



November 20, 2009

Honorable John D. Dingell
U.S. House of Representatives
Washington, DC 20515

Dear Congressman:

The Congressional Budget Office has revised its estimate of the net budgetary impact—transmitted on November 6, 2009—of H.R. 3962, the Affordable Health Care for America Act. In that November 6 letter, CBO and the staff of the Joint Committee on Taxation (JCT) estimated that changes in direct spending and revenues from enacting H.R. 3962 would yield a net reduction in federal budget deficits of \$109 billion over the 2010-2019 period. CBO and JCT now estimate that the legislation would yield a net reduction in deficits of \$138 billion over the 10-year period, correcting a mistake that CBO made in its earlier assessment of the impact of section 2581 of the legislation, which would establish the Community Living Assistance Services and Supports (CLASS) program.

This revised estimate supersedes the cost estimate transmitted on November 6, 2009. Tables 1 through 4 enclosed with this letter present the revised estimate of the direct spending, revenue, and deficit effects of the Affordable Health Care for America Act. The only change reflected in those tables, as compared with the estimate transmitted on November 6, is the corrected estimate for the CLASS provision. (Table 3, pertaining to effects of the act on health insurance coverage, is included with this letter, but was unaffected by the change in CBO's estimate for the CLASS provision.)

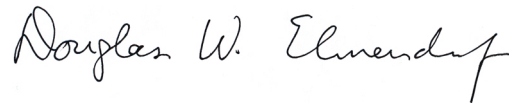
According to the CLASS provision in H.R. 3962, both active workers and their non-working spouses would be eligible to enroll in a voluntary federal program of long-term care insurance. Because of an oversight, CBO's original estimate of the CLASS provision did not reflect the inclusion of nonworking spouses. CBO anticipates that the average nonworking spouse who would enroll in the program would have more functional limitations than the average enrolled worker, which would make nonworking spouses more likely to qualify in the future for the program's benefits. CBO's corrected estimates are that the monthly premium for the CLASS program as it is specified in H.R. 3962 would average about \$146 in 2011 (as compared with \$123 in the original estimate) and

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that the program would reduce deficits by about \$102 billion over the 2010-2019 period, rather than the original estimate of a reduction of about \$72 billion over 10 years. (The bill would require premiums to be set so as to cover the full cost of the program as measured on an actuarial basis; the program's cash flows would show net receipts for a number of years, followed by net outlays in subsequent decades.) Estimates of the CLASS provision for each year between 2010 and 2019 can be found on page 11 of Table 4.

I hope this information is helpful. If you have any questions, please contact me or CBO staff. The primary staff contacts for this analysis are Holly Harvey and Philip Ellis.

Sincerely,



Douglas W. Elmendorf
Director

Enclosures

cc: Henry A. Waxman
Chairman
Committee on Energy and Commerce

Honorable Joe Barton
Ranking Member

Honorable George Miller
Chairman
Committee on Education and Labor

Honorable John Kline
Senior Republican

Honorable Charles B. Rangel
Chairman
Committee on Ways and Means

Honorable Dave Camp
Ranking Member

Table 1. Estimate of the Effects on the Deficit of H.R. 3962, the Affordable Health Care for America Act, as Passed by the House of Representatives

	By Fiscal Year, in Billions of Dollars											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2010-2019	
NET CHANGES IN THE DEFICIT FROM INSURANCE COVERAGE PROVISIONS ^a												
Effects on the Deficit	*	2	2	56	92	122	137	147	160	173	152	891
NET CHANGES IN THE DEFICIT FROM OTHER PROVISIONS AFFECTING DIRECT SPENDING ^b												
Effects on the Deficit of Changes in Outlays	6	15	-18	-28	-56	-55	-58	-75	-88	-99	-81	-456
NET CHANGES IN THE DEFICIT FROM OTHER PROVISIONS AFFECTING REVENUES ^c												
Effects on the Deficit of Changes in Revenues ^d	*	-39	-40	-59	-62	-65	-69	-73	-80	-86	-201	-574
NET CHANGES IN THE DEFICIT ^a												
Net Increase or Decrease (-) in the Budget Deficit	6	-22	-57	-31	-25	2	10	-1	-8	-12	-130	-138
On-Budget	6	-22	-57	-33	-27	*	9	-3	-10	-13	-134	-150
Off-Budget ^e	*	*	*	2	2	2	2	1	1	1	4	11

Sources: Congressional Budget Office and staff of the Joint Committee on Taxation (JCT).

