

MODIFICATION OF CALCULATION OF MODIFIED ADJUSTED GROSS INCOME FOR DETERMINING CERTAIN HEALTHCARE PROGRAM ELIGIBILITY

OCTOBER 18, 2011.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. CAMP, from the Committee on Ways and Means,
submitted the following

R E P O R T

together with

DISSENTING VIEWS

[To accompany H.R. 2576]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 2576) to amend the Internal Revenue Code of 1986 to modify the calculation of modified adjusted gross income for purposes of determining eligibility for certain healthcare-related programs, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

CONTENTS

	Page
I. SUMMARY AND BACKGROUND	2
A. Purpose and Summary	2
B. Background and Need for Legislation	2
C. Legislative History	3
II. EXPLANATION OF THE BILL	3
A. Modification of Calculation of Modified Adjusted Gross Income for Determining Eligibility for Certain Healthcare-Related Programs (sec. 1 of the bill and sec. 36B of the Code)	3
III. VOTES OF THE COMMITTEE	8
IV. BUDGET EFFECTS OF THE BILL	8
V. OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE	15
VI. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED	16
VII. DISSENTING VIEWS	18

I. SUMMARY AND BACKGROUND

A. PURPOSE AND SUMMARY

The bill, H.R. 2576, reported by the Committee on Ways and Means, amends the Internal Revenue Code of 1986 to modify the calculation of modified adjusted gross income used in determining eligibility for certain healthcare-related programs under the Patient Protection and Affordable Care Act of 2010 (“PPACA”),¹ as modified by the Health Care and Education Reconciliation Act of 2010 (“HCERA”).²

Specifically, the bill revises the definition of modified adjusted gross income for purposes of eligibility for the premium assistance credit for health insurance purchased through an exchange—sometimes referred to as an exchange subsidy—to include the amount of Social Security benefits and tier 1 Railroad Retirement benefits that are not includible in gross income. This definition of modified adjusted gross income applies also for purposes of eligibility for reduced cost-sharing with respect to health insurance purchased through an exchange and for Medicaid for the nonelderly and the Children’s Health Insurance Program.

B. BACKGROUND AND NEED FOR LEGISLATION

Among the numerous concerns about PPACA and HCERA that have been discovered since their enactment in 2010, are concerns about the definition of modified adjusted gross income used to determine eligibility for the exchange subsidies, Medicaid, and other health programs. Since enactment, press reports have revealed that the law’s definition of income excludes the non-taxable portion of Social Security benefits, significantly understating the financial resources available to certain households. Subsequently, Administration officials, including the Chief Actuary at the Centers for Medicare and Medicaid Services, have confirmed that millions of such households will be eligible for subsidized health insurance that, in many cases, was designed for those with fewer financial resources. In contrast, many other Federal means-tested programs define income, for purposes of determining income eligibility, to include the entire Social Security benefit, rather than just the taxable portion.

As part of his recent debt reduction plan, President Obama proposed the same modification to the definition of income for means-tested health programs as is contained in H.R. 2576. While legislation (H.R. 2) to repeal PPACA and HCERA outright remains pending in the Senate, H.R. 2576 is a bipartisan proposal that Congress and the President can enact immediately in order to reduce the deficit and bring the definition of income for health programs into alignment with the measurement of income used to determine eligibility for other social welfare programs.

¹Pub. L. No. 111–148 (March 23, 2010).

²Pub. L. No. 111–152 (March 30, 2010).

C. LEGISLATIVE HISTORY

Background

H.R. 2576 was introduced on July 18, 2011, and was referred to the Committee on Ways and Means.

Committee action

The Committee on Ways and Means marked up the bill on October 13, 2011, and ordered the bill favorably reported.

II. EXPLANATION OF THE BILL

A. MODIFICATION OF CALCULATION OF MODIFIED ADJUSTED GROSS INCOME FOR DETERMINING ELIGIBILITY FOR CERTAIN HEALTHCARE-RELATED PROGRAMS (SEC. 1 OF THE BILL AND SEC. 36B OF THE CODE)

Present Law**Premium assistance credit**

For taxable years ending after December 31, 2013, section 36B provides a refundable tax credit (the “premium assistance credit”) for eligible individuals and families who purchase health insurance through an exchange. The premium assistance credit, which is refundable and payable in advance directly to the insurer, subsidizes the purchase of certain health insurance plans through an exchange.

