



December 11, 2015

Honorable Mike Enzi
Chairman
Committee on the Budget
United States Senate
Washington, DC 20510

Re: Budgetary Effects of H.R. 3762, the Restoring Americans' Healthcare Freedom Reconciliation Act, as Passed by the Senate on December 3, 2015

Dear Mr. Chairman:

At your request (and that of Chairman Tom Price, M.D.), CBO and the staff of the Joint Committee on Taxation (JCT) have estimated the budgetary effects of H.R. 3762, the Restoring Americans' Healthcare Freedom Reconciliation Act, as passed by the Senate. CBO and JCT estimate that enacting H.R. 3762 would decrease deficits by about \$474 billion over the 2016–2025 period.

That estimate includes two components: Excluding macroeconomic feedback effects, the act would reduce deficits by about \$282 billion. In addition, the changes in economic output and other macroeconomic variables that would result from enacting the legislation would reduce deficits by about \$193 billion, CBO and JCT estimate. The budgetary effects of the act would result from changes to both direct spending and revenues. (CBO has not estimated any effects this act might have on discretionary spending.)

The largest budgetary effects of enacting the legislation would stem from:

- Repealing subsidies for health insurance coverage obtained through exchanges beginning in 2018 and, prior to that year, eliminating the limitation on the amount people would have to repay if the premium tax credit they receive during the year exceeds the allowed amount based on their actual income;
- Repealing the optional expansion of eligibility for Medicaid that was established in the Affordable Care Act (ACA), beginning in 2018;
- Eliminating penalties associated with the requirements that most people obtain health insurance coverage and that large employers offer their employees health insurance coverage that meets specified standards, while keeping those requirements in place, beginning in 2016;

- Repealing the federal excise tax imposed on some health insurance plans with high premiums; and
- Repealing many of the provisions of the ACA that are estimated to increase federal revenues (apart from the effect of the provisions related to insurance coverage). Those with the most significant budgetary effects include the Hospital Insurance payroll tax rate for high-income taxpayers, a surtax on those taxpayers' net investment income, and annual fees on health insurers.

Other parts of the legislation that affect the budget would:

- Repeal reductions to state allotments for Medicaid payments to hospitals that treat a disproportionate share of uninsured or low income patients;
- Eliminate the Prevention and Public Health Fund and rescind any unobligated balances of the fund;
- Terminate the enhanced federal matching rate for personal care attendant services and supports provided under the Community First Choice Act beginning in calendar year 2018;
- Increase the amount of funding authorized and appropriated to the Community Health Center Fund and for grants to states to address substance abuse;
- Prohibit federal funds from being made available, for one year, to certain entities that provide abortions; and
- Repeal a portion of the Medicaid funding provided to U.S. territories.

As required by the Concurrent Resolution on the Budget for Fiscal Year 2016, CBO and JCT have assessed the effect of H.R. 3762 on long-term deficits and direct spending. Both including and excluding macroeconomic feedback, CBO and JCT estimate that enacting the legislation would not increase *net direct spending* in any of the four consecutive 10-year periods beginning in 2026. Both including and excluding macroeconomic feedback, the agencies estimate that enacting the legislation would increase *on-budget deficits* by at least \$5 billion in at least one of the four consecutive 10-year periods beginning in 2026.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effects of H.R. 3762 are shown in Table 1. For this estimate, CBO and JCT assume that the legislation will be enacted near the end of calendar year 2015.

