CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 24, 2012

Recapture of Overpayments Resulting From Certain Federally Subsidized Health Insurance

As approved by the House Committee on Ways and Means on April 18, 2012

SUMMARY

H. Con. Res. 112, the Concurrent Budget Resolution for fiscal year 2013, as passed by the House of Representatives on March 29, 2012, instructed several committees of the House to recommend legislative changes that would reduce deficits over the 2012-2022 period. As part of that reconciliation process, the House Committee on Ways and Means has approved three separate provisions as reconciliation recommendations. The following analysis presents estimated budgetary effects for one of those three provisions.

The legislation would require collections of certain overpayments of health insurance subsidies. The staff of the Joint Committee on Taxation (JCT) and CBO estimate that this proposal would have no impact in 2012 or 2013, and would reduce the deficit by $12.9 billion over the 2013–2017 period and $43.9 billion over the 2013–2022 period. This reduction would come from net increases in revenue as well as decreases in direct spending. The estimate of budgetary effects would be the same for any assumed enactment date this year because those effects would not begin until 2014.

JCT has determined that the provision contains no intergovernmental mandates and one private-sector mandate as defined in the Unfunded Mandates Reform Act (UMRA). Based on information provided by JCT, the cost of the provision's private-sector mandate would exceed the annual threshold established in UMRA for private-sector mandates ($146 million in 2012, adjusted annually for inflation) beginning in 2014.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effects of the proposal are shown in the following table. The spending effects of this proposal fall within budget function 550 (health).

	By Fiscal Year, in Billions of Dollars												
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2012-2017	2012-2022
CHANGES IN DIRECT SPENDING													
Estimated Budget Authority	0	0	-0.9	-1.9	-3.0	-3.6	-4.0	-4.2	-4.4	-4.8	-5.1	-9.4	-31.9
Estimated Outlays	0	0	-0.9	-1.9	-3.0	-3.6	-4.0	-4.2	-4.4	-4.8	-5.1	-9.4	-31.9
CHANGES IN REVENUES													
Estimated Revenues	0	0	0.2	0.7	1.1	1.4	1.5	1.7	1.7	1.7	1.9	3.5	12.0
On-budget	0	0	0.3	0.7	1.2	1.5	1.6	1.7	1.8	1.8	2.0	3.6	12.6
Off-budget [a]	0	0	*	*	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.6
NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES													
Impact on Deficits	0	0	-1.1	-2.6	-4.1	-5.0	-5.5	-5.9	-6.1	-6.6	-6.9	-12.9	-43.9
On-budget	0	0	-1.1	-2.6	-4.2	-5.1	-5.6	-6.0	-6.2	-6.6	-7.0	-13.0	-44.4
Off-budget [a]	0	0	*	*	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.6

Source: Staff of the Joint Committee on Taxation.

Notes: Numbers may not sum to totals because of rounding.

* = decrease in revenues of less than $50 million.

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

BASIS OF ESTIMATE

Under current law, starting in 2014, qualified taxpayers will become eligible to receive refundable tax credits to assist in the purchase of health insurance through the health insurance exchanges established by the Affordable Care Act. The amount of those premium assistance credits will be based on family size and income, and the advance payments of the credits will be based on income estimated from tax returns for prior years. If taxpayers' circumstances change to the extent that their advance payments exceed the premium assistance credits to which they are entitled, they may be required to repay some or all of the credits, subject to certain limits based on income.

Enacting the overpayments provision would eliminate existing limits on the amounts to be repaid by taxpayers whose advance payments exceed the premium assistance credits to which they are entitled. Taxpayers would therefore be liable for the full amount of overpayments. CBO and JCT expect that, under the provision, fewer people would apply for premium assistance credits and purchase insurance through exchanges than under current law. Some people would not apply for the credits because of concern that unforeseen changes in their income or family composition could result in a large repayment liability they would have difficulty meeting. Others would anticipate changes in income or family composition that would reduce the subsidy they would receive to purchase health insurance or could cause a larger increase in liability under the proposal.

Reduced enrollment in exchanges is expected to result in an increase in the number of people who obtain health insurance through an employer and an increase in the number of people without health insurance. Among individuals who continue to apply for and receive premium assistance credits, some would update their income information to reduce overpayments while others would end up repaying more as a result of the proposal. JCT estimates that the proposal would reduce net outlays for premium assistance credits and cost-sharing subsidies by nearly $32 billion over the 2013–2022 period and increase net revenues by about $12 billion over the same period. That effect on revenues includes reductions of less than $1 billion from payroll taxes for Social Security, which are off-budget.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

JCT has determined that the provision related to overpayments of health insurance subsidies contains no intergovernmental mandates and one private-sector mandate as defined in UMRA. That mandate would eliminate existing limits on the amounts taxpayers would be required to repay for advance premium assistance tax credits associated with health insurance exchanges, in the event of an overpayment. Based on information provided by JCT, the cost of the mandate would exceed the annual threshold established in UMRA for private-sector mandates ($146 million in 2012, adjusted annually for inflation) beginning in 2014.

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