanded coverage.

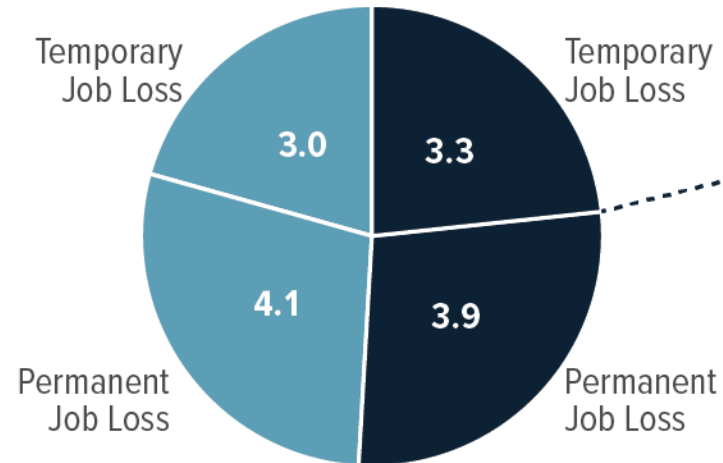
Employment Loss and Resulting Insurance Coverage, 2020

Millions of People

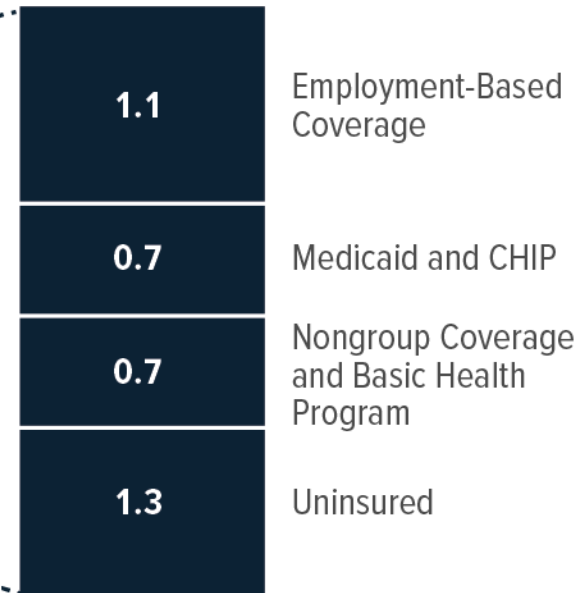
Average Employment Loss

Did Not Have an Offer of
Employment-Based
Insurance

Had an Offer of
Employment-Based
Insurance



Projected Insurance Status



Meeting of CBO's Panel of Health Advisers, September 17, 2021

Impact of the Pandemic on Federal Health Care Spending

- Provider consolidation
- Forgone care

Telehealth and Disparities

- Provider payment, access to infrastructure and technology, and adoption
- New utilization versus substitution for existing care
- Services particularly well suited to telehealth
- How telehealth affects health disparities