TABLE 1. SUMMARY OF ESTIMATED EFFECTS ON DIRECT SPENDING AND REVENUES OF H.R. 3762, THE RESTORING AMERICANS' HEALTHCARE FREEDOM RECONCILIATION ACT, AS PASSED BY THE SENATE ON DECEMBER 3, 2015

	By Fiscal Year, in Billions of Dollars											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2020	2016-2025
ESTIMATED CHANGES WITHOUT MACROECONOMIC FEEDBACK												
Effects on Outlays ^a	-24.3	-29.3	-113.4	-149.6	-156.4	-164.0	-172.5	-179.9	-187.4	-194.6	-473.0	-1,371.4
Effects on Revenues ^b	-56.2	-53.5	-85.4	-102.0	-108.4	-116.4	-126.4	-136.8	-147.4	-158.0	-405.4	-1,089.8
Net Increase or Decrease (-) in the Deficit	31.9	24.2	-28.0	-47.6	-48.0	-47.7	-46.1	-43.2	-40.0	-36.6	-67.6	-281.6
ESTIMATED BUDGETARY IMPACT OF MACROECONOMIC FEEDBACK												
Effects on Outlays ^a	*	0.6	0.8	0.8	1.7	3.1	4.0	4.6	5.0	5.1	3.8	25.7
Effects on Revenues ^b	6.5	8.8	10.0	16.7	23.5	27.2	29.6	31.3	32.2	32.5	65.6	218.4
Net Decrease (-) in the Deficit	-6.5	-8.3	-9.2	-15.9	-21.9	-24.1	-25.6	-26.7	-27.2	-27.4	-61.7	-192.8
TOTAL ESTIMATED CHANGES, INCLUDING MACROECONOMIC FEEDBACK												
Effects on Outlays ^a	-24.3	-28.8	-112.6	-148.9	-154.7	-161.0	-168.4	-175.3	-182.4	-189.5	-469.2	-1,345.8
Effects on Revenues ^b	-49.7	-44.7	-75.3	-85.3	-84.9	-89.2	-96.8	-105.4	-115.1	-125.5	-339.8	-871.4
Net Increase or Decrease (-) in the Deficit	25.5	15.9	-37.2	-63.5	-69.8	-71.8	-71.7	-69.8	-67.2	-64.0	-129.4	-474.4

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

Notes: Numbers may not add up to totals because of rounding; * = an increase or decrease between zero and \$50 million.

- a. For outlays, a positive number indicates an increase (adding to the deficit) and a negative number indicates a decrease (reducing the deficit).
- b. For revenues, a positive number indicates an increase (reducing the deficit) and a negative number indicates a decrease (adding to the deficit).

Because the estimate of macroeconomic effects incorporates the impact of all of the act's provisions taken together, the estimates of the act's effects by individual provision do not reflect the macroeconomic feedback effects. Those estimates are shown in Table 2. CBO and JCT are not able to produce separate estimates for each section where "included in coverage estimate" is noted because the provisions interact with each other and their effects are estimated simultaneously. As a result, the estimates for those sections are combined.

TABLE 2. ESTIMATE OF DIRECT SPENDING AND REVENUE EFFECTS OF H.R. 3762, THE RESTORING AMERICANS' HEALTHCARE FREEDOM RECONCILIATION ACT, AS PASSED BY THE SENATE ON DECEMBER 3, 2015

