CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Douglas W. Elmendorf, Director

July 30, 2013

Honorable Dave Camp
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

CBO and the staff of the Joint Committee on Taxation (JCT) have begun a review of H.R. 2009, the Keep the IRS Off Your Health Care Act of 2013 (as introduced on May 16, 2013), but we have not yet completed a cost estimate for the bill. We expect that the legislation would significantly reduce both direct spending and revenues over the 2014–2023 period, but there are major uncertainties regarding how the bill would affect the operations of the Department of the Treasury. Thus, without additional analysis, we cannot determine its net budgetary effect at this time.

Under H.R. 2009, the Department of the Treasury would be prohibited from implementing or enforcing any provisions of the Affordable Care Act (ACA); however, the bill would not prohibit implementation and enforcement of that act's provisions by other federal agencies. The following are examples of key provisions that could not be implemented or enforced under H.R. 2009: advance payment or reconciliation of premium assistance tax credits provided through health insurance exchanges; the requirement that individuals purchase health insurance; penalties imposed on individuals and employers; the excise taxes imposed on high-premium insurance plans; annual fees from health insurance providers; the broadened Medicare hospital insurance tax on high-income taxpayers; and other revenue provisions.

The effect of H.R. 2009 on the payment of premium tax credits is unclear. H.R. 2009 could significantly reduce direct spending for premium tax credits provided in advance through exchanges because the Department of the Treasury would be prohibited from implementing those credits. On the other hand, the amount of direct spending or loss of revenues for erroneous premium tax credits claimed through annual tax filings could rise because the department would be unable to correct improper payments or enforce the annual reconciliation of those amounts with people's income.

Under H.R. 2009, direct spending for Medicaid and the Children's Health Insurance Program would probably be lower. Because the individual mandate to purchase health insurance would no longer be enforced, we expect that fewer people would enroll in those programs under the bill, which would reduce outlays for those programs.

H.R. 2009 would also significantly reduce federal revenues because the Department of the Treasury would no longer have the authority to implement or enforce the ACA's tax provisions. That legislation included a number of provisions intended to raise revenues. In fact, it is unclear whether the legislation would permit the department to process returns submitted by taxpayers who claim benefits under the ACA. At this time, because of uncertainty about the effect of the legislation on Treasury's operations and taxpayers' behavior, CBO and JCT cannot determine whether the loss in revenues would outweigh the reduction in direct spending.

I hope you find this information useful. If you wish further details, we will be pleased to provide them. The CBO staff contact is Sarah Masi.

Sincerely,

Douglas W. Elmendorf

Douglas W. Elmendorf
Director

cc: Honorable Sander M. Levin
Ranking Member

Honorable Tom Price