Notes: Positive numbers indicate increases in the deficit, and negative numbers indicate reductions in the deficit.

Components may not sum to totals because of rounding; * = between \$0.5 billion and -\$0.5 billion.

- a. Does not include effects on spending subject to future appropriations.
- b. These estimates reflect the effects of interactions between insurance coverage provisions and other Medicare and Medicaid provisions. In addition, CBO has included \$33 billion of spending over the 2010–2019 period for public health, prevention, and wellness provisions in these direct spending totals, as directed by the Committee on the Budget, even though that spending would be subject to future appropriation action.
- c. The changes in revenues include effects on Social Security revenues, which are classified as off-budget.
- d. The 10-year figure of \$574 billion includes \$560 billion in revenues from tax provisions (estimated by JCT) and \$13 billion in additional revenues from certain provisions affecting Medicare, Medicaid, and other programs (estimated by JCT and CBO).
- e. Off-budget effects include changes in Social Security spending and revenues.

Table 2. Estimated Changes in Direct Spending and Revenues Resulting From H.R. 3962, the Affordable Health Care for America Act, as Passed by the House of Representatives

	By Fiscal Year, in Billions of Dollars										2010-	2010-
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2014	2019
CHANGES IN DIRECT SPENDING (OUTLAYS)												
Insurance Subsidies and Administration ¹												
Exchange Subsidies	0	0	0	26	54	79	93	100	107	117	79	574
Administration of Exchanges	*	1	1	2	4	4	5	5	5	5	8	31
Spending for High-Risk Pools	<u>0</u>	<u>1</u>	<u>2</u>	<u>1</u>	<u>*</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>	<u>5</u>
Subtotal	*	2	3	30	57	83	97	104	112	121	92	610
Total Risk Adjustment Payments to Plans ²	0	0	0	2	6	9	11	12	13	14	8	65
Public Health Insurance Plan Payments for Benefits and Administration	0	0	0	15	28	41	47	50	53	57	43	291
Collections of Enrollee Premiums, Exchange Subsidies, and Risk Adjustment Payments ³	0	0	0	-16	-29	-42	-48	-51	-54	-58	-44	-298
Start-up Costs	<u>*</u>	<u>1</u>	<u>1</u>	<u>*</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>2</u>
Subtotal	*	1	1	*	-1	-1	-1	-1	-1	-1	1	-5
Effects of Coverage Provisions on Medicaid and CHIP	-1	-2	-3	27	43	58	66	72	79	85	64	425
Medicare and Other Medicaid and CHIP Provisions												
Reductions in Annual Updates to Medicare FFS Payment Rates	-3	-9	-12	-15	-18	-23	-28	-34	-40	-46	-57	-228
Medicare Advantage Rates Based on FFS	0	-5	-11	-16	-19	-21	-22	-24	-26	-28	-50	-170
Selected Medicare Prescription Drug Provisions ⁴	*	-7	-5	-5	-4	-4	-3	-5	-5	-4	-21	-42
Medicaid Provider Payment Rates	3	6	6	7	7	6	6	6	5	5	29	57
Other	<u>3</u>	<u>27</u>	<u>7</u>	<u>7</u>	<u>-15</u>	<u>-7</u>	<u>-1</u>	<u>-7</u>	<u>-11</u>	<u>-16</u>	<u>29</u>	<u>-13</u>
Subtotal	3	13	-16	-23	-49	-48	-49	-64	-77	-88	-71	-396

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Table 2. Continued.