	By Fiscal Year, in Billions of Dollars											2016-	2016-
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2020	2025	
ESTIMATED CHANGES WITHOUT MACROECONOMIC FEEDBACK													
Changes in Direct Spending ^a													
Coverage Provisions in Titles I and II													
Estimated Budget Authority	-22.1	-26.2	-111.8	-148.8	-157.0	-165.3	-174.4	-182.5	-190.6	-197.7	-465.9	-1,376.4	
Estimated Outlays	-22.1	-26.2	-111.8	-148.8	-157.0	-165.3	-174.4	-182.5	-190.6	-197.7	-465.9	-1,376.4	
<i>On-Budget</i>	-22.1	-26.2	-111.2	-147.9	-156.1	-164.3	-173.4	-181.5	-189.6	-196.5	-463.5	-1,368.8	
<i>Off-Budget</i>	0	0	-0.6	-0.9	-0.9	-1.0	-1.0	-1.0	-1.1	-1.1	-2.5	-7.7	
Title I—Health, Education, Labor and Pensions													
Sec. 101 – Prevention and Public Health Fund													
Estimated Budget Authority	-1.0	-1.0	-1.3	-1.3	-1.5	-1.5	-2.0	-2.0	-2.0	-2.0	-6.0	-15.5	
Estimated Outlays	-0.2	-0.5	-0.9	-1.1	-1.3	-1.4	-1.6	-1.8	-1.9	-2.0	-4.1	-12.7	
Sec. 102 – Community Health Center Program													
Estimated Budget Authority	0.2	0.2	0	0	0	0	0	0	0	0	0.5	0.5	
Estimated Outlays	0.1	0.2	0.1	*	0	0	0	0	0	0	0.5	0.5	
Sec. 103 - Territories													
Estimated Budget Authority	0	0	-0.1	-0.1	0	0	0	0	0	0	-0.2	-0.2	
Estimated Outlays	0	0	-0.1	-0.1	0	0	0	0	0	0	-0.2	-0.2	
Sec. 104 – Reinsurance, Risk Corridor, and Risk Adjustment Programs													
Estimated Budget Authority	<i>included in coverage estimate</i>												
Estimated Outlays	<i>included in coverage estimate</i>												
Sec. 105 – Support for State Response to Substance Abuse Public Health Crisis													
Estimated Budget Authority	0.8	0.8	0	0	0	0	0	0	0	0	1.5	1.5	
Estimated Outlays	0.1	0.4	0.5	0.3	0.1	*	0	0	0	0	1.4	1.5	
Title II—Finance													
Sec. 201 – Recapture Excess Advance Payments of Premium Tax Credits													
Estimated Budget Authority	-1.8	-3.3	-1.1	0	0	0	0	0	0	0	-6.1	-6.1	
Estimated Outlays	-1.8	-3.3	-1.1	0	0	0	0	0	0	0	-6.1	-6.1	
Sec. 202 – Premium Tax Credit and Cost Sharing Reductions													
Estimated Budget Authority	<i>included in coverage estimate</i>												
Estimated Outlays	<i>included in coverage estimate</i>												

Continued

TABLE 2, Continued.

	By Fiscal Year, in Billions of Dollars											2016-	2016-
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2020	2025	
Sec. 203 – Small Business Tax Credit													
Estimated Budget Authority													
Estimated Outlays													
Sec. 204 – Individual Mandate													
Estimated Budget Authority													
Estimated Outlays													
Sec. 205 – Employer Mandate													
Estimated Budget Authority													
Estimated Outlays													
Sec. 206 – Federal Payment to States													
Estimated Budget Authority	-0.2	*	*	*	*	*	*	*	*	0	-0.2	-0.2	
Estimated Outlays	-0.2	*	*	*	*	*	*	*	*	0	-0.2	-0.2	
Sec. 207 – Medicaid (Coverage)													
Estimated Budget Authority													
Estimated Outlays													
Sec. 207 – Medicaid (Non-Coverage)													
Estimated Budget Authority	0	0	-1.6	-2.3	-1.6	-1.7	-1.8	-1.9	-2.0	-2.1	-5.5	-15.0	
Estimated Outlays	0	0	-1.6	-2.3	-1.6	-1.7	-1.8	-1.9	-2.0	-2.1	-5.5	-15.0	
Sec. 208 – Repeal of DSH Allotment Reductions													
Estimated Budget Authority	0	0	1.5	2.4	3.4	4.3	5.3	6.2	7.2	7.2	7.2	37.5	
Estimated Outlays	0	0	1.5	2.4	3.4	4.3	5.3	6.2	7.2	7.2	7.2	37.5	
Sec. 209 – Repeal of the Tax on Employee Health Insurance Premiums and Health Plan Benefits													
Estimated Budget Authority													
Estimated Outlays													
Sec. 223 – Budgetary Savings for Extending Medicare Solvency													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	
Estimated Outlays	0	0	0	0	0	0	0	0	0	0	0	0	
Total Changes in Direct Spending													
Estimated Budget Authority	-24.2	-29.5	-114.4	-150.1	-156.7	-164.2	-172.9	-180.2	-187.4	-194.6	-474.9	-1,374.1	
Estimated Outlays	-24.3	-29.3	-113.4	-149.6	-156.4	-164.0	-172.5	-179.9	-187.4	-194.6	-473.0	-1,371.4	
<i>On-Budget</i>	-24.3	-29.3	-112.8	-148.7	-155.5	-163.1	-171.5	-178.9	-186.3	-193.4	-470.6	-1,363.8	
<i>Off-Budget</i>	0	0	-0.6	-0.9	-0.9	-1.0	-1.0	-1.0	-1.1	-1.1	-2.5	-7.7	

