



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 10, 2013

### **H.R. 2775**

**A bill to condition the provision of premium and cost-sharing subsidies under the Patient Protection and Affordable Care Act upon a certification that a program to verify household income and other qualifications for such subsidies is operational, and for other purposes**

*As introduced in the House of Representatives on July 22, 2013*

#### **SUMMARY**

H.R. 2775 would make the availability of premium tax credits and cost-sharing subsidies to eligible individuals and families under the Affordable Care Act (ACA) contingent on a certification to the Congress by the Secretary of Health and Human Services (HHS) that a program is in place that verifies, consistent with section 1411 of the ACA, the household income and coverage qualifications of people applying for such credits and cost-sharing subsidies. Section 1411 of the ACA establishes requirements for a program to determine whether someone meets the income and coverage qualifications for such premium tax credits and cost-sharing subsidies (among other things).

CBO and the staff of the Joint Committee on Taxation (JCT) estimate that enacting H.R. 2775 would not affect direct spending or revenues. A program is currently being put in place to verify income and coverage qualifications for the tax credits and subsidies, and that program appears to CBO and JCT to be in accordance with section 1411. Accordingly, we expect that the Secretary would certify before the beginning of 2014, when premium tax credits and cost-sharing subsidies would first be paid, that the requirements in H.R. 2775 are satisfied.

Pay-as-you-go procedures do not apply to H.R. 2775 because enacting the bill will not affect direct spending or revenues in CBO and JCT's estimation.

H.R. 2775 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act of 1995 (UMRA).

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

H.R. 2775 would prohibit premium tax credits and cost-sharing subsidies from being paid before the Secretary of HHS has certified to Congress that a program is in place that verifies, in accordance with section 1411 of the ACA, the household income and coverage qualifications of people applying for such tax credits and subsidies.

Section 1411 of the ACA describes a program to determine whether someone meets income, coverage, and other qualifications for premium tax credits and cost-sharing subsidies. The section specifies methods for verifying the information provided by applicants and establishes penalties for the provision of false or fraudulent information. In addition, section 1411 establishes reporting requirements for individuals related to determining if the individual has an affordable offer of insurance coverage from an employer. Further, the section specifically grants flexibility to the Secretary of HHS to modify the methods used for verification of information provided by applicants.

In July, the Administration delayed for one year two reporting requirements for certain large employers and health insurance coverage providers. Further, regulations issued by HHS in July provided state-based insurance exchanges with limited flexibility when verifying applicants' household incomes and offers of employment-based health insurance coverage for the 2014 benefit year.

CBO and JCT do not expect that those administrative actions and regulations, by themselves, would prohibit the Secretary from being able to provide certification under H.R. 2775. In particular, the reporting requirements for employers are not covered by section 1411, and the flexibility regarding verification that is provided in the regulations issued by HHS appears to us to be consistent with section 1411. (The regulations that were issued regarding verification are slightly looser than CBO and JCT had previously expected, so we revised our baseline projections following the announcement of those regulations.<sup>1</sup> However, in our judgment, the regulations are consistent with the flexibility granted the Secretary by section 1411.)

Thus, CBO and JCT conclude that a program is currently being put in place in accordance with section 1411 regarding the verification of household income and coverage qualifications. CBO and JCT expect that this program will be in place by January 1, 2014, when the premium tax credits and cost-sharing subsidies would begin to be paid. We therefore expect that the Secretary would certify by that time that the requirements in H.R. 2775 are satisfied, allowing premium tax credits and cost-sharing subsidies to be made available on schedule. As a result, we estimate that H.R. 2775 would have no budgetary effects relative to our current baseline projections.

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1. Congressional Budget Office, Letter to the Honorable Paul Ryan Re: *Analysis of the Administration's Announced Delay of Certain Requirements Under the Affordable Care Act* (July 30, 2013), [www.cbo.gov/publication/44465](http://www.cbo.gov/publication/44465)

This conclusion, however, is uncertain. The language of H.R. 2775 is unclear regarding the meaning of the term “program.” That term might be construed to go beyond regulations and guidance to encompass operational competence, such as software and enrollment procedures that have been proven to work as provided for in regulations. Determining whether or not those systems work as provided for in regulations, however, may not be possible until there is some experience or data that can be used to evaluate the systems.

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