

CBO and JCT Confirm the Debt-Driving Cost of Biden's Plan to Permanently Expand Obamacare Subsidies for the Wealthy

WASHINGTON, D.C. – Today, Congressional Budget Office (CBO) Director Phillip Swagel and Joint Committee on Taxation (JCT) Chief of Staff Thomas Barthold **responded** to a **letter** sent by House Budget Committee Chairman Jodey Arrington (R-TX) and House Ways and Means Committee Chairman Jason Smith (R-MO), which requested a comprehensive analysis of the budgetary effects of making permanent the enhanced Obamacare subsidies – as called for in President Biden's budget – which have gone to some of the nation's wealthiest, including those making as much as \$599,000 a year.

CBO and JCT reported that Democrats' plan to permanently extend the expanded Obamacare subsidies would cost taxpayers **\$383 billion over the next 10 years**. Furthermore, they confirmed high-income individuals will receive fully taxpayer-subsidized health insurance under the policy.

Just five years ago, **annual spending** on Obamacare subsidies was \$57 billion. In 2024, **annual spending** on Obamacare subsidies is projected to more than double to \$125 billion. Biden's proposal to make permanent the expanded subsidies will continue to skyrocket as the cost of health insurance rises in response to the inflationary subsidies.

CHAIRMAN ARRINGTON'S AND CHAIRMAN SMITH'S JOINT STATEMENT

“President Biden used the COVID crisis to advance Democrats' long-standing goal of expanding government-run healthcare. Now, he wants to make permanent these expanded Obamacare tax credits without means-testing, providing taxpayer-subsidized health insurance to some of the nation's wealthiest – including those making up to \$599,000 – and adding \$383 billion to the deficit over the next decade.”

“At a time when we are experiencing a record \$35 trillion national debt with health care expenditures accounting for nearly 18 percent of GDP, it is unconscionable that Democrats would continue to push for massive taxpayer-funded handouts to the wealthy and large health insurance companies.”

THE LETTER READS IN PART:

- *“CBO and JCT estimate that making the policy permanent would increase the budget deficit by **\$335 billion over the 2025-2034 period**” and “the debt-service costs associated with the policy extension—that is, the increase in interest payments on the federal debt that would arise from the larger deficit—would be **\$48 billion over the 2025-2034 period.**”*
- *“CBO and JCT estimate that, over the 2025-2034 period, people who no longer enroll in employment-based coverage because of a permanent extension would have received an average annual tax benefit of \$4,350” while “those enrollees would receive an average annual credit of \$5,370,” demonstrating that **Obamacare subsidies are less-efficient for taxpayers than the cost of subsidizing employer-sponsored insurance.***
- **31 percent of the total cost will go to wealthy individuals with incomes over 400 percent of the federal poverty level (FPL).**
- *“The agencies also estimate that under a permanent extension, roughly 30 percent of marketplace enrollees, or about 7 million people, would enroll in plans with fully subsidized premiums,” meaning permanently extending the expanded subsidies will continue to provide free health care at taxpayer expense, where patients have little incentive to be cost-conscious.*
- *“In May 2024, the Centers for Medicare & Medicaid Services issued a final rule that changed what it means for a noncitizen to be “lawfully present” in the United States for the purpose of determining eligibility for the premium tax credit. The result was to make Deferred Action for Childhood Arrivals (DACA) recipients eligible for that credit.”*

- According to the letter, if the expanded Obamacare subsidies are made permanent, the total cost of this expansion of subsidies to illegal immigrants would reach **\$11 billion over 10 years.**

BACKGROUND

Democrats' American Rescue Plan Act (ARPA) **spent an estimated \$34 billion** to temporarily increase the amount of the premium tax credit subsidies for plans purchased through the Affordable Care Act (ACA), while also removing the 400 percent of federal poverty level (FPL) income limit on eligibility.

Subsequently, Democrats' so-called "Inflation Reduction Act" (P.L. 117-169) **spent an estimated \$64 billion to extend the expanded ACA subsidies through Calendar Year 2025.**

President Biden's Fiscal Year 2025 Budget Request included a policy proposal to permanently extend the expanded Obamacare premium tax credit subsidies, **at an estimated net cost of \$383 billion** over the budget window, according to CBO and JCT's response.

Particularly concerning to both patients 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.

Our national debt is rapidly approaching \$35 trillion, with interest costs solely to finance our nation's credit card equaling \$892 billion in 2024. These unsustainable costs will simply be passed on to future generations of Americans, threatening a lower quality of life.

House Budget Committee and House Ways and Means Committee Republicans are leading the way to restore fiscal responsibility and ensure taxpayer dollars are directed to those most in need.