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TABLE 2, Continued.

	By Fiscal Year, in Billions of Dollars											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016- 2020	2016- 2025
Changes in Revenues^b												
Coverage Provisions in Titles I and II												
Estimated Revenues	-18.0	-14.4	-29.5	-43.2	-46.3	-50.2	-56.2	-62.1	-68.4	-74.9	-151.3	-463.1
<i>On-Budget</i>	-19.2	-18.0	-24.2	-34.0	-36.8	-39.6	-44.2	-49.0	-54.1	-58.6	-132.2	-377.8
<i>Off-Budget</i>	1.2	3.5	-5.3	-9.2	-9.4	-10.6	-11.9	-13.1	-14.3	-16.3	-19.1	-85.3
Title II—Finance												
Sec. 201 - Recapture Excess												
Advance Payments of Premium												
Tax Credits	0.2	1.2	1.1	0	0	0	0	0	0	0	2.6	2.6
Sec. 202 - Premium Tax Credit												
and Cost Sharing Reductions												
Sec. 203 - Small Business Tax												
Credit												
Sec. 204 - Individual Mandate												
Sec. 205 - Employer Mandate												
Sec. 209 - Repeal of the Tax on												
Employee Health Insurance												
Premiums and Health Plan												
Benefits												
Sec. 210 - Repeal of Tax on												
Over-the-Counter Medications	-0.3	-0.5	-0.6	-0.6	-0.6	-0.7	-0.7	-0.8	-0.9	-0.9	-2.7	-6.7
Sec. 211 - Repeal of Tax on												
Health Savings Accounts	*	*	*	*	*	*	*	*	*	*	*	-0.1
Sec. 212 - Repeal of Limitations												
on Contributions to Flexible												
Spending Accounts	-1.4	-2.4	-2.7	-2.9	-3.1	-3.4	-3.6	-3.9	-4.4	-4.4	-12.6	-32.0
Sec. 213 - Repeal of Tax on												
Prescription Medications	-2.9	-3.9	-4.0	-2.7	-2.7	-2.7	-2.7	-2.7	-2.7	-2.7	-16.1	-29.6
Sec. 214 - Repeal of Medical												
Device Excise Tax	-1.4	-2.0	-2.1	-2.2	-2.3	-2.5	-2.6	-2.8	-2.9	-3.1	-10.0	-23.9
Sec. 215 - Repeal of Health												
Insurance Tax	-9.9	-12.0	-12.5	-13.1	-13.8	-14.6	-15.5	-16.4	-17.0	-17.5	-61.2	-142.2
Sec. 216 - Repeal of Elimination												
of Deduction for Expenses												
Allocable to Medicare Part D												
Subsidy	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.8	-1.8
Sec. 217 - Repeal of Chronic												
Care Tax	-0.6	-2.0	-3.4	-3.7	-4.1	-4.5	-4.9	-5.3	-5.7	-6.1	-13.7	-40.0
Sec. 218 - Repeal of Medicare												
Tax Increase	-6.4	-8.9	-10.1	-10.9	-11.7	-12.7	-13.8	-14.9	-16.1	-17.6	-48.0	-123.0
Sec. 219 - Repeal of Tanning Tax												
Sec. 220 - Repeal of Net												
Investment Tax	-15.1	-7.7	-20.8	-21.8	-22.9	-24.1	-25.5	-26.8	-28.2	-29.7	-88.4	-222.8
Sec. 221 - Remuneration	*	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.3	-0.6

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TABLE 2, Continued.