The premium assistance credit is available for individuals (single or joint filers) with household incomes between 100 and 400 percent of the Federal poverty level (“FPL”) for the family size involved who do not receive health insurance through an employer or a spouse’s employer.³ Household income is defined as the sum of: (1) the taxpayer’s modified adjusted gross income, plus (2) the aggregate modified adjusted gross incomes of all other individuals taken into account in determining that taxpayer’s family size (but only if such individuals are required to file a tax return for the taxable year). Modified adjusted gross income is defined as adjusted gross income increased by: (1) any amount excluded by section 911 (the exclusion from gross income for citizens or residents living abroad), plus (2) any tax-exempt interest received or accrued during the tax year.⁴ To be eligible for the premium assistance credit, taxpayers who are married (within the meaning of section 7703) must file a joint return. Individuals who are listed as dependents on a return are ineligible for the premium assistance credit.

As described in Table 1 below, premium assistance credits are available on a sliding scale basis for individuals and families with household incomes between 100 and 400 percent of FPL to help offset the cost of private health insurance premiums. The premium

³ Individuals who are lawfully present in the United States but are not eligible for Medicaid because of their immigration status are treated as having a household income equal to 100 percent of FPL (and thus eligible for the premium assistance credit) as long as their household income does not actually exceed 100 percent of FPL.

⁴ The definition of modified adjusted gross income used in section 36B is incorporated by reference for purposes of determining eligibility to participate in certain other healthcare-related programs, such as reduced cost-sharing (section 1402 of PPACA), Medicaid for the nonelderly (section 1902(e) of the Social Security Act (42 U.S.C. 1396a(e))) as modified by section 2002(a) of PPACA and the Children’s Health Insurance Program (section 2102(b)(1)(B) of the Social Security Act (42 U.S.C. 1397bb(b)(1)(B))) as modified by section 2101(d) of PPACA.

assistance credit amount is determined based on the percentage of income the cost of premiums represents, rising from two percent of income for those at 100 percent of FPL for the family size involved to 9.5 percent of income for those at 400 percent of FPL for the family size involved. After 2014, the percentages of income are indexed to the excess of premium growth over income growth for the preceding calendar year. After 2018, if the aggregate amount of premium assistance credits and cost-sharing reductions⁵ exceeds 0.504 percent of the gross domestic product for that year, the percentage of income is also adjusted to reflect the excess (if any) of premium growth over the rate of growth in the consumer price index for the preceding calendar year. For purposes of calculating family size, individuals who are in the country illegally are not included.

TABLE 1.—THE PREMIUM ASSISTANCE CREDIT PHASE-OUT

Household income (expressed as a percent of FPL)	Initial premium (percentage)	Final premium (percentage)
100% up to 133%	2.0	2.0
133% up to 150%	3.0	4.0
150% up to 200%	4.0	6.3
200% up to 250%	6.3	8.05
250% up to 300%	8.05	9.5
300% up to 400%	9.5	9.5

Minimum essential coverage and employer offer of health insurance coverage

Generally, if an employee is offered minimum essential coverage⁶ in the group market, including employer-provided health insurance coverage, the individual is ineligible for the premium assistance credit for health insurance purchased through an exchange.

If an employee is offered unaffordable coverage by his or her employer or the plan's share of total allowed cost of provided benefits is less than 60 percent of such costs, the employee can be eligible for the premium assistance credit, but only if the employee declines to enroll in the coverage and satisfies the conditions for receiving a premium assistance credit through an exchange. Unaffordable coverage is defined as coverage with a premium required to be paid by the employee that is more than 9.5 percent of the employee's household income, based on self-only coverage.⁷

Reconciliation

If the premium assistance credit received through advance payment exceeds the amount of premium assistance credit to which the taxpayer is entitled for the taxable year, the liability for the excess advance payment must be reflected on the taxpayer's income tax return for the taxable year subject to a limitation on the amount of such liability. For persons with household income below 400 percent of FPL, the liability for the excess payment for a taxable year is limited to a specific dollar amount (the "applicable dol-

⁵ As described in section 1402 of PPACA.

⁶ As defined in section 5000A(f).

⁷ The 9.5 percent amount is indexed for calendar years beginning after 2014 to reflect the excess of premium growth over income growth.

lar amount”) as shown in Table 2 below (one-half of the applicable dollar amount shown in Table 2 for unmarried individuals who are not surviving spouses or filing as heads of households).⁸

TABLE 2.—RECONCILIATION

Household income (expressed as a percent of FPL)	Applicable dollar amount
Less than 200%	\$600
At least 200% but less than 300%	1,500
At least 300% but less than 400%	2,500

If the premium assistance credit for a taxable year received through advance payment is less than the amount of the credit to which the taxpayer is entitled for the year, the shortfall in the credit is also reflected on the taxpayer’s tax return for the year.

