



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 25, 2015

H.R. 2061 **Equitable Access to Care and Health Act**

As ordered reported by the House Committee on Ways and Means on September 17, 2015

SUMMARY

H.R. 2061 would expand the religious conscience exemption from the requirement that most people in the United States must obtain health insurance coverage or pay a penalty for not doing so (a provision of the Affordable Care Act known as the individual mandate). Specifically, the bill would newly exempt members of religious sects or divisions that do not meet the criteria for the religious conscience exemption under current law, but who rely solely on a religious method of healing and for whom the acceptance of medical health services would be inconsistent with their religious beliefs.¹

On net, CBO and the staff of the Joint Committee on Taxation (JCT) estimate that enacting H.R. 2061 would increase federal deficits by \$1.2 billion over the 2016–2025 period. That 10-year total consists of a \$1.9 billion net reduction in revenues, primarily stemming from forgone penalties from uninsured individuals, partially offset by a \$0.6 billion decrease in direct spending resulting from fewer people enrolling in Medicaid and subsidized health insurance coverage obtained through exchanges. The estimated reduction in revenues exceeds the estimated reduction in direct spending because CBO and JCT estimate that most of the people that would newly claim an exemption from the individual mandate under the bill are and will continue to be uninsured under current law. Pay-as-you-go procedures apply because enacting the legislation would affect direct spending and revenues.

CBO and JCT estimate that enacting the legislation would not increase net direct spending in any of the four consecutive 10-year periods beginning in 2026; however, the agencies estimate that enacting the legislation would increase on-budget deficits by at least \$5 billion in at least one of the four consecutive 10-year periods beginning in 2026.

1. Under current law, people qualify for the religious conscience exemption from the individual mandate only if they are members of religious sects or divisions that are conscientiously opposed to accepting insurance benefits—including Social Security and Medicare—and who meet other requirements listed under section 1402(g)(1) of the Internal Revenue Code.

JCT has determined that the bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effects of H.R. 2061 are shown in the following table. The spending effects of the legislation fall primarily within budget function 550 (health). For this estimate, CBO assumes that H.R. 2061 will be enacted near the end of calendar year 2015.

	By Fiscal Year, in Millions of Dollars										2016-	2016-
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2020	2025
CHANGES IN DIRECT SPENDING												
Estimated Budget Authority	-15	-35	-55	-60	-65	-70	-75	-75	-80	-85	-230	-615
Estimated Outlays	-15	-35	-55	-60	-65	-70	-75	-75	-80	-85	-230	-615
CHANGES IN REVENUES												
Estimated Revenues ^a	-150	-155	-155	-170	-180	-185	-200	-210	-220	-225	-810	-1,850
On-Budget	-150	-160	-155	-170	-180	-185	-205	-215	-225	-230	-815	-1,875
Off-Budget ^b	*	5	*	*	*	*	5	5	5	5	5	25
NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES												
Impact on Deficit	135	120	100	110	115	115	125	135	140	140	580	1,235
On-Budget	135	125	100	110	115	115	130	140	145	145	585	1,260
Off-Budget ^b	*	-5	*	*	*	*	-5	-5	-5	-5	-5	-25

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

Note: * = for revenues, an increase of less than \$0.5 million; for deficits, a reduction of less than \$0.5 million.

a. Negative numbers indicate a reduction in revenues, and positive numbers indicate an increase in revenues.

b. All off-budget effects would come from changes in revenues. (The payroll taxes for Social Security are classified as "off-budget.")

BASIS OF ESTIMATE

CBO and JCT estimate that enacting H.R. 2061 would increase the number of people claiming an exemption from the individual mandate by roughly 200,000 annually. That estimate stems primarily from two judgments, both of which are highly uncertain:

- CBO and JCT estimate that up to 500,000 people would newly qualify for the religious conscience exemption, on the basis of a review of the limited information that is publicly available. However, the agencies anticipate that a significant share of those people qualify for other exemptions from the mandate under current law and therefore would not newly claim an exemption under the bill. In particular, some may qualify for income-based exemptions such as having income below the threshold for filing income tax returns or having income below 138 percent of federal poverty guidelines and being ineligible for Medicaid because their state did not expand the program.
- CBO and JCT expect that some people may falsely claim the expanded religious conscience exemption under the bill; however, that number would be limited for two reasons. First, people would have to apply for the exemption through the health insurance exchange in their area (as is the case under current law) and the current application requires people to provide detailed information about the religious sect or division to which they belong.² Second, H.R. 2061 would require people to attest that they have not received medical health services, with limited exceptions, during the preceding taxable year.