	By Fiscal Year, in Billions of Dollars											2016-	2016-
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2020	2025	
Sec. 222 - Economic Substance Doctrine	-0.3	-0.5	-0.5	-0.6	-0.6	-0.6	-0.6	-0.7	-0.7	-0.7	-2.5	-5.8	
Total Changes in Revenues	-56.2	-53.5	-85.4	-102.0	-108.4	-116.4	-126.4	-136.8	-147.4	-158.0	-405.4	-1,089.8	
<i>On-Budget</i>	<i>-57.0</i>	<i>-56.2</i>	<i>-79.0</i>	<i>-91.8</i>	<i>-97.8</i>	<i>-104.6</i>	<i>-113.2</i>	<i>-122.3</i>	<i>-131.6</i>	<i>-140.2</i>	<i>-381.5</i>	<i>-992.7</i>	
<i>Off-Budget</i>	<i>0.8</i>	<i>2.6</i>	<i>-6.4</i>	<i>-10.3</i>	<i>-10.6</i>	<i>-11.8</i>	<i>-13.2</i>	<i>-14.5</i>	<i>-15.8</i>	<i>-17.8</i>	<i>-23.9</i>	<i>-97.2</i>	
Net Increase or Decrease (-) in the Deficit	31.9	24.2	-28.0	-47.6	-48.0	-47.7	-46.1	-43.2	-40.0	-36.6	-67.6	-281.6	
<i>On-Budget</i>	<i>32.7</i>	<i>26.8</i>	<i>-33.8</i>	<i>-56.9</i>	<i>-57.7</i>	<i>-58.5</i>	<i>-58.3</i>	<i>-56.6</i>	<i>-54.7</i>	<i>-53.2</i>	<i>-89.1</i>	<i>-371.1</i>	
<i>Off-Budget</i>	<i>-0.8</i>	<i>-2.6</i>	<i>5.8</i>	<i>9.3</i>	<i>9.7</i>	<i>10.8</i>	<i>12.2</i>	<i>13.4</i>	<i>14.7</i>	<i>16.6</i>	<i>21.5</i>	<i>89.5</i>	
ESTIMATED BUDGETARY IMPACT OF MACROECONOMIC FEEDBACK^c													
Effects on Outlays ^a	*	0.6	0.8	0.8	1.7	3.1	4.0	4.6	5.0	5.1	3.8	25.7	
Effects on Revenues ^b	6.5	8.8	10.0	16.7	23.5	27.2	29.6	31.3	32.2	32.5	65.6	218.4	
Net Decrease (-) in the Deficit	-6.5	-8.3	-9.2	-15.9	-21.9	-24.1	-25.6	-26.7	-27.2	-27.4	-61.7	-192.8	
TOTAL ESTIMATED CHANGES, INCLUDING MACROECONOMIC FEEDBACK^c													
Effects on Outlays ^a	-24.3	-28.8	-112.6	-148.9	-154.7	-161.0	-168.4	-175.3	-182.4	-189.5	-469.2	-1,345.8	
Effects on Revenues ^b	-49.7	-44.7	-75.3	-85.3	-84.9	-89.2	-96.8	-105.4	-115.1	-125.5	-339.8	-871.4	
Net Increase or Decrease (-) in the Deficit	25.5	15.9	-37.2	-63.5	-69.8	-71.8	-71.7	-69.8	-67.2	-64.0	-129.4	-474.4	

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

Notes: Numbers may not add up to totals because of rounding; DSH = Disproportionate Share Hospital;
* = an increase or decrease between zero and \$50 million.

