Reconciliation Recommendations of the House Committee on Education and the Workforce

As ordered reported by the House Committee on Education and the Workforce on September 30, 2015

SUMMARY

S. Con. Res. 11, the Concurrent Resolution on the Budget for fiscal year 2016, instructed several committees of the House of Representatives to recommend legislative changes that would reduce deficits by at least $1 billion over the 2016-2025 period. As part of that reconciliation process, the House Committee on Education and the Workforce has approved legislation on September 30, 2015, that would reduce deficits.

The legislation would repeal the requirement that certain large employers automatically enroll new employees in health insurance plans and continue the enrollment of current employees in a health insurance plan. CBO and the staff of the Joint Committee on Taxation (JCT) estimate that enacting the legislation would reduce federal deficits by $7.9 billion over the 2016-2025 period. The 2016-2025 total consists of $2.5 billion in on-budget savings and $5.4 billion in off-budget savings.

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

The legislation 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 effect of the legislation is shown in the following table. The costs of this legislation fall within budget function 550 (health). For this estimate, CBO and JCT assume that the legislation will be enacted at the end of calendar year 2015.
### BASIS OF ESTIMATE

Under current law, employers with more than 200 full-time employees that offer health insurance coverage to at least one employee must automatically enroll new full-time employees in one of the health insurance plans offered by the employer. Additionally, such employers must automatically continue enrollment of current employees in a health insurance plan offered by the employer. Employees retain the right to opt out of health insurance offered by their employer, and CBO and JCT anticipate that some individuals who gain health insurance coverage through automatic enrollment will do so. The agencies project that about 750,000 people will be enrolled in employment-based health insurance in most years after 2018 because of the automatic enrollment requirements.

Although the requirement was originally scheduled to take effect in 2014, it is not currently being enforced. The Department of Labor announced in 2012 that employers would not be required to comply with requirements to automatically enroll employees until it issues implementing regulations. To date, those regulations have not been issued and CBO and

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JCT expect that the requirements will not be enforced during 2016. CBO expects that in future years the requirements will be enforced and will increase the number of people enrolled in health insurance through their employer.

The legislation would repeal the auto-enrollment requirement. CBO and JCT estimate that the legislation would reduce the number of people enrolled in employment-based health insurance coverage by about 750,000 people in most years after 2018, with smaller effects in 2017 and 2018 and no effect in 2016. Of those people who would not be enrolled in employment-based coverage as a result of this legislation, CBO and JCT estimate that about 90 percent would be uninsured because they would not take action to enroll in insurance in the absence of the automatic enrollment requirements for their employer. The remainder would enroll in Medicaid or, to a lesser extent, in nongroup coverage offered through an exchange established under the Affordable Care Act (ACA). Although most people with an offer of health insurance from their employer are not eligible to receive subsidies to purchase insurance through an exchange, people with an affordable offer from their employer (as defined by the ACA) are eligible to receive subsidies.

CBO and JCT estimate that the legislation would result in net budgetary savings to the federal government of $7.9 billion over the 2016-2025 period. That projected decrease in federal deficits over the 10-year period consists of a $12.2 billion increase in revenues, partially offset by a $4.3 billion increase in direct spending.

The projected increase in revenues over the 2016-2025 period primarily stems from lower projected enrollment in employment-based insurance, as discussed above. Relative to current law, that change in coverage would result in a smaller share of total compensation taking the form of non-taxable health benefits, increasing the share taking the form of taxable wages and salaries. A small portion of the estimated increase in revenues comes from higher projected penalty payments paid by people who would become uninsured under the bill. The projected increase in direct spending over the 2016-2025 period primarily reflects higher projected enrollment in insurance obtained through Medicaid and exchanges.

**INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICIT**

CBO and JCT estimate that enacting the legislation would not increase on-budget deficits by $5 billion or more in any of the four 10-year periods beginning in 2026. On the basis of the growth in direct spending over the 2016-2025 period, the agencies estimate that enacting the legislation would increase net direct spending by at least $5 billion in one or more of the those periods because the agencies expect the estimated increase in direct spending to continue to grow.
INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The legislation contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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