	By Fiscal Year, in Billions of Dollars										2010-	2010-
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2014	2019
Other Changes in Direct Spending												
Community Living Assistance Services and Supports	0	-5	-9	-12	-14	-16	-13	-12	-10	-9	-40	-102
Public Health Investment Fund & Prevention and Wellness Trust ⁵	0	2	4	6	7	8	5	1	*	*	19	33
Other	<u>3</u>	<u>5</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>*</u>	<u>*</u>	<u>-1</u>	<u>-1</u>	<u>11</u>	<u>11</u>
Subtotal	3	2	-3	-6	-6	-7	-8	-11	-11	-10	-10	-58
Total Outlays	6	16	-18	30	51	94	116	112	115	121	85	643
On-budget	6	16	-18	30	50	94	116	112	114	121	84	640
Off-budget	0	0	0	*	*	*	*	*	*	*	*	3
CHANGES IN REVENUES												
Surcharge on Adjusted Gross Income	0	31	32	45	49	53	57	61	64	68	157	460
Penalty Payments by Uninsured Individuals	0	0	0	0	5	6	5	5	6	6	5	33
Penalty Payments by Employers	0	0	0	6	14	18	22	23	25	27	20	135
Risk Adjustment Collections	0	0	0	3	6	9	11	12	13	14	10	69
Small Employer Tax Credit	0	0	0	-4	-8	-5	-2	-2	-2	-2	-11	-25
Other Revenues ⁶	*	7	7	11	8	12	13	14	17	20	33	110
Total Revenues	*	38	39	62	76	92	106	113	123	133	214	781
On-budget	*	38	39	63	78	94	107	114	124	133	218	790
Off-budget	*	*	*	-2	-2	-1	-1	-1	-1	-1	-4	-9
NET IMPACT ON THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES ⁷												
Net Change in the Deficit	6	-22	-57	-31	-25	2	10	-1	-8	-12	-130	-138
On-budget	6	-22	-57	-33	-27	*	9	-3	-10	-13	-134	-150
Off-budget	*	*	*	2	2	2	2	1	1	1	4	11

Continued

Table 2. Continued.

Sources: Congressional Budget Office and the staff of the Joint Committee on Taxation.

Notes: Does not include effects on spending subject to future appropriation. Components may not sum to totals because of rounding.

* = between \$0.5 billion and -\$0.5 billion.

CHIP = Children's Health Insurance Program; FFS = Fee-for-service.

1. See table 3 for a cross-walk between the amounts shown here and the Exchange Subsidies and Related Spending line in that table.
 2. Risk adjustment payments over the 10-year period include about \$27 billion in payments to the public health insurance plan and about \$39 billion in payments to other plans. Outlays shown here lag revenues shown later in the table by one quarter.
 3. Premiums include amounts to cover amortized repayment of start-up funds, as well as to maintain the contingency reserve.
 4. Includes the effects of section 1181 and section 1182, which would change the Medicare Part D program to establish a new prescription drug rebate program for some people who are eligible for both Medicaid and Medicare; impose a condition of participation that manufacturers provide discounts for brand-name drugs; and expand drug coverage to beneficiaries who are currently subject to a gap in coverage (often referred to as the Part D "doughnut hole").
 5. Spending for the Public Health Investment Fund and Prevention and Wellness Trust provisions are reflected here, as directed by the House Committee on the Budget, even though that spending would be subject to future appropriation action.
 6. Amounts include \$100 billion in increased revenues, as estimated by JCT, for tax provisions other than those not broken out separately in the table. In addition, the "other revenues" line includes a reduction in revenues of about \$4 billion from the coverage provisions in Table 3 and an increase in revenues of about \$13 billion for other provisions shown in Table 4.
 7. Positive numbers indicate increases in the deficit, and negative numbers indicate reductions in the deficit.
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