



February 18, 2011

Honorable Paul Ryan  
Chairman  
Committee on the Budget  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. Chairman:

This letter responds to a question you asked about the effects of H.R. 2, the Repealing the Job-Killing Health Care Law Act, as passed by the House of Representatives on January 19, 2011. That act would repeal the Patient Protection and Affordable Care Act (PPACA, Public Law 111-148) and the provisions of the Health Care and Education Reconciliation Act of 2010 (P.L. 111-152) that are related to health care. Both of those laws were enacted in March 2010. The analysis provided in this letter is based on the estimate of the direct spending and revenue effects of H.R. 2 that was prepared by the Congressional Budget Office (CBO) and the staff of the Joint Committee on Taxation (JCT).<sup>1</sup>

You asked about the long-term effects on the federal budget of enacting H.R. 2 if certain provisions of PPACA and the Reconciliation Act would, as a result of subsequent legislation, not have taken effect as specified in PPACA and the Reconciliation Act. In particular, you asked about the effects of H.R. 2 in the 2022-2031 period if:

- The excise tax on insurance policies with relatively high premiums—which was established by PPACA and the Reconciliation Act, and which will take effect in 2018—would have been repealed even in the absence of H.R. 2.

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<sup>1</sup> See Congressional Budget Office, letter to the Honorable John Boehner about the budgetary effects of H.R. 2, the Repealing the Job-Killing Health Care Law Act (February 18, 2011).

- The provisions of PPACA and the Reconciliation Act projected to reduce spending for the Medicare program would have been partially overturned even in the absence of H.R. 2, so that only one-half of the total savings to Medicare projected to result from enactment of PPACA and the Reconciliation Act would have accrued even in the absence of H.R. 2.<sup>2</sup>

In order to use the current-law baseline to examine the effects you asked about, CBO analyzed the effects of repealing all of the provisions of PPACA and the health-care-related provisions of the Reconciliation Act with two exceptions: the excise tax on high-premium insurance plans, and provisions accounting for half of the total Medicare savings projected for the earlier legislation. Those effects are roughly equivalent to the effects of enacting H.R. 2 if those specified provisions would, as a result of subsequent legislation, not have taken effect even in the absence of H.R. 2.

A detailed year-by-year projection, like those that CBO prepares for the 10-year budget window, would not be meaningful over a longer horizon because the uncertainties involved are simply too great. Among other factors, a wide range of changes could occur—in people’s health, in the sources and extent of their insurance coverage, and in the delivery of medical care—that are very difficult to predict but that could have a significant effect on federal health care spending. With input from JCT, CBO has therefore developed a rough outlook for the effects of H.R. 2 in the decade following the 10-year budget window.

In its analysis of the effects of H.R. 2 on the federal budget, CBO projected that enactment of that legislation would *increase* federal deficits during the decade beyond 2021 by an amount that is in a broad range around one-half percent of gross domestic product (GDP). In response to your question, CBO expects that, supposing that the specific changes described above would have occurred anyway through subsequent legislation, enactment of H.R. 2 would *reduce* federal deficits in the decade beyond 2021 by an amount between zero and one-quarter percent of GDP.

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<sup>2</sup> The total Medicare savings arising from enactment of PPACA and the Reconciliation Act stem from numerous provisions, including reductions in annual updates to payment rates for most services in the fee-for-service sector (other than physicians’ services), reductions in payments to Medicare Advantage plans, and the creation of an Independent Payment Advisory Board with the authority to take steps to reduce the rate of growth of Medicare spending.

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I hope this information is useful to you. If you would like further details, CBO would be happy to provide them.

Sincerely,

A handwritten signature in cursive script that reads "Douglas W. Elmendorf".

Douglas W. Elmendorf  
Director

cc: Honorable Chris Van Hollen  
Ranking Member

Honorable John Boehner  
Speaker

Honorable Nancy Pelosi  
Democratic Leader

Honorable Harry Reid  
Senate Majority Leader

Honorable Mitch McConnell  
Senate Republican Leader

Honorable Kent Conrad  
Chairman  
Senate Committee on the Budget

Honorable Jeff Sessions  
Ranking Member