Of the estimated 200,000 people who would newly claim an exemption from the individual mandate under the bill, CBO and JCT estimate that roughly 90 percent would otherwise pay a penalty for being uninsured. (The agencies estimate that most of the people affected by this bill will be uninsured under current law because the acceptance of medical health services would be inconsistent with their religious beliefs.) As a result, the agencies estimate that enacting H.R. 2061 would reduce collections from penalties assessed to uninsured individuals by \$2.0 billion over the 2016-2025 period.

The remaining 10 percent of people newly claiming an exemption from the individual mandate would be insured under current law and would forgo health insurance coverage as a result of the bill, the agencies estimate. Some of those people would falsely claim the new exemption under the bill; others are expected to obtain health insurance under current law in order to comply with the individual mandate, even though they will not use that insurance because of their religious convictions. Accordingly, under the bill, fewer people would enroll in Medicaid, subsidized health insurance coverage obtained through exchanges, and employment-based health insurance, which the agencies estimate would reduce outlays by \$0.6 billion and increase revenues by \$0.1 billion over the 2016-2025 period. The effects on revenues stem from increases in taxable compensation associated with reductions in employment-based insurance and increases in tax liability associated with reductions in the number of people receiving tax credits to purchase health insurance through exchanges.

2. See <https://marketplace.cms.gov/applications-and-forms/religious-sect-exemption.pdf>.

On net, CBO and JCT estimate that enacting H.R. 2061 would increase federal deficits by \$1.2 billion over the 2016-2025 period, which consists of a \$1.9 billion net reduction in revenues and a \$0.6 billion decrease in direct spending. The net decrease in revenues reflects an estimated \$1.9 billion reduction in on-budget revenues, partially offset by an estimated \$25 million increase in off-budget (Social Security) revenues.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table. Only on-budget changes to outlays or revenues are subject to pay-as-you-go procedures.

CBO Estimate of Pay-As-You-Go Effects for H.R. 2061, as ordered reported by the House Committee on Ways and Means on September 17, 2015

	By Fiscal Year, in Millions of Dollars												2015-	2015-
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2020	2025	
NET INCREASE IN THE ON-BUDGET DEFICIT														
Statutory Pay-As-You-Go Impact	0	135	125	100	110	115	115	130	140	145	145	585	1,260	
Memorandum:														
Changes in Outlays	0	-15	-35	-55	-60	-65	-70	-75	-75	-80	-85	-230	-615	
Changes in Revenues	0	-150	-160	-155	-170	-180	-185	-205	-215	-225	-230	-815	-1,875	

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

INCREASE IN LONG-TERM DEFICIT AND NET DIRECT SPENDING

CBO and JCT estimate that enacting the legislation would not increase net direct spending by at least \$5 billion in any of the four consecutive 10-year periods beginning in 2026; however, CBO and JCT estimate that enacting the legislation would increase on-budget deficits by at least \$5 billion in at least one of the four consecutive 10-year periods beginning in 2026. Specifically, on the basis of the budgetary effects projected for the 2021-2025 period, CBO and JCT estimate that the deficit increase resulting from enactment of the bill would grow by between 4 percent and 5 percent per year, thereby increasing on-budget deficits by a total of more than \$5 billion during the decade from 2056 through 2065.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

JCT has determined that the bill contains no intergovernmental or private-sector mandates as defined in UMRA.

ESTIMATE PREPARED BY:

Federal Costs: Sarah Masi and staff of the Joint Committee on Taxation

Impact on State, Local, and Tribal Governments: staff of the Joint Committee on Taxation

Impact on the Private Sector: staff of the Joint Committee on Taxation

ESTIMATE APPROVED BY:

Holly Harvey

Deputy Assistant Director for Budget Analysis