Income taxation of Social Security benefits

Social Security benefits

Section 86 provides rules for determining what amount, if any, of a taxpayer’s Social Security benefits are includible in gross income. Social Security benefits that are not taxed under section 86 are excluded from gross income. For purposes of section 86, Social Security benefits generally include monthly retirement benefits payable under title II of the Social Security Act and tier 1 Railroad Retirement benefits. If a taxpayer’s Social Security benefits or Railroad Retirement benefits are offset by worker’s compensation benefits, then the amount of the taxpayer’s Social Security benefits is increased by the amount of such offset.

Portion of Social Security benefits includible in gross income

The amount of Social Security benefits includible in gross income is determined under a two-tier system. Taxpayers receiving Social Security benefits are not required to include any portion of such benefits in gross income if their provisional income does not exceed a first-tier threshold, which is \$25,000, in the case of unmarried individuals, or \$32,000, in the case of married individuals filing jointly.⁹ For purposes of these computations, a taxpayer’s provisional income is defined as adjusted gross income increased by certain amounts, including, generally: (1) tax-exempt interest; (2) excludable interest on educational savings bonds; (3) adoption assistance payments; (4) certain deductible student loan interest; (5) certain excludable foreign-source earned income; (6) certain U.S. possession income; and (7) one-half of the taxpayer’s Social Security benefits. A second-tier threshold for provisional income is \$34,000, in the case of unmarried individuals, or \$44,000, in the case of mar-

⁸Section 36B(f)(2)(i), as amended by section 4 of the Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act of 2011, Pub. L. No. 112–9 (April 14, 2011).

⁹In the case of a married individual who files a separate return, the first-tier threshold is generally zero. However, if the individual lives apart from his or her spouse for the entire year, the first-tier threshold is \$25,000.

ried individuals filing joint returns.¹⁰ These thresholds are not indexed for inflation.

If the taxpayer's provisional income exceeds the first-tier threshold but does not exceed the second-tier threshold, then the amount required to be included in gross income is the lesser of: (1) 50 percent of the taxpayer's Social Security benefits, or (2) 50 percent of the excess of the taxpayer's provisional income over the first-tier threshold.

If the amount of provisional income exceeds the second-tier threshold, then the amount required to be included in gross income is the lesser of: (1) 85 percent of the taxpayer's Social Security benefits; or (2) the sum of (a) 85 percent of the excess of the taxpayer's provisional income over the second-tier threshold, plus (b) the smaller of (i) the amount of benefits that would have been included in income if the 50-percent inclusion rule (described in the previous paragraph) were applied, or (ii) one-half of the difference between the taxpayer's second-tier threshold and first-tier threshold.¹¹ Tables 3 and 4 below summarize the income taxation of Social Security benefits.

TABLE 3.—SUMMARY OF THE TAXATION OF SOCIAL SECURITY BENEFITS FOR UNMARRIED TAXPAYERS

Provisional income level	Amount included in gross income		
\$24,999 and below	0%		
First-tier inclusion is the lesser of . . .			
\$25,000 to \$33,999	(1) 50% of Social Security benefit.	(2) 50% of provisional income exceeding \$25,000.	
Second-tier inclusion is the lesser of . . .			
		(2) 85% of the amount of provisional income exceeding \$34,000 plus the lesser of . . .	
\$34,000 and above	(1) 85% of Social Security benefit.	(2a) \$4,500	(2b) amount of Social Security benefit that would have been included if the 50% rule applied.

TABLE 4.—SUMMARY OF THE TAXATION OF SOCIAL SECURITY BENEFITS FOR MARRIED TAXPAYERS

Provisional income level	Amount included in gross income
\$31,999 and below	0%

¹⁰In the case of a married individual who files a separate return, the second-tier threshold is generally zero. However, if the individual lives apart from his or her spouse for the entire year, the second-tier threshold is \$34,000.

¹¹Special rules apply in some cases. In the case of nonresident individuals who are not U.S. citizens, 85 percent of Social Security benefits are includible in gross income and subject to the 30-percent withholding tax (sec. 871(a)(3)). The taxation of Social Security benefits may also be specified in income tax treaties between the United States and other countries.

TABLE 4.—SUMMARY OF THE TAXATION OF SOCIAL SECURITY BENEFITS FOR MARRIED TAXPAYERS—Continued

First-tier inclusion is the lesser of . . .			
\$32,000 to \$43,999	(1) 50% of Social Security benefit.	(2) 50% of provisional income exceeding \$32,000.	
Second-tier inclusion is the lesser of . . .			
\$44,000 and above	(1) 85% of Social Security benefit.	(2) 85% of the amount of provisional income exceeding \$44,000 plus the lesser of . . .	(2a) \$6,000
			(2b) amount of Social Security benefit that would have been included if the 50% rule applied.