Incentives for Development in the Pharmaceutical Industry

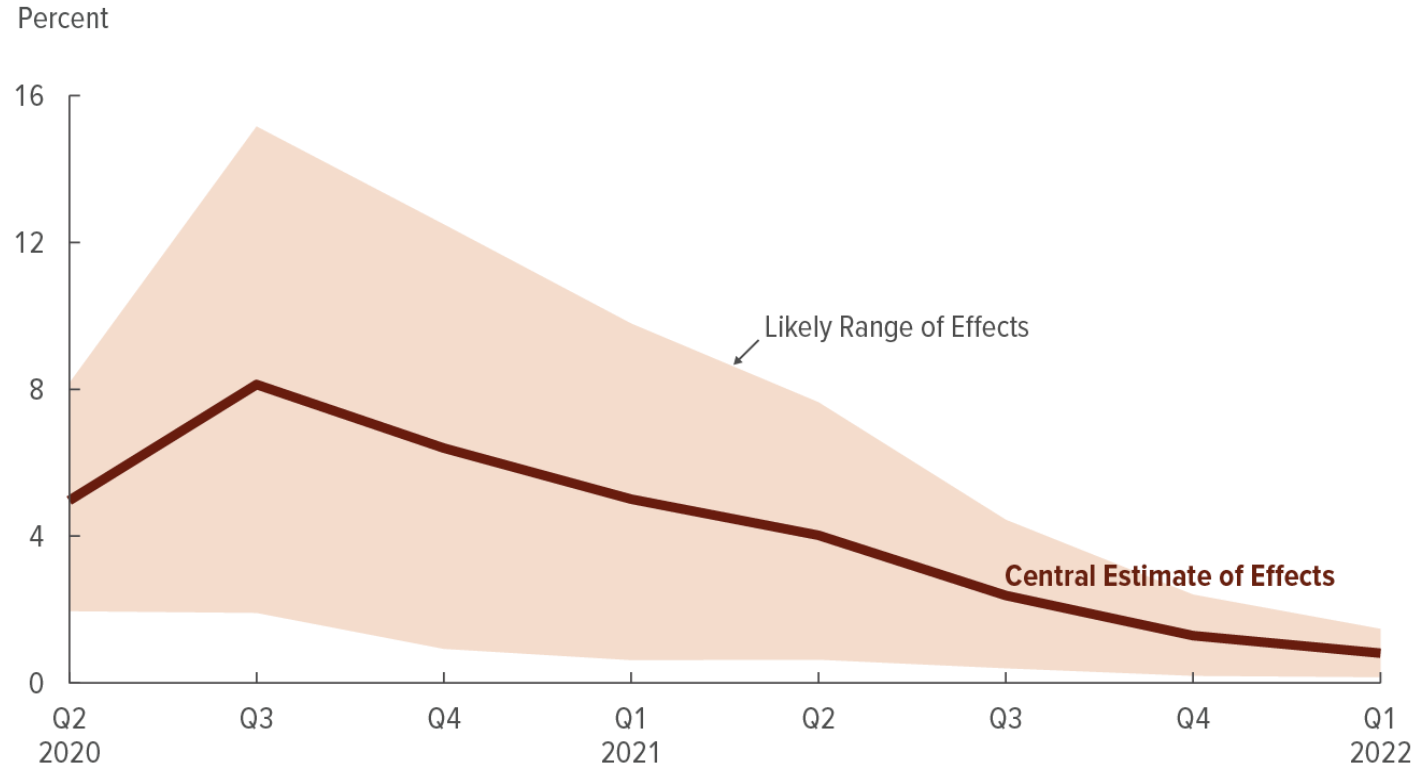


Macroeconomic Analysis

Effects of Pandemic-Related Legislation on the Deficit and on GDP, Fiscal Years 2020 to 2023

