CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 27, 2018

H.R. 4616
Employer Relief Act of 2018

As ordered reported by the House Committee on Ways and Means on July 11, 2018

SUMMARY

H.R. 4616 would suspend collection of penalties imposed on large employers who decline to offer their employees health insurance coverage that meets specified standards (known as the employer mandate) for plan years 2015-2018. It also would delay implementation of the excise tax on high-premium insurance plans by one year. CBO and the staff of the Joint Committee on Taxation (JCT) estimate that enacting the legislation would increase federal deficits by $39.5 billion over the 2019-2028 period.

Enacting H.R. 4616 would affect direct spending and revenues; therefore, pay-as-you-go procedures apply.

CBO and JCT estimate that enacting H.R. 4616 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

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

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 4616 is shown in the following table. The costs of this legislation fall within budget function 550 (health).

	By Fiscal Year, in Billions of Dollars												
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-2023	2019-2028
DECREASES (-) IN REVENUES													
Moratorium on Employer Mandate													
Estimated Revenues	0	-12.1	-10.2	-3.6	0	0	0	0	0	0	0	-25.9	-25.9
Delay in Implementation of Excise Tax on High-Premium Insurance Plans													
Estimated Revenues	0	0	0	0	-9.2	-6.3	0	0	0	0	0	-15.5	-15.5
Total Changes in Revenues	0	-12.1	-10.2	-3.6	-9.2	-6.3	0	0	0	0	0	-41.4	-41.4
On-Budget	0	-12.1	-10.2	-3.6	-8.9	-6.2	0	0	0	0	0	-41.0	-41.0
Off-Budget[a]	0	0	0	0	-0.3	-0.1	0	0	0	0	0	-0.4	-0.4
DECREASES (-) IN DIRECT SPENDING													
Delay in Implementation of Excise Tax on High-Premium Insurance Plans													
Estimated Budget Authority	0	0	0	0	-1.4	-0.6	0	0	0	0	0	-1.9	-1.9
Estimated Outlays	0	0	0	0	-1.4	-0.6	0	0	0	0	0	-1.9	-1.9
NET INCREASE IN THE DEFICIT FROM DECREASES (-) IN DIRECT SPENDING AND REVENUES													
Impact on Deficit	0	12.1	10.2	3.6	7.8	5.8	0	0	0	0	0	39.5	39.5
On-Budget	0	12.1	10.2	3.6	7.5	5.7	0	0	0	0	0	39.1	39.1
Off-Budget[a]	0	0	0	0	0.3	0.1	0	0	0	0	0	0.4	0.4

Annual amounts may not sum to totals because of rounding.

a. All off-budget effects would come from changes in Social Security revenues.

b. For revenues, a negative number indicates a decrease (adding to the deficit).

BASIS OF ESTIMATE

For this estimate, CBO assumes the legislation will be enacted near the end of fiscal year 2018. CBO and JCT estimate that enacting the legislation would increase federal deficits by $39.5 billion over the 2019-2028 period; that change would result from a $1.9 billion decrease in outlays and a $41.4 billion decrease in revenues.

Moratorium on Employer Mandate Penalties. Section 2 of H.R. 4616 would suspend collection of employer mandate penalties related to plan years 2015 through 2018. CBO and JCT estimate that the moratorium on the penalties would decrease revenues by $25.9 billion over the 2019-2028 period.

Under current law, large employers that do not offer health insurance coverage that meets certain standards under the Affordable Care Act will owe a penalty if they have any full-time employees who receive a subsidy through a health insurance marketplace.[1] The requirement generally applies to employers with at least 50 full-time equivalent employees. The Internal Revenue Service (IRS) is in the process of collecting penalties for plan year 2015. CBO and JCT estimate that, under the bill, any penalties that have been collected would be refunded and that the IRS would cease collecting penalties for plan years 2015 through 2018. Because the penalties would not be collected for prior plan years and would remain in place for years after 2018, CBO and JCT estimate that the provision would not significantly affect employer decisions about offering insurance coverage.

Delaying Implementation of Excise Tax on High-Premium Insurance Plans. Section 3 of H.R. 4616 would delay the implementation of the excise tax on high-premium employment-based insurance plans until 2023. (The tax is currently scheduled to take effect beginning in 2022.) CBO and JCT estimate that the delay would decrease outlays by $1.9 billion and decrease revenues by $15.5 billion over the 2019-2028 period, resulting in an estimated $13.6 billion increase in the deficit.

Current law requires providers of employment-based insurance to pay a federal excise tax on certain high-cost employment-based coverage beginning in 2022.[2] CBO and JCT expect that the excise tax will cause employers and employees to shift to lower cost plans to avoid paying the tax or to reduce their taxable liability. H.R. 4616 would delay the tax from applying until 2023.

The estimated decrease in revenues of $15.5 billion over the 2019-2028 period stems from foregone excise tax receipts and from fewer employers and workers shifting to lower-cost health insurance plans to avoid paying the tax. That is, relative to current law, more people would remain in higher cost health insurance plans, and a larger share of total compensation would take the form of non-taxable health benefits, decreasing the share that takes the form of taxable wages and salaries. The reduction in revenues also reflects CBO and JCT's expectation that some employers who are projected to stop offering health insurance under current law would instead continue to offer insurance whose total value exceeds the specified thresholds for the excise tax. That response would further reduce the share of compensation taking the form of taxable wages and salaries.

1. To meet the standards, the cost to employees for self-only coverage must not exceed a specified share of their income (which is 9.56 percent in 2018 and is scheduled to grow over time), and the plan must pay at least 60 percent of the cost of covered benefits.

2. The excise tax will apply to plans that have total premiums above a certain threshold. The tax will be equal to 40 percent of the difference between the total value of the contributions and the applicable threshold.

The estimated $1.9 billion decrease in outlays over the 2019-2028 period is attributable to individuals who would have received marketplace subsidies under current law and would instead enroll in employment-based coverage.

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 on budget revenues that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for H.R. 4616, as ordered reported by the House Committee on Ways and Means on July 11, 2018

	By Fiscal Year, in Millions of Dollars												
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2018-2023	2018-2028
	NET INCREASE OR DECREASE (-) IN THE ON-BUDGET DEFICIT												
Statutory Pay-As-You-Go Effect	0	12,111	10,169	3,630	7,531	5,653	0	0	0	0	0	39,094	39,094
Memorandum:													
Changes in Outlays	0	0	0	0	-1,359	-582	0	0	0	0	0	-1,941	-1,941
Changes in Revenues (on-budget)	0	-12,111	-10,169	-3,630	-8,890	-6,235	0	0	0	0	0	-41,035	-41,035

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO and JCT estimate that enacting the legislation would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

MANDATES

JCT has determined that the bill contains no intergovernmental or private-sector mandates as defined in UMRA.

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