Reasons for Change

The Committee believes that the full amount of a taxpayer's Social Security benefits should be taken into account in determining eligibility for the premium assistance credit and other benefits under Federally funded health programs, regardless of the portion of Social Security benefits includible in gross income. Taking the full amount of Social Security benefits into account for these purposes provides consistency with eligibility for other Federal needs-based programs and furthers the goal of deficit reduction.

Explanation of Provision

The provision revises the definition of modified adjusted gross income in section 36B to include the amount of the taxpayer's Social Security benefits that are excluded from gross income. Thus, for purposes of the premium assistance credit, modified adjusted gross income is defined as adjusted gross income increased by: (1) any amount excluded by section 911 (the exclusion from gross income for citizens or residents living abroad), (2) any tax-exempt interest received or accrued during the tax year, plus (3) the amount of Social Security benefits excluded from gross income. Because the definition of modified adjusted gross income used in section 36B is incorporated by reference for purposes of determining eligibility to participate in certain other healthcare-related programs, such as reduced cost-sharing,¹² Medicaid for the nonelderly,¹³ and the Children's Health Insurance Program,¹⁴ the revised definition applies to those programs as well.

¹²Section 1402 of PPACA.

¹³Section 1902(e) of the Social Security Act (42 U.S.C. 1396a(e)) as modified by section 2002(a) of PPACA.

¹⁴Section 2102(b)(1)(B) of the Social Security Act (42 U.S.C. 1397bb(b)(1)(B)) as modified by section 2101(d) of PPACA.

Effective Date

The provision is effective on date of enactment. Code section 36B, which the provision amends, however, is not effective until taxable years ending after December 31, 2013. Thus, the provision applies for taxable years ending after December 31, 2013.

III. VOTES OF THE COMMITTEE

In compliance with clause 3(b) of rule XIII of the Rules of the House of Representatives, the following statement is made concerning the vote of the Committee on Ways and Means in its consideration of H.R. 2576, “To amend the Internal Revenue Code of 1986 to modify the calculation of modified adjusted gross income for purposes of determining eligibility for certain healthcare-related programs.”

The bill, H.R. 2576, was ordered favorably reported by a rollcall vote of 23 yeas to 12 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Camp	X	.....	.....	Mr. Levin .....	.....	X	.....
Mr. Herger	X	.....	.....	Mr. Rangel .....	.....	X	.....
Mr. Johnson	X	.....	.....	Mr. Stark .....	.....	X	.....
Mr. Brady	X	.....	.....	Mr. McDermott .....	.....	X	.....
Mr. Ryan	X	.....	.....	Mr. Lewis .....	.....	X	.....
Mr. Nunes	X	.....	.....	Mr. Neal .....	.....	X	.....
Mr. Tiberi	X	.....	.....	Mr. Becerra .....	.....	X	.....
Mr. Davis	X	.....	.....	Mr. Doggett .....	.....	X	.....
Mr. Reichert	X	.....	.....	Mr. Thompson .....	.....	X	.....
Mr. Boustany	X	.....	.....	Mr. Larson .....	.....	.....	.....
Mr. Roskam	X	.....	.....	Mr. Blumenauer .....	.....	X	.....
Mr. Gerlach	X	.....	.....	Mr. Kind	X	.....	.....
Mr. Price	X	.....	.....	Mr. Pascrell .....	.....	X	.....
Mr. Buchanan	X	.....	.....	Ms. Berkley .....	.....	X	.....
Mr. Smith	X	.....	.....	Mr. Crowley .....	.....	X	.....
Mr. Schock	X	.....	.....		
Ms. Jenkins	X	.....	.....		
Mr. Paulsen	X	.....	.....		
Mr. Marchant	X	.....	.....		
Mr. Berg	X	.....	.....		
Ms. Black	X	.....	.....		
Mr. Reed	X	.....	.....		

IV. BUDGET EFFECTS OF THE BILL

A. COMMITTEE ESTIMATE OF BUDGETARY EFFECTS

In compliance with clause 3(d) of rule XIII of the Rules of the House of Representatives, the following statement is made concerning the effects on the budget of the revenue provisions of the bill, H.R. 2576, as reported.

The bill, as reported, is estimated to have the following effects on budget receipts for fiscal years 2012–2021:

ESTIMATED REVENUE EFFECTS OF I.R. 2576,
TO AMEND THE INTERNAL REVENUE CODE OF 1986 TO MODIFY THE CALCULATION OF MODIFIED
ADJUSTED GROSS INCOME FOR PURPOSES OF DETERMINING ELIGIBILITY FOR CERTAIN HEALTHCARE RELATED PROGRAMS,
AS REPORTED BY THE COMMITTEE ON WAYS AND MEANS

Fiscal Years 2012 - 2021

(Millions of Dollars)

Provision	Effective	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-16	2012-21
Modification of Calculation of Modified Adjusted Gross Income for Determining Eligibility for Certain Healthcare Programs [1][2][3].....	DOE [4]	---	---	702	468	1,478	1,825	2,014	2,158	1,786	2,554	2,648	12,986
NET TOTAL		---	---	702	468	1,478	1,825	2,014	2,158	1,786	2,554	2,648	12,986

Joint Committee on Taxation

NOTE: Details may not add to totals due to rounding. Date of enactment is assumed to be November 1, 2011.