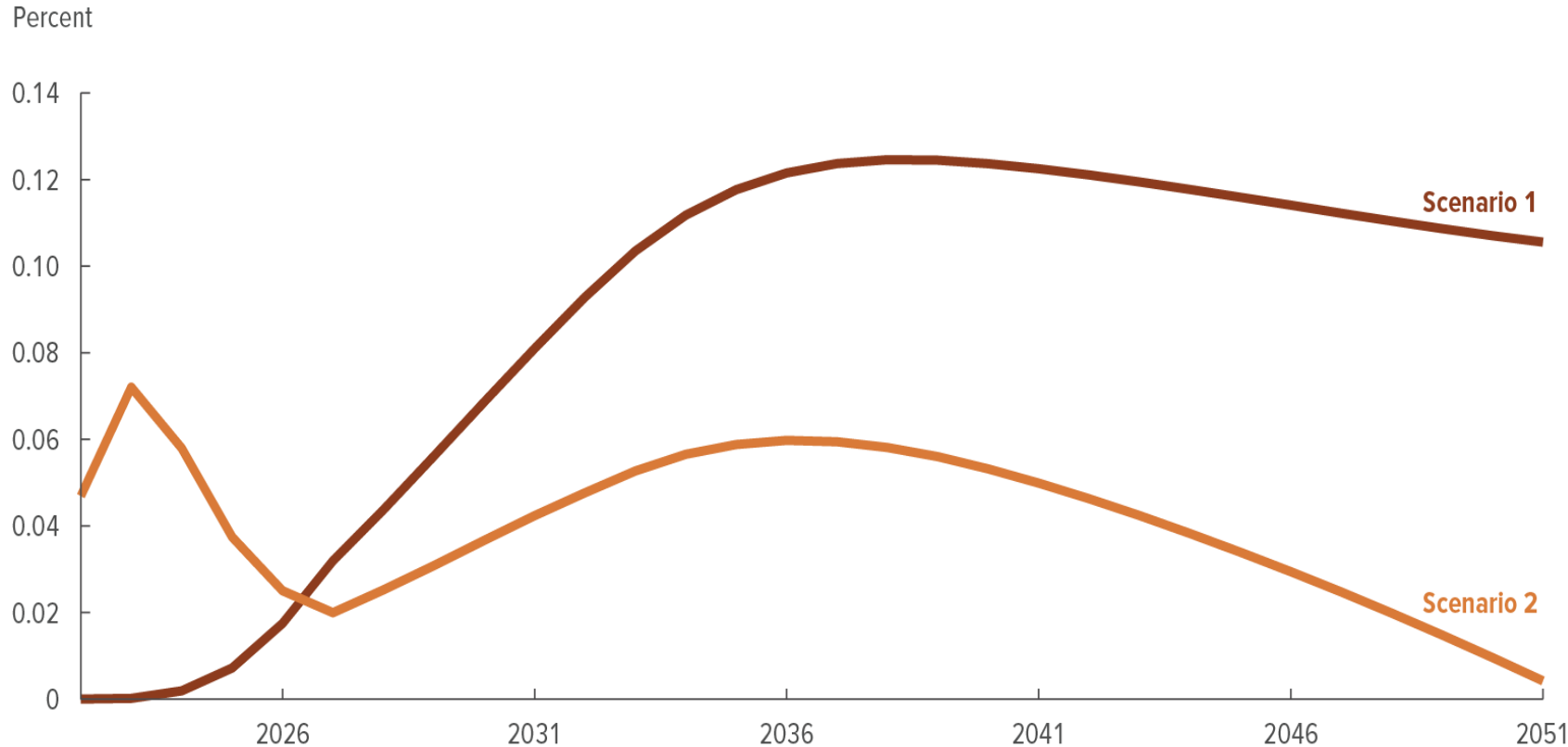
Policy	Effect on the Deficit (Billions of dollars)	Cumulative Effect on GDP (Billions of dollars)	Cumulative Effect on GDP per Dollar of Effect on the Deficit (Dollars)
Paycheck Protection Program and Related Provisions	628	226	0.36
Enhanced Unemployment Compensation	442	297	0.67
Recovery Rebates for Individuals	292	175	0.60
Direct Assistance for State and Local Governments	150	132	0.88
Other Spending Provisions	700	548	0.78
Other Revenue Provisions	425	157	0.37
Total	2,637	1,535	0.58

Likely Range of the Effects of 2020 Pandemic-Related Legislation on Real GDP



Effects of Physical Infrastructure Spending Under Two Financing Scenarios

Increases in the Level of Real GDP



Funding for infrastructure would increase by \$50 billion annually for 10 years.

Under Scenario 1, the resulting increase in outlays would be fully offset by a reduction in the government's noninvestment purchases.

Under Scenario 2, it would be financed by increased borrowing.

Labor Market Analysis Example: Effects of Increasing Subsidies for Child Care

Increased subsidies would boost demand for child care workers.

Among adults who would provide unpaid child care under current law:

- Some would enter the formal labor market.
- Some would reallocate the time to other unpaid activities.

Additional research on the effects of such policies would be helpful.

Other Effects of the Pandemic

CBO is looking at existing evidence and would benefit from additional research on the implications of the pandemic for many aspects of the economy:

- Productivity
- Labor force participation
- Mortality and fertility
- Health care utilization and spending
- Interest rates
- Inflation
- Potential output