- For outlays, a positive number indicates an increase (adding to the deficit) and a negative number indicates a decrease (reducing the deficit).
- For revenues, a positive number indicates an increase (reducing the deficit) and a negative number indicates a decrease (adding to the deficit).
- CBO and JCT have determined that it is not practicable at this time to provide the separate on-budget and off-budget estimates for the budgetary impact of macroeconomic feedback.

ESTIMATE EXCLUDING MACROECONOMIC FEEDBACK

Excluding macroeconomic effects, CBO and JCT estimate that, on net, enacting the legislation would reduce federal deficits by \$281.6 billion over the 2016–2025 period; that change would result from a \$1.4 trillion reduction in outlays partially offset by a \$1.1 trillion decrease in revenues. (See “Net Effects on Health Insurance Coverage” for a discussion of the effects of the legislation on health insurance coverage.)

Budgetary Effects of Health Insurance Coverage Provisions

Provisions of H.R. 3762 that would affect health insurance coverage include eliminating penalties associated with the individual and employer mandates, repealing the subsidies for health insurance coverage obtained through exchanges beginning in 2018, repealing the expansion of Medicaid eligibility beginning in 2018, eliminating certain changes to payment rules and rates established by the ACA for Medicaid beginning in 2018, repealing the small business tax credit beginning in 2018, and repealing the excise tax on certain high-premium insurance plans. CBO and JCT estimate that those provisions would yield a net decrease in federal deficits of \$913 billion over the 2016–2025 period. That projected decrease in federal deficits over the 10-year period consists of a \$1.4 trillion decrease in direct spending, partially offset by a \$463 billion reduction in revenues.

The projected savings from the coverage provisions of this act are smaller than those that CBO and JCT have estimated would stem from repealing all of the coverage provisions of the ACA in 2016 for three main reasons.¹ First, the provisions related to coverage yielding the largest budgetary effects would not be repealed until 2018. Second, the act would leave in place certain rules established by the ACA that govern health insurance markets, including guaranteed issue and renewability of coverage, the requirement that health insurance cover certain health benefits, and rating rules that limit the extent to which premiums can vary based on individual characteristics. Finally, H.R. 3762 would not repeal changes made by the ACA related to coverage for young adults.

Budgetary Effects of Other Provisions

H.R. 3762 would also make changes to spending for other federal health care programs and to federal revenues. CBO and JCT estimate that those provisions would result in a net increase in federal deficits of \$632 billion over the 2016–2026 period. That projected increase over the 10-year period consists of a \$627 billion decrease in revenues and a \$5 billion increase in direct spending.

The estimated \$627 billion decrease in revenues results from provisions in the bill that would repeal many of the revenue-related provisions of the ACA (apart from provisions related to health insurance coverage discussed above). Those with the most significant budgetary effects include the increase in the Hospital Insurance payroll tax rate for high-income taxpayers, a surtax on those taxpayers' net investment income, and annual fees imposed on health insurers and medical devices.

The projected \$5 billion increase in direct spending is primarily the net result of an estimated \$37.5 billion increase in payments to hospitals that treat a disproportionate share of uninsured or low-income patients, partially offset by a \$12.7 billion reduction in outlays

1. Congressional Budget Office, *Budgetary and Economic Effects of Repealing the Affordable Care Act* (June 2015), www.cbo.gov/publication/50252.

for the Prevention and Public Health Fund and a \$15 billion reduction in spending for Medicaid not related to insurance coverage.

Net Effects on Health Insurance Coverage

Without taking into account effects on coverage that would result from leaving in place the ACA's insurance market reforms while repealing the subsidies and mandate penalties, CBO and JCT estimate that enacting H.R. 3762 would increase the number of people without health insurance coverage—relative to current-law projections—by about 22 million people in most years after 2017. That increase in the uninsured population would consist of roughly 14 million fewer individuals with coverage under Medicaid or the Children's Health Insurance Program, about 10 million more individuals with employment-based coverage, and 18 million fewer individuals with coverage obtained in the nongroup market (including individual policies purchased through the exchanges or directly from insurers in the nongroup market).

