CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 23, 2018

H.R. 6306
Health Care Security Act of 2018

As reported by the House Committee on Ways and Means on July 19, 2018

H.R. 6306 would amend the Internal Revenue Code to increase the maximum contribution limit to Health Savings Accounts (HSAs), allow both spouses of a married couple to make catch-up contributions to the same HSA, and expand the definition of qualified medical expenses to include expenses incurred during a period of up to 60 days between the start of coverage under a high deductible health plan and when an HSA is established.

Individuals are generally eligible for certain tax-advantaged saving through HSAs if they are covered by a high deductible health plan but not by other health plans. Under current law, the basic contribution limit in 2018 to an HSA is $3,450 in the case of self-only coverage and $6,900 in the case of family coverage. H.R. 6306 would raise the limit to the sum of the annual deductible and out-of-pocket expenses permitted under a high deductible health plan. Thus, for 2018, the basic limit is $6,650 in the case of self-only coverage and $13,300 in the case of family coverage. As under present law, basic contribution limits are increased by $1,000 ("catch-up contributions") for an eligible individual who has attained age 55 by the end of the taxable year.

Under current law, if both spouses are at least age 55 and eligible to make catch-up contributions, each must make the catch-up contribution to his or her own HSA. The bill would allow spouses to allocate combined catch-up contribution amounts into a single spouse's HSA.

The bill would also modify rules concerning the start-date of qualified medical expenses for HSAs. Under current law, an HSA generally must be established before medical expenses can qualify for distributions. Under the bill, if an HSA is established during the 60-day period beginning on the date that an individual's coverage under a high deductible health plan begins, then the HSA is treated as having been established on the date coverage under the high deductible health plan begins for determining whether an amount paid is used for a qualified medical expense.

The staff of the Joint Committee on Taxation (JCT) estimates that enacting H.R. 6306 would reduce revenues by $15.3 billion over the 2019-2028 period. The change in revenues includes a reduction of $3.6 billion over the 2019-2028 period that would result from changes in off-budget revenues (from Social Security payroll taxes). CBO estimates that enacting H.R. 6199 would not affect direct spending.

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

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 6306 is shown in the following table.

	By Fiscal Year, in Millions of Dollars												
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-2023	2019-2028
DECREASES IN REVENUES													
Maximum Contribution Limit to Health Savings Account Increased to Amount of Deductible and Out-of-Pocket Limitation	0	-626	-957	-1,079	-1,211	-1,351	-1,485	-1,624	-1,885	-2,078	-2,231	-5,223	-14,527
Allow Both Spouses to Make Catch-Up Contributions to the Same Health Savings Account	0	-22	-44	-46	-47	-48	-50	-51	-56	-60	-62	-207	-486
Special Rule for Certain Medical Expenses Incurred Before Establishment of Health Savings Account	0	-5	-14	-19	-21	-23	-25	-28	-31	-35	-39	-89	-241
Total Decrease in Revenue	0	-652	-1,016	-1,144	-1,279	-1,422	-1,561	-1,703	-1,972	-2,173	-2,332	-5,512	-15,254
Memorandum: Components of the Net Change in the Deficit													
NET INCREASE IN THE DEFICIT FROM DECREASES IN REVENUES													
Total Deficit Increase	0	652	1,016	1,144	1,279	1,422	1,561	1,703	1,972	2,173	2,332	5,512	15,254

Source: Staff of the Joint Committee on Taxation.

Note: Components do not add to totals due to rounding.

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 net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for bill H.R. 6306, as reported by the House Committee on Ways and Means on July 19, 2018.

	By Fiscal Year, in Millions of Dollars												
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-2023	2019-2028
NET INCREASE IN THE ON-BUDGET DEFICIT													
Statutory Pay-As-You-Go Effects	0	495	773	869	970	1,079	1,182	1,290	1,524	1,691	1,813	4,183	11,684
Memorandum:[a]													
Change in On-Budget Revenues	0	-495	-773	-869	-970	-1,079	-1,182	-1,290	-1,524	-1,691	-1,813	-4,183	-11,684
Change in Off-Budget Revenues[b]	0	-157	-243	-275	-309	-343	-379	-413	-448	-482	-519	-1,329	-3,570

Source: Staff of the Joint Committee on Taxation.

Note: Components do not add to totals due to rounding.

a. A negative sign for revenues indicates a reduction in revenues.
b. Off-budget revenues result from changes in Social Security payroll tax receipts.

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO and JCT estimate that enacting H.R. 6306 would increase on-budget deficits by more than $5 billion in at least one of the four 10-year periods beginning in 2029. CBO estimates that enacting the bill would not increase net direct spending in any of the four consecutive 10-year periods beginning in 2029.

MANDATES

JCT has reviewed H.R. 6306 and determined that it contains no intergovernmental or private-sector mandates as defined in UMRA.

ESTIMATE PREPARED BY

Revenues: Staff of the Joint Committee on Taxation

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