

At a Glance

H.R. 5687, HSA Modernization Act of 2023

As ordered reported by the House Committee on Ways and Means on September 28, 2023

By Fiscal Year, Billions of Dollars	2024	2024-2028	2024-2033
Direct Spending (Outlays)	0	-0.5	-2.7
Revenues	0	-15.9	-61.1
Increase or Decrease (-) in the Deficit	0	15.3	58.3
Spending Subject to Appropriation (Outlays)	0	*	not estimated

Increases <i>net direct spending</i> in any of the four consecutive 10-year periods beginning in 2034?	No	Statutory pay-as-you-go procedures apply?	Yes
		Mandate Effects	
Increases <i>on-budget deficits</i> in any of the four consecutive 10-year periods beginning in 2034?	> \$5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

* = between zero and \$500,000.

The bill would

- Expand eligibility for health savings accounts (HSAs)
- Increase annual HSA contribution limits to \$7,500 for self-only coverage and \$15,000 for family coverage
- Increase the HSA catch-up contribution limit by \$1,000 for people age 55 or older

Estimated budgetary effects would mainly stem from

- Decreased Medicare outlays caused by increased use of HSAs
- Reduced revenues from expanding HSA contribution limits and eligibility

Areas of significant uncertainty include

- Anticipating the number of taxpayers who would contribute to HSAs and the amount of their contributions

The Congressional Budget Act of 1974, as amended, stipulates that revenue estimates provided by the staff of the Joint Committee on Taxation (JCT) are the official estimates for all tax legislation considered by the Congress. CBO therefore incorporates such estimates into its cost estimates of the effects of legislation. Most of the estimates for the provisions of this bill were provided by JCT.

Detailed estimate begins on the next page.

See also

[CBO's Cost Estimates Explained](#), [CBO Describes Its Cost-Estimating Process](#), [Glossary](#)

Bill Summary

H.R. 5687 would increase contribution limits and expand eligibility for health savings accounts (HSAs)—tax-favored accounts used to cover medical expenses for people with high-deductible health plans (HDHPs). The bill also would modify certain coverage requirements for HDHPs. H.R. 5687 would take effect for tax years beginning after December 31, 2025.

Estimated Federal Cost

The estimated budgetary effect of H.R. 5687 is shown in Table 1. The costs of the legislation fall within budget functions 570 (Medicare), 550 (health), 700 (veterans benefits and services), and 800 (general government).

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) are the official estimates for all tax legislation considered by the Congress. CBO therefore incorporates such estimates into its cost estimates of the effects of legislation. JCT provided all revenue estimates presented here for H.R. 5687.¹

For this estimate, CBO and JCT assume that the bill will be enacted in fiscal year 2024 and that, except as otherwise specified, its provisions would affect tax years beginning in 2026.

Direct Spending and Revenues

CBO and JCT estimate that enacting H.R. 5687 would reduce Medicare outlays because some people would remain in an HDHP who would not do so under current law. JCT estimates that enacting the bill would reduce income tax receipts because new or larger HSA contributions would reduce income tax liabilities for some filers.

CBO and JCT estimate that, in total, H.R. 5687 would reduce revenues by \$61.1 billion and reduce outlays by \$2.7 billion over the 2024-2033 period. The bill's revenue reductions include Social Security taxes, which are classified as off-budget.

1. For JCT's preliminary estimates of the provisions that include detail beyond the summary presented here, see Joint Committee on Taxation, *Estimated Revenue Effects of H.R. 5687, the "HSA Modernization Act of 2023," Scheduled for Markup by the Committee on Ways and Means on September 28, 2023*, JCX-42-43 (September 26, 2023), www.jct.gov/publications/2023/jcx-42-23; other details are in Joint Committee on Taxation, *Description of the Chairman's Amendment in the Nature of a Substitute to H.R. 5687, The "HSA Modernization Act of 2023,"* JCX-44-23 (September 27, 2023), www.jct.gov/publications/2023/jcx-44-23.