CBO and JCT have not estimated the changes in coverage from leaving in place the ACA's insurance market reforms while repealing the subsidies and mandate penalties. However, the agencies expect that, relative to the numbers provided above, leaving the market reforms in place would lead to a further reduction in the number of people covered in the nongroup market and an additional increase in the number of uninsured and people with employment-based insurance.

CBO and JCT project that repealing the subsidies and mandate penalties established by the ACA while leaving in place the insurance market reforms would result in a less healthy population in the nongroup market and correspondingly higher average premiums. In addition, the market for nongroup insurance, particularly in smaller states, could become unstable, leading to very low to no participation by insurers and consumers.

ESTIMATE OF MACROECONOMIC FEEDBACK EFFECTS

CBO and JCT estimate that, compared with what would occur under CBO's baseline projections, the legislation would boost the economy's output by less than 0.2 percent in each year over the 2016–2018 period, but by increasing amounts after that, resulting in an increase in the level of gross domestic product (GDP) of about 0.8 percent, on average, from 2021 to 2025. Those effects would stem mostly from repealing provisions of the ACA that, under current law, are expected to reduce the supply of labor.² In addition, the act would increase investment and the capital stock because, excluding macroeconomic feedback, it would lower cumulative deficits over the next decade, and because certain provisions would increase incentives to save and invest. The feedback of those economic

2. For a description of CBO's methods used to estimate the effects of the Affordable Care Act on the labor market, see *How CBO Estimates the Effects of the Affordable Care Act on the Labor Market: Working Paper 2015-09* December 7, 2015, www.cbo.gov/publication/51065.

effects to the budget would further lower federal deficits in the coming decade, CBO and JCT estimate. The largest effect on the budget would be an increase in revenues arising from the increased supply of labor and capital that in turn boosts employment and taxable income.

In estimating those effects, CBO and JCT used an approach very similar to that employed in *Budgetary and Economic Effects of Repealing the Affordable Care Act* (June 2015). H.R. 3762 would eventually have much the same effects on incentives to work as repeal of the ACA considered in that report. CBO adjusted its earlier analysis to account for differences in the current legislation, including larger reductions in federal spending and delays in the timing of certain provisions.

BUDGETARY EFFECTS BEYOND 2025

Both including and excluding macroeconomic feedback, CBO and JCT estimate that enacting the legislation would not increase net direct spending in any of the four consecutive 10-year periods beginning in 2026.

CBO and JCT estimate that the reductions in revenues under the bill would grow more rapidly beyond 2025 than the reductions in outlays, both including and excluding macroeconomic feedback. In particular, the agencies estimate that the revenue losses stemming from repealing the excise tax on certain high-premium insurance plans would grow more rapidly than other components of the estimate because an increasing portion of employment-based plans are projected to be affected by the tax over time under current law. On balance, the effect of the legislation on deficits becomes increasingly negative over time, crowding out growing amounts of capital. Thus, the positive impact of macroeconomic feedback fades over time. Overall, CBO and JCT estimate that enacting H.R. 3762 would increase on-budget deficits by more than \$5 billion in one or more of the four consecutive 10-year periods beginning in 2026. Estimates over such a long horizon are subject to even greater uncertainty than that surrounding projections for the next decade.³

3. For further discussion of the sources of uncertainty underlying CBO and JCT's estimates, see Congressional Budget Office, *Budgetary and Economic Effects of Repealing the Affordable Care Act* (June 2015), pp. 5-6, www.cbo.gov/publication/50252.

Honorable Mike Enzi

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I hope this information is helpful to you. The CBO staff contacts are Chad Chirico and Ben Page.

Sincerely,

A handwritten signature in black ink, appearing to read "Keith Hall". The signature is written in a cursive, slightly slanted style.

Keith Hall
Director

cc: Honorable Bernie Sanders
Ranking Member

Identical letter sent to the Honorable Tom Price, M.D.