

At a Glance

H.R. 3708, Primary Care Enhancement Act of 2019

As ordered reported by the House Committee on Ways and Means on October 23, 2019

By Fiscal Year, Millions of Dollars	2020	2020-2024	2020-2029
Direct Spending (Outlays)	0	0	0
Revenues	-36	-528	-1,764
Increase or Decrease (-) in the Deficit	36	528	1,764
Spending Subject to Appropriation (Outlays)	0	0	0
Statutory pay-as-you-go procedures apply?	Yes	Mandate Effects	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2030?	< \$5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

The bill would

- Allow individuals who participate in direct primary care service arrangements to contribute to tax-exempt health savings accounts (HSAs)
- Define direct primary care service arrangements to exclude those involving certain procedures and services, or those exceeding specified payment thresholds

Estimated budgetary effects would primarily stem from

- An increase in tax-deductible employee contributions for newly eligible HSA participants
- An increase in contributions excluded from income and employment taxes made on behalf of employees newly eligible to participate in HSAs

The Congressional Budget Act of 1974, as amended, stipulates that revenue estimates provided by the staff of the Joint Committee on Taxation (JCT) will be the official estimates for all tax legislation considered by Congress. As such, CBO incorporates those estimates into its cost estimates of the effects of legislation. All of the estimates for the provisions of H.R. 3708 were provided by JCT.

Detailed estimate begins on the next page.

Bill Summary

H.R. 3708 would amend the treatment of direct primary care service arrangements under the Internal Revenue Code so that those arrangements no longer disqualify participants from contributing to Health Savings Accounts (HSAs). Subject to certain limits, contributions made by an individual to an HSA are deductible for income tax purposes, and contributions made through a cafeteria plan are excludible from income for both income and payroll tax purposes.

Direct primary care service arrangements are those in which a primary care practitioner provides primary care services to an individual for a fixed periodic fee, instead of billing through a health insurer for those services. Under H.R. 3708 payments for direct primary care service arrangements would be treated as medical expenses instead of insurance payments. Applicable primary care services would exclude procedures requiring general anesthesia, prescription drugs other than vaccines, and certain laboratory services. Payments for qualifying arrangements cannot exceed \$150 per month for covered individuals, or \$300 for families, adjusted for inflation after 2020. Aggregate fees paid by an employer would be reported on Form W-2.

Estimated Federal Cost

The estimated budgetary effect of H.R. 3708 is shown in Table 1.

Table 1. Estimated Budgetary Effects of H.R. 3708												
By Fiscal Year, Millions of Dollars											2020-	2020-
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2024	2029
Decreases (-) in Revenues												
Estimated Revenues	-36	-70	-103	-145	-175	-195	-215	-252	-277	-297	-528	-1,764
On-Budget	-26	-51	-75	-106	-128	-142	-157	-189	-209	-224	-386	-1,307
Off-Budget ^a	-10	-19	-28	-39	-47	-53	-58	-63	-68	-73	-144	-459
Increase in the Deficit From Changes in Revenues												
Effect on the Deficit	36	70	103	145	175	195	215	252	277	297	528	1,764
On-Budget Deficit	26	51	75	106	128	142	157	189	209	224	386	1,307
Off-Budget Deficit	10	19	28	39	47	53	58	63	68	73	144	459

Source: Staff of the Joint Committee on Taxation
Components may not sum to totals because of rounding.
a. Off-budget revenues result from changes in Social Security payroll tax receipts.

Basis of Estimate

The Congressional Budget Act of 1974, as amended, stipulates that revenue estimates provided by the staff of the Joint Committee on Taxation (JCT) will be the official estimates for all tax legislation considered by Congress. As such, CBO incorporates those estimates into its cost estimates of the effects of legislation. All of the estimates for the provisions of H.R. 3708 were provided by JCT.¹

Revenues

JCT estimates enacting the bill would decrease revenues by \$1.8 billion over the 2020-2029 period. The change in revenues includes a reduction \$459 million that would result from changes in off-budget revenues (from Social Security payroll taxes).

H.R. 3708 would expand access to HSAs, permitting tax-deductible contributions for individuals using direct primary care service arrangements who are ineligible to participate under current law. Contributions made by an employer on behalf of an employee are excludable from income and employment taxes.

Uncertainty

These budgetary estimates are uncertain because they rely on underlying projections and other estimates that are uncertain. Specifically, they are based in part on CBO's economic projections for the next decade under current law, and on estimates of changes in taxpayers' behavior in response to changes in tax rules.

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 revenues that are subject to those pay-as-you-go procedures are shown in Table 1. Only on-budget changes to outlays or revenues are subject to pay-as-you-go procedures.

Increase in Long-Term Deficits

JCT estimates that enacting H.R. 3708 would not increase on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2030.

Mandates: None.

JCT has reviewed H.R. 3708 and determined that it contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

¹ For JCT's estimates of the provisions, which include detail beyond the summary presented, see Joint Committee on Taxation, *Description of H.R. 3708, the "Primary Care Enhancement Act of 2019,"* JCX-47-19 (October 21, 2019) <https://go.usa.gov/xpxVV>



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