Table 1.
Estimated Budgetary Effects of H.R. 5687

	By Fiscal Year, Billions of Dollars										2024-2028	2024-2033
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033		
Decreases in Direct Spending												
Estimated Budget Authority	0	0	-0.1	-0.2	-0.3	-0.4	-0.4	-0.4	-0.5	-0.5	-0.6	-2.7
Estimated Outlays	0	0	-0.1	-0.2	-0.3	-0.4	-0.4	-0.4	-0.5	-0.5	-0.6	-2.7
Decreases in Revenues												
Section 3, Extend Tax Exclusion of HSA Contributions to Certain Medicare Part A Enrollees												
Estimated Revenues	0	0	-0.2	-0.5	-0.9	-1.2	-1.3	-1.4	-1.4	-1.5	-1.7	-8.5
<i>On-Budget Revenues</i>	0	0	-0.1	-0.4	-0.6	-0.8	-0.9	-0.9	-1.0	-1.1	-1.2	-5.9
<i>Off-Budget Revenues</i>	0	0	-0.1	-0.2	-0.3	-0.4	-0.4	-0.4	-0.4	-0.5	-0.5	-2.6
Section 9, Increase HSA Contribution Limits												
Estimated Revenues	0	0	-2.5	-4.5	-5.2	-5.6	-6.0	-6.4	-6.8	-7.2	-12.2	-44.2
<i>On-Budget Revenues</i>	0	0	-1.9	-3.5	-4.0	-4.2	-4.5	-4.8	-5.2	-5.5	-9.3	-33.5
<i>Off-Budget Revenues</i>	0	0	-0.6	-1.1	-1.3	-1.3	-1.4	-1.5	-1.7	-1.8	-2.9	-10.7
All Other Sections ^a												
Estimated Revenues	0	0	-0.3	-0.7	-0.9	-1.1	-1.2	-1.3	-1.4	-1.5	-2.0	-8.4
<i>On-Budget Revenues</i>	0	0	-0.2	-0.6	-0.7	-0.9	-1.0	-1.0	-1.1	-1.2	-1.5	-6.7
<i>Off-Budget Revenues</i>	0	0	-0.1	-0.1	-0.2	-0.2	-0.2	-0.3	-0.3	-0.3	-0.4	-1.7
Total Decreases												
Estimated Revenues	0	0	-3.0	-5.8	-7.1	-7.9	-8.5	-9.0	-9.6	-10.2	-15.9	-61.1
<i>On-Budget Revenues</i>	0	0	-2.3	-4.4	-5.4	-5.9	-6.4	-6.8	-7.3	-7.7	-12.0	-46.1
<i>Off-Budget Revenues</i>	0	0	-0.7	-1.4	-1.7	-1.9	-2.1	-2.2	-2.4	-2.5	-3.8	-15.0
Net Increase in the Deficit From Changes in Direct Spending and Revenues												
Effect on the Deficit	0	0	2.9	5.6	6.8	7.5	8.1	8.6	9.2	9.7	15.3	58.3
<i>On-Budget Increases</i>	0	0	2.2	4.2	5.1	5.6	6.0	6.4	6.8	7.2	11.5	43.4
<i>Off-Budget Increases</i>	0	0	0.7	1.4	1.7	1.9	2.1	2.2	2.4	2.5	3.8	15.0

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

Components may not sum to totals because of rounding; HSA = health savings account.

CBO estimates that implementing H.R. 5687 would increase spending subject to appropriation by less than \$500,000 in any year over the 2024-2028 period.

a. Includes effects of interactions among all of the bill's provisions.

Section 3. This section would expand HSA eligibility to include some people who are eligible for Medicare Part A: People enrolled in an HDHP would no longer lose the tax preference for HSA contributions when they enroll in Medicare at age 65. As a result, CBO and JCT expect that some beneficiaries who, under current law, would drop their HDHP coverage would instead retain that coverage and thus make Medicare their secondary payer.



CBO and JCT estimate that as a result, Medicare outlays would decline by \$2.7 billion over the 2024-2033 period. JCT also estimates that, as a result of the additional HSA contributions, enacting section 3 would reduce revenues by \$8.5 billion over the same period.

Section 9. This section would raise the annual HSA contribution limit from \$3,850 for self-only coverage to \$7,500 and from \$7,750 for family coverage to \$15,000 (if the policy was in place for 2023). As under current law, those amounts would be indexed for inflation and people age 55 or older could make an additional \$1,000 in catch-up contributions. All of the increases would take effect for tax years after 2025. JCT estimates that the changes to contribution limits would reduce revenues by \$44.2 billion over the 2024-2033 period.

All Other Sections. Provisions in other sections of the bill would expand HSA eligibility to include veterans receiving care through the Department of Veterans Affairs, enrollees in certain health care exchange plans with low premiums, and people receiving medical care through the Indian Health Service. In addition, the bill would allow HDHPs to cover as much as \$500 annually for mental health services before the plan's deductible is met and would allow HSA funds to be used for health care services provided up to 60 days before the HSA is established. Finally, H.R. 5687 would allow a spouse to make catch-up contributions into the same HSA rather than having to establish a separate account to do so. JCT estimates that enacting those provisions would reduce revenues by an additional \$8.4 billion over the 2024-2033 period; that estimate accounts for interactions among all of the bill's provisions. CBO estimates that some veterans who currently forego receiving health care through the Department of Veterans Affairs in order to maintain an HSA would no longer do so under H.R. 5687. Some costs for health care provided through the Department of Veterans Affairs are paid from the Toxic Exposures Fund, which is a mandatory appropriation; CBO estimates that any changes to such direct spending stemming from those provisions would be insignificant.

Spending Subject to Appropriation

CBO estimates that implementing H.R. 5687 would increase the Internal Revenue Service's administrative costs by less than \$500,000 over the 2024-2028 period. There also would be an insignificant cost for spending on health care for veterans and for people receiving medical care through the Indian Health Service over the same period. That spending would be subject to the availability of appropriated funds.

Uncertainty

JCT's and CBO's estimates of the budgetary effects of H.R. 5687 are subject to uncertainty because they are made on the basis of underlying projections and other factors that could change significantly. In particular, the estimates here rely on CBO's economic projections for the next decade under current law and on expectations about the way taxpayers and beneficiaries of other health care programs might respond to changes in tax law. In this case,



the uncertainty involves how many people would decide to contribute to an HSA after the 2025 tax year and how much they would contribute.

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. Only on-budget changes to outlays or revenues are subject to pay-as-you-go procedures. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in Table 2.

Table 2.
CBO’s Estimate of the Statutory Pay-As-You-Go Effects of H.R. 5687, the HSA Modernization Act of 2023, as Ordered Reported by the House Committee on Ways and Means on September 28, 2023

	By Fiscal Year, Billions of Dollars										2024-2028	2024-2033
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033		
	Net Increase in the On-Budget Deficit											
Pay-As-You-Go Effect	0	0	2.2	4.2	5.1	5.6	6.0	6.4	6.8	7.2	11.5	43.4
Memorandum:												
Changes in Outlays	0	0	-0.1	-0.2	-0.3	-0.4	-0.4	-0.4	-0.5	-0.5	-0.6	-2.7
Changes in Revenues	0	0	-2.3	-4.4	-5.4	-5.9	-6.4	-6.8	-7.3	-7.7	-12.0	-46.1

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

Increase in Long-Term Net Direct Spending and Deficits

CBO and JCT estimate that enacting H.R. 5687 would not increase net direct spending in any of the four consecutive 10-year periods beginning in 2034.

CBO and JCT estimate that enacting H.R. 5687 would increase on-budget deficits by more than \$5 billion in at least one of the four consecutive 10-year periods beginning in 2034.

Mandates

JCT has determined that H.R. 5687 would not impose intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.



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