U.S. House of Representatives

May 17, 2024

The Honorable Phillip L. Swagel
Director
Congressional Budget Office
United States Congress
Washington, DC 20515

Thomas A. Barthold
Chief of Staff
Joint Committee on Taxation
United States Congress
Washington, DC 20515

Dear Director Swagel and Mr. Barthold:

We appreciate the work of the Congressional Budget Office (CBO) and Joint Committee on Taxation (JCT) in providing the Congress with economic analysis of proposed policies.

As you know, the American Rescue Plan (P.L. 117-2) spent an estimated $34 billion to temporarily increase the amount of the premium tax credit (PTC) subsidies for plans purchased through the ACA, while also removing the 400 percent of federal poverty level (FPL) income limit on eligibility for government assistance through Calendar Year 2022.[1] Subsequently, the Inflation Reduction Act (P.L. 117-169) spent an estimated $64 billion to extend the expanded ACA subsidies through Calendar Year 2025.[2]

Notably, the actual costs associated with these expanded ACA premium tax credits have been significantly higher than initially estimated. [3] In fact, while CBO estimated last year that outlays for ACA premium tax credits and related spending would be $78 billion in Fiscal Year 2024, CBO now expects outlays to reach $103 billion, an increase of $25 billion.[4]

It is particularly concerning that, by removing the income eligibility limit, some of our nation's highest earners are now eligible for government assistance. In certain areas of the country, a family making as much as $599,000 in 2023 could qualify for taxpayer-funded subsidies.[5] JCT previously noted that 54 percent of the new spending on premium tax credits paid pursuant to the IRA's three-year extension of the expanded subsides would go to those exceeding the previous income cap.

[1] Estimated Budgetary Effects of Title 9 of H.R. 1319, the American Rescue Plan Act of 2021 (Congressional Budget Office) March 6, 2021 (net effect of $$22.0B outlays; $12.2B less revenue)
[2] Estimated Budgetary Effects of Title 1, Committee on Finance, of Public Law 117-169 (Congressional Budget Office) September 7, 2022 (net effect $32.8B outlays; $31.2B less revenue)
[3] Behind the ObamaCare Boom: Sweetened Subsidies are Attracting More Takers, at Taxpayer Expense (Wall Street Journal) Jan. 28, 2024.
[4] The Budget and Economic Outlook: 2024 to 2034 (Congressional Budget Office) February 7, 2024
[5] Testimony of Brian C. Blase, PhD before the House Committee on Ways and Means Subcommittee on Health (Why Health Care Is Unaffordable: The Fallout of Democrats' Inflation on Patients and Small Businesses) March 23, 2023

The ACA premium tax credit expansion needlessly spent well over $100 billion of tax dollars for a minimal reduction in the number of uninsured. The reality is enrollment in the ACA exchanges has siphoned individuals away from more robust employer sponsored insurance options, while increasing costs for millions of taxpayers. Particularly concerning to both consumers and taxpayers, the expanded ACA premium tax credits have had an inflationary effect on health insurance premiums by providing insurers increased pricing power, as the cost of tax credits grow dollar for dollar with benchmark premiums. Now, to continue papering over these rising costs, President Biden and Congressional Democrats are calling for a permanent expansion of the enhanced ACA premium tax credits – writing even bigger checks to insurance companies instead of addressing the true cost of care.

The President's Fiscal Year 2025 Budget Request included a policy proposal to permanently extend the expanded ACA premium tax credit subsidies, at an estimated net cost of $383 billion over the budget window, including increased net interest outlays, according to CBO.[6] The same policy proposal to make permanent the expanded ACA premium tax credit subsidies was included in the Fiscal Year 2024 Budget Request at an estimated net cost of $300 billion over the budget window. [7]

In order to better understand the policy proposal to make the expanded ACA premium tax credit subsidies permanent, we request CBO and JCT provide an analysis of the following:

1) The budgetary effects on outlays, revenues, and the deficit for each fiscal year in the ten-year budget window, as well as the cumulative five and ten-year estimates;

2) The percentage of enrollees who would have access to fully taxpayer subsidized plans and the number of enrollees who are projected to enroll in fully taxpayer subsidized plans;

3) The change in Americans' sources of health coverage, including the number of individuals who would no longer have employer-sponsored insurance over the ten-year window;

4) The number of subsidized marketplace enrollees as a result of the policy and the federal cost of PTCs for those individuals, broken down by the following income levels:

    a. Between 400 and 500 percent FPL;
    b. Between 500 and 600 percent FPL;
    c. Between 600 and 750 percent FPL;
    d. Greater than 750 percent FPL;

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[6] Budgetary Outcomes Under Alternative Assumptions About Spending and Revenues (Congressional Budget Office) May 8, 2024 (net effect of $335 billion on deficits; $48 billion in increased net interest outlays)

[7] Budgetary Outcomes Under Alternative Assumptions About Spending and Revenues (Congressional Budget Office) May 30, 2023 (net effect of $271 billion in deficits; $29 billion in increased net interest outlays)

5) The percentage of the new ACA premium tax credit spending, if the policy was made permanent, that would go to households with incomes above 400 percent of the FPL for coverage years beginning January 1, 2025 and ending January 1, 2035;

6) The average value of the PTCs for new marketplace enrollees under the policy and the average tax benefit of the employer-sponsored insurance tax exclusion for a person projected to no longer enroll in employment-based coverage under the policy; and

7) The budgetary effects on outlays, revenues, as well as net interest outlays for each fiscal year in the ten-year budget window, as well as the cumulative five and ten-year estimates of the finalized rule (89 FR 39392) "Clarifying the Eligibility of Deferred Action for Childhood Arrivals (DACA) Recipients and Certain Other Noncitizens for a Qualified Health Plan through an Exchange, Advance Payments of the Premium Tax Credit, Cost-Sharing Reductions, and a Basic Health Program," should the expanded ACA premium tax credit subsidies be made permanent.

We appreciate your attention to this matter and look forward to your response. If you have questions, please contact Braden Murphy (braden.murphy@mail.house.gov) with the House Budget Committee or Casey Quinn (casey.quinn@mail.house.gov) with the House Ways and Means Committee.

Sincerely,

Jodey Arrington
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Jason Smith
Chairman
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