Legend for "Effective" column: DOE = date of enactment

- [1] Estimate provided by the staff of the Joint Committee on Taxation and the Congressional Budget Office.
- [2] Estimate includes the following changes in outlays:

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2011-16	2011-21
---	---	-1,120	-1,467	-2,644	-2,868	-3,087	-3,372	-3,333	-3,805	-5,232	-21,698
- [3] Estimates includes the following off-budget effects:

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2011-16	2011-21
---	---	186	226	201	130	183	218	303	152	613	1,598
- [4] The provision affects statutes that become effective for taxable years ending after December 31, 2013.

B. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX
EXPENDITURES BUDGET AUTHORITY

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee states that the bill involves no new or increased budget authority. The Committee states further that the bill involves no new or increased tax expenditures.

C. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

In compliance with clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, requiring a cost estimate prepared by the CBO, the following statement by CBO is provided.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE
Washington, DC, October 14, 2011.

Hon. DAVE CAMP,
Chairman, Committee on Ways and Means, House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 2576, a bill to modify the calculation of modified adjusted gross income for purposes of determining eligibility for certain health-care-related programs.

If you would like further details about this estimate, we would be pleased to provide them. The CBO staff contact is Sarah Anders.

Sincerely,

DOUGLAS W. ELMENDORF.

Enclosure.

H.R. 2576—A bill to amend the Internal Revenue Code of 1986 to modify the calculation of modified adjusted gross income for purposes of determining eligibility for certain healthcare-related programs

Summary: H.R. 2576 would require all Social Security and Tier 1 Railroad Retirement benefits to be included as part of modified adjusted gross income (MAGI) for purposes of determining eligibility for certain Medicaid applicants and subsidies for health insurance purchased through the new health insurance exchanges to be established under the Patient Protection and Affordable Care Act (PPACA, Public Law 111–148). Under PPACA, the nontaxable portion of those benefits will be excluded from MAGI for such eligibility determinations.

CBO and the staff of the Joint Committee on Taxation (JCT) estimate that enacting the legislation would reduce deficits by almost \$3 billion over the 2012–2016 period and by about \$13 billion over the 2012–2021 period. Pay-as-you-go procedures apply because enacting the legislation would affect direct spending and revenues. Implementing H.R. 2576 would not have any significant impact on spending subject to appropriation.

JCT has determined that the bill contains no private-sector or intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA).

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 2576 is shown in the following table. The costs of this legislation fall within budget function 550 (health).

	By fiscal year, in billions of dollars—											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012–2016	2012–2021
CHANGES IN DIRECT SPENDING												
Medicaid:												
Estimated Budget Authority	0	0	-1.4	-2.5	-4.0	-4.5	-4.7	-5.0	-5.2	-5.6	-7.9	-32.9
Estimated Outlays	0	0	-1.4	-2.5	-4.0	-4.5	-4.7	-5.0	-5.2	-5.6	-7.9	-32.9
Exchange Subsidies:												
Estimated Budget Authority	0	0	0.2	0.9	1.3	1.5	1.6	1.6	1.8	1.8	2.4	10.8
Estimated Outlays	0	0	0.2	0.9	1.3	1.5	1.6	1.6	1.8	1.8	2.4	10.8
Other:												
Estimated Budget Authority	0	0	0.1	0.1	0.1	*	*	0.1	0.1	*	0.2	0.4
Estimated Outlays	0	0	0.1	0.1	0.1	*	*	0.1	0.1	*	0.2	0.4
Total Direct Spending												
Effects:												
Estimated Budget Authority	0	0	-1.1	-1.5	-2.6	-2.9	-3.1	-3.4	-3.3	-3.8	-5.2	-21.7
Estimated Outlays	0	0	-1.1	-1.5	-2.6	-2.9	-3.1	-3.4	-3.3	-3.8	-5.2	-21.7
CHANGES IN REVENUES												
Estimated Revenues	0	0	-0.4	-1.0	-1.2	-1.0	-1.1	-1.2	-1.5	-1.3	-2.6	-8.7
On-Budget	0	0	-0.2	-0.8	-1.0	-0.9	-0.9	-1.0	-1.2	-1.1	-2.0	-7.1
Off-Budget ^a	0	0	-0.2	-0.2	-0.2	-0.1	-0.2	-0.2	-0.3	-0.2	-0.6	-1.6
NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND RECEIPTS												
Impact on Deficits	0	0	-0.7	-0.5	-1.5	-1.8	-2.0	-2.2	-1.8	-2.6	-2.6	-13.0
On-Budget	0	0	-0.9	-0.7	-1.7	-2.0	-2.2	-2.4	-2.1	-2.7	-3.3	-14.6
Off-Budget ^a	0	0	0.2	0.2	0.2	0.1	0.2	0.2	0.3	0.2	0.6	1.6

Notes: Numbers may not sum to totals because of rounding.

* = less than \$50 million.

a. All off-budget effects would come from changes in revenues. (The payroll taxes for Social Security are classified as "off-budget.")

Basis of Estimate: Under current law, eligibility for subsidies to purchase insurance through health insurance exchanges and for Medicaid beginning in 2014 will be determined using a definition of MAGI that excludes the nontaxable portion of a family's Social Security benefit. H.R. 2576 would expand the definition of MAGI to include all Social Security benefits provided under Title II of the Social Security Act—which include old-age benefits, disability benefits, spousal benefits, child benefits, survivor benefits, and parental benefits—as well as Tier 1 Railroad Retirement benefits.

Impact on Insurance Coverage

CBO and JCT estimate that H.R. 2576 would, relative to current law, reduce Medicaid enrollment, increase the number of people who purchase health insurance through the health insurance exchanges, and slightly increase the number of people with employer-based coverage and the number who are uninsured.

Medicaid. CBO and JCT estimate that adding nontaxable Social Security income to the MAGI definition would reduce Medicaid enrollment, beginning in 2014, by between 500,000 and one million people depending on the year. Those losing Medicaid coverage include some retirees between the ages of 62 and 64 as well as some people receiving survivor benefits, disability benefits, and other Social Security benefits. Those losing Medicaid coverage would be expected to enroll in qualified health plans offered in health insurance exchanges, obtain employment-based insurance, or become uninsured.

Health Insurance Exchanges. H.R. 2576 would have two different effects on the number of people who purchase insurance through health insurance exchanges. First, CBO and JCT estimate that many of the individuals who lose Medicaid coverage would become eligible for premium assistance credits and cost-sharing subsidies in the exchanges. The number of people purchasing insurance through the exchanges would increase as a result. Second, we estimate that some people who were previously eligible for exchange subsidies would lose eligibility under the expanded MAGI definition that H.R. 2576 would establish, which would reduce the number of people purchasing insurance through the exchanges. CBO and JCT estimate that those coverage effects would, on net, result in an increase in enrollment in health exchanges of roughly one-half million people in any given year over the 2014–2021 period.

Other Coverage. CBO and JCT estimate that H.R. 2576 would increase the number of people enrolled in employer-based insurance as well as the number of uninsured by less than 500,000 in all years beginning in 2014.

Impact on Federal Spending and Revenues

Enacting H.R. 2576 would reduce direct spending by an estimated \$5.2 billion over the 2012–2016 period and \$21.7 billion over the 2012–2021 period. Further, H.R. 2576 would reduce revenues by approximately \$2.6 billion over the 2012–2016 period and \$8.7 billion over the 2012–2021 period. Of that revenue reduction, an estimated \$7.1 billion would be a change in on-budget revenues for the 2012–2021 period and the remaining \$1.6 billion would be a change in off-budget (Social Security) revenues.

Direct Spending. CBO estimates that Medicaid spending would decrease by \$7.9 billion over the 2012–2016 period and \$32.9 billion over the 2012–2021 period. Those savings would be partially offset by net increases in subsidies for health insurance purchased through the exchanges. Under the expanded MAGI definition, some individuals would receive less-generous exchange subsidies and others would lose eligibility for subsidies completely, resulting in savings. However, such savings would be more than offset by an increase in subsidy costs associated with other individuals who lose Medicaid eligibility under H.R. 2576, but become eligible for and choose to take up exchange subsidies. On net, CBO estimates the outlay portion of the increased payments for premium and cost-sharing subsidies would be \$2.4 billion over the 2012–2016 period and \$10.8 billion over the 2012–2021 period.¹

Revenues. Two effects largely account for the estimated \$8.7 billion revenue reduction that would result from enacting H.R. 2576. The revenue portion of the increase in premium and cost-sharing subsidies represents a little less than half of the revenue reduction. The majority of the remaining revenue loss would stem from changes in the size and composition of the population with employment-based insurance, which would alter the mix of compensation provided to workers between taxable wages and salaries and non-taxable health insurance benefits.

¹Subsidies for health insurance premiums are structured as refundable tax credits; the portions of such credits that exceed taxpayers' liabilities are classified as outlays, while the portions that reduce tax payments are reflected in the budget as reductions in revenues.

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 net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table. Only on-budget changes to outlays or revenues are subject to pay-as-you-go procedures.

Intergovernmental and private-sector impact: JCT reviews provisions in legislation that amend the tax code to determine if those provisions contain intergovernmental or private-sector mandates as defined in UMRA. JCT has determined that the bill contains no private-sector or intergovernmental mandates as defined in UMRA.

CEO ESTIMATE OF PAY-AS-YOU-GO EFFECTS FOR H.R. 2576, AS ORDERED REPORTED BY THE COMMITTEE ON WAYS AND MEANS ON OCTOBER 13, 2011

	By fiscal year, in millions of dollars—											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
	NET INCREASE OR DECREASE (-) IN THE ON-BUDGET DEFICIT											
Statutory Pay-As-You-Go Impact	0	0	-888	-694	-1,679	-1,955	-2,197	-2,376	-2,088	-2,706	-3,261	-14,584
Memorandum:												
Changes in Outlays	0	0	-1,120	-1,467	-2,644	-2,868	-3,087	-3,372	-3,333	-3,805	-5,232	-21,698
Changes in Revenues	0	0	-232	-773	-966	-913	-891	-995	-1,245	-1,099	-1,971	-7,114

Note: Numbers may not sum to totals because of rounding.

Previous CBO estimate: On July 22, 2011, CBO transmitted a cost estimate for S. 1376, as introduced in the United States Senate on July 18, 2011. The legislative language modifying the MAGI definition in H.R. 2576 is similar to the legislative language of S. 1376 and would have the same budgetary effects over the 2012–2016 and 2012–2021 periods.

Estimate prepared by: Alexandra Minicozzi, Sarah Anders, Robert Stewart, and Kirstin Nelson.

Estimate approved by: Holly Harvey, Deputy Assistant Director for Budget Analysis.

D. MACROECONOMIC IMPACT ANALYSIS

In compliance with clause 3(h)(2) of rule XIII of the Rules of the House of Representatives, the following statement is made by the Joint Committee on Taxation with respect to the provisions of the bill amending the Internal Revenue Code of 1986: the effects of the bill on economic activity are so small as to be incalculable within the context of a model of the aggregate economy.

V. OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

A. COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

With respect to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives (relating to oversight findings), the Committee advises that it was a result of the Committee’s review of the provisions of H.R. 2576 that the Committee concluded that it is appropriate to report the bill favorably to the House of Representatives with the recommendation that the bill do pass.

B. STATEMENT OF GENERAL PERFORMANCE GOALS AND OBJECTIVES

With respect to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee advises that the bill contains no measure that authorizes funding, so no statement of general performance goals and objectives for which any measure authorizing funding is required.

C. INFORMATION RELATING TO UNFUNDED MANDATES

This information is provided in accordance with section 423 of the Unfunded Mandates Reform Act of 1995 (Pub. L. No. 104–4).

The Committee has determined that the revenue provisions of the bill do not contain Federal mandates on the private sector. The Committee has determined that the revenue provisions of the bill do not impose a Federal intergovernmental mandate on State, local, or tribal governments.

D. APPLICABILITY OF HOUSE RULE XXI 5(b)

Rule XXI 5(b) of the Rules of the House of Representatives provides, in part, that “A bill or joint resolution, amendment, or conference report carrying a Federal income tax rate increase may not be considered as passed or agreed to unless so determined by a vote of not less than three-fifths of the Members voting, a quorum being present.” The Committee has carefully reviewed the provisions of the bill, and states that the provisions of the bill do not

involve any Federal income tax rate increases within the meaning of the rule.

E. TAX COMPLEXITY ANALYSIS

Section 4022(b) of the Internal Revenue Service Reform and Restructuring Act of 1998 (the “IRS Reform Act”) requires the staff of the Joint Committee on Taxation (in consultation with the Internal Revenue Service and the Treasury Department) to provide a tax complexity analysis. The complexity analysis is required for all legislation reported by the Senate Committee on Finance, the House Committee on Ways and Means, or any committee of conference if the legislation includes a provision that directly or indirectly amends the Internal Revenue Code and has widespread applicability to individuals or small businesses.

Pursuant to clause 3(h)(1) of rule XIII of the Rules of the House of Representatives, the staff of the Joint Committee on Taxation has determined that a complexity analysis is not required under section 4022(b) of the IRS Reform Act because the bill contains no provisions that amend the Code and that have “widespread applicability” to individuals or small businesses, within the meaning of the rule.

F. CONGRESSIONAL EARMARKS, LIMITED TAX BENEFITS, AND LIMITED TARIFF BENEFITS

With respect to clause 9 of rule XXI of the Rules of the House of Representatives, the Committee has carefully reviewed the provisions of the bill, and states that the provisions of the bill do not contain any congressional earmarks, limited tax benefits, or limited tariff benefits within the meaning of the rule.

VI. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

INTERNAL REVENUE CODE OF 1986

Subtitle A—Income Taxes

* * * * *

CHAPTER 1—NORMAL TAXES AND SURTAXES

* * * * *

Subchapter A—Determination of Tax Liability

* * * * *

PART IV—CREDITS AGAINST TAX

* * * * *

Subpart C—Refundable Credits

* * * * *

SEC. 36B. REFUNDABLE CREDIT FOR COVERAGE UNDER A QUALIFIED HEALTH PLAN.

(a) * * *

* * * * *

(d) **TERMS RELATING TO INCOME AND FAMILIES.**—For purposes of this section—

(1) * * *

(2) **HOUSEHOLD INCOME.**—

(A) * * *

(B) **MODIFIED ADJUSTED GROSS INCOME.**—The term “modified adjusted gross income” means adjusted gross income increased by—

(i) any amount excluded from gross income under section 911, **[and]**

(ii) any amount of interest received or accrued by the taxpayer during the taxable year which is exempt from tax~~[\.]~~, *and*

(iii) *any amount of social security benefits of the taxpayer excluded from gross income under section 86.*

* * * * *

VII. DISSENTING VIEWS

We are concerned about the impact of H.R. 2576 on retirees and people with severe disabilities. The fundamental goal of the Affordable Care Act is to provide secure, stable, and comprehensive health insurance coverage to all Americans, including retirees who are not yet eligible for Medicare coverage and persons with severe disabilities. Indeed, as a result of the health insurance reforms and tax credits in the Affordable Care Act, the Congressional Budget Office estimates that over 30 million more Americans will be covered by quality, comprehensive health insurance as compared to the number of Americans covered today. According to a Congressional Budget Office estimate of a similar Senate bill (S. 1376), H.R. 2576 will result in up to 500,000 Americans losing coverage altogether, with many more having to pay more for their health insurance coverage. We are concerned because this reduction in coverage and increase in costs, worth \$13 billion, is borne entirely by retirees, persons with severe disabilities, and their families.

Commentators have suggested that the definition of modified adjusted gross income in the Affordable Care Act that excludes nontaxable Social Security benefits is a “glitch,” with some suggesting that this would add hundreds of billions of dollars to the cost of the Act beyond the original estimate. This is not true. As Mr. Barthold, the Chief of Staff of the Joint Committee on Taxation, noted during the markup of H.R. 2576, the exclusion of nontaxable Social Security benefits is typical when applying income limitations to tax benefits. Mr. Barthold also stated that the staffs of the Joint Committee on Taxation and the Congressional Budget Office were aware of the exclusion of nontaxable Social Security benefits from the definition of modified adjusted gross income and the estimates fully accounted for this exclusion.

In defending H.R. 2576 during the markup, the majority uses an example that relies on an extreme and implausible fact pattern when arguing that families with income of approximately \$60,000 per year will qualify for Medicaid. The example assumes a couple receiving the maximum amount of Social Security benefits because they have each earned the maximum amount of creditable wages every year during their working careers (“maximum earner couples”). Presently, this means earning a salary of at least \$106,800 each, or over \$210,000 for the couple. But the majority’s example also assumes that this high-income couple has relatively modest sources of income outside of Social Security benefits—only about \$20,000 per year, despite lengthy careers earning top salaries that would place the couple in the top 5 percent of income earners.

This fact pattern is highly improbable. A more realistic fact pattern is presented by the average Social Security benefits and median non-Social Security income of pre-age 65 Social Security recipients. The average Social Security benefit for a low or middle in-

come worker retiring at age 62 today ranges from \$8,300 to \$13,700, and the median non-Social Security income of current beneficiaries ranges from \$9,000 to \$16,500 per year (depending on the age cohort of the recipients). These facts present a far different picture of who will be affected by H.R. 2576. The truth is that the bill will impose higher costs on low and moderate income retirees and persons with severe disabilities by either shifting them out of Medicaid coverage or requiring that they contribute significantly more of their income for health insurance coverage through reduced tax credits. These struggling retirees, persons with severe disabilities, and their families who lose coverage will be earning far less than \$60,000 plus per year.

SANDER M. LEVIN.
CHARLES B. RANGEL.
PETE STARK.
JIM McDERMOTT.
JOHN LEWIS.
XAVIER BECERRA.
JOE